CANADA

DEBATES OF THE SENATE

OFFICIAL REPORT

(HANSARD)

THE HONOURABLE GUY CHARBONNEAU
SPEAKER

1989-90-91
SECOND SESSION, THIRTY-FOURTH PARLIAMENT
38-39-40 ELIZABETH II

VOLUME IV

(November 6, 1990 to November 29, 1990)

Parliament was opened on April 3, 1989

and was prorogued on May 12, 1991

Queen's Printer for Canada, Ottawa

SPEAKER

THE HONOURABLE GUY CHARBONNEAU

LEADER OF THE GOVERNMENT

THE HONOURABLE LOWELL MURRAY, P.C.

LEADER OF THE OPPOSITION

THE HONOURABLE ALLAN J. MACEACHEN, P.C.

OFFICERS OF THE SENATE

CLERK OF THE SENATE AND CLERK OF THE PARLIAMENTS

GORDON L. BARNHART, M.A., P.MGR.

CLERK ASSISTANT OF THE SENATE

RICHARD G. GREENE

LAW CLERK AND PARLIAMENTARY COUNSEL

R.L. DU PLESSIS, Q.C., B.A., LL.L.

GENTLEMAN USHER OF THE BLACK ROD

COL. JEAN DORÉ, C.D.

THE SENATE

Tuesday, November 6, 1990

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

WORLD WAR II

INTERNMENT OF ITALIAN CANADIANS—APOLOGY BY PRIME MINISTER—QUESTION OF PRIVILEGE

Hon. Consiglio Di Nino: Honourable senators, I rise on a question of privilege. This past Sunday, in an address to a large group of people, mostly of Italian-Canadian background in the Toronto area, our Prime Minister apologized for the wrong and illegal treatment of Italian Canadians during World War II.

Those who were interned have waited 45 years for an apology. I am delighted that our Prime Minister, Brian Mulroney, apologized not only to Canadians of Italian background but also to all other Canadians who were wrongly treated at that time.

For the record, and on behalf of all Canadians, in particular Canadians from the Italian communities across the country, I would like to say to our Prime Minister, *mille grazie*.

Hon. Senators: Hear, hear.

Hon. Peter Bosa: Honourable senators, I too rise on a question of privilege. On Sunday, November 4, Prime Minister Mulroney, in the course of a speech to the National Congress of Italian Canadians in Toronto, formally apologized to the Italian community for the 700 Canadians of Italian origin who had been interned in military camps in Petawawa, Ontario, from 1940 to 1943. During the same period, an additional 17,000 were fingerprinted and had to report to a police station on a weekly basis. My father, a humble tailor, was one of them.

Canadians who were victimized by the War Measures Act in 1940, and the Italian community in general, have applauded the Prime Minister for his symbolic and psychologically important statement.

The president of the National Congress of Italian Canadians, Anna Maria Castrilli, was responsible for spearheading this important issue, and we are very much indebted to her.

I wish to convey to the Prime Minister my praise for his gesture, my congratulations, and my thanks. I am sure that my father, who passed away 27 years ago, would have been pleased with the intervention I have just made.

Hon. Senators: Hear, hear.

VIOLENCE AGAINST WOMEN IN CANADIAN SOCIETY

QUESTION OF PRIVILEGE

Hon. Royce Frith (Deputy Leader of the Opposition): Honourable senators, I too rise on a question of privilege, but on a totally different subject.

I would not like this day to pass without some reference on the Senate record to the horrors that took place one year ago at the Institut polytechnique de Montréal. There is little one can say about the horror of that situation, except to remind honourable senators that there is an inquiry on the order paper, inspired by this subject, dealing with the question of violence against women in Canadian society, which I launched, and to which I know Senator Spivak will speak when the opportunity arises. I would like to take this occasion to encourage other honourable senators to speak to that inquiry, lest we forget.

[*Translation*]

ACCOUNTS STATEMENT TABLED

On the tabling of documents:

The Hon. the Speaker: I have the honour to inform the Senate that the Clerk of the Senate has laid on the Table a detailed statement of his receipts and disbursements for the fiscal year 1989-90.

[*English*]

INCOME TAX ACT

BILL TO AMEND—FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-86, an Act to amend the Income Tax Act (child tax credit).

Bill read first time.

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

Hon. C. William Doody (Deputy Leader of the Government): With leave, at the next sitting.

Hon. Royce Frith (Deputy Leader of the Opposition): Leave is granted. I should say, for our side, that we are prepared to grant leave to deal with this bill either now or later this day.

I have spoken to Senator Doody, who has explained the problem. If it is possible, we would be prepared to support second reading of this bill later this day and refer the bill to the Standing Senate Comittee on Social Affairs Science and

Technology. Senator Marsden is ready to try to convene a meeting.

I would like it understood that although the government might not be ready to proceed at this moment, we are prepared to interrupt proceedings to deal with it later this day, to get it into committee if possible.

Senator Doody: I thank the honourable senator. Is it the intention of the Senate to pass this bill in all its stages at this point, or has it to go to committee and come back for third reading immediately or the next day?

Senator Frith: I think it should go to committee, especially since we know that the committee is poised to deal with it very quickly. We are certainly prepared to give it second reading today. I doubt very much that the committee will report the bill with amendment, or in any negative way, and, if I am right, we could then give it third reading today or tomorrow.

Senator Doody: Honourable senators, I am not sufficiently familiar with the bill to have second reading today. I would like the opportunity to prepare some notes. I accept with gratitude the offer to put it through, but I think we will have to wait until tomorrow.

On motion of Senator Doody, with leave of the Senate and notwithstanding rule 44(1)(*f*), bill placed on the Orders of the Day for second reading at the next sitting of the Senate.

GOODS AND SERVICES TAX

PRESENTATION OF PETITIONS ON BILL C-62

Hon. Richard J. Stanbury: Honourable senators, I have the honour to present a petition signed by 100 residents of the Cobalt region of Ontario who ask that the Senate reject the goods and services tax. The petitioners are from Cobalt, Haileybury, Orillia, and North Cobalt. Nearly all of the 100 signatories are from Cobalt, Ontario. I have the honour to present that petition.

[*Translation*]

Hon. Jacques Hébert: Honourable senators, I have the honour to present a petition signed by 35 residents of the region of Lac Lacroix, in Quebec, who urge the Senate to reject the bill on the goods and services tax. Most of these people are from Lac Lacroix, but some of them are residents of Saint-Isidore and Hébertville.

Honourable senators, I have the honour to present a petition signed by 122 residents of the region of Mascouche, in Quebec, who urge the Senate to reject the bill on the goods and services tax. Most of them are from Mascouche, the others are residents of Terrebonne and Rougemont.

Hon. Jean-Maurice Simard: Why not simply table them?

Senator Hébert: Why does Senator Simard interrupt me every time he hears the word petition? You should be thankful I do not read the names of the petitioners.

Senator Simard: That is a slight improvement in your case.

Hon. Paul Lucier: Perhaps you ought to read them.

Senator Hébert: I do not read the names of petitioners, but I want to make sure that the names of the regions I mention are clearly indicated. However if you insist I could read the names.

Honourable senators, I have the honour to present a petition signed by 31 residents of LaSalle, in Quebec, who urge the Senate to reject the bill on the goods and services tax. I am simply making sure these are all residents of LaSalle. And so they are, without exception. Thank you.

[*English*]

Hon. H.A. Olson: Honourable senators, I have the honour to present a number of petitions containing 115 names from a number of large and small towns in southeastern Alberta, from places like Brooks, Duchess, Patricia, Gem, Bassano, Tilley, Medicine Hat, Consort, Drumheller, Cereal, Vauxhall, Hanna, and Sunnybrook, all different towns in southern Alberta.

• (1410)

I have a few names from Big Stone, Alberta. All of these are people who humbly pray that the Senate will stop the introduction of the proposed goods and services tax.

Hon. Eymard Corbin: Honourable senators, I have a petition on the subject of the proposed goods and services tax. This petition contains 27 signatures of people from localities such as Canterbury, Woodstock, and Benton, New Brunswick.

Hon. D.G. Steuart: Honourable senators, I have the honour to present some petitions. They are from various places in Saskatchewan. There are names of people from Regina, Battleford, Ogema, Indian Head, Yellow Grass, and Estevan. I have the honour to present these petitions.

Hon. B. Alasdair Graham: Honourable senators, I have petitions from various parts of Nova Scotia asking the government to reject the proposed goods and services tax. There are names from Dartmouth, Halifax, Sackville, Lower Sackville, and Annapolis. There are 90 names in total.

I have a further petition from various citizens of the southwestern part of Nova Scotia. There are names of people from Yarmouth, Meteghan, Hebron, Barrington Passage and Pubnico. All of these people reaffirm historic principles embodied in tax-free status for the printed word and they wish to support the amendment to Bill C-62 to ensure the retention of the zero-rate.

Hon. Sidney L. Buckwold: I have the honour to present a petition from 385 residents of Saskatchewan in which they request a tax-free status and zero rating for all printed documents, books and periodicals.

These petitioners come from Regina, Canora, Lumsden, Saskatchewan; Balgonie, Saskatchewan; Wilcox, Saskatchewan; Saskatoon, Saskatchewan; Earl Grey, Saskatchewan; Zedner, Saskatchewan; Nacoma, Saskatchewan and a very wide representation of Saskatchewan cities and towns and villages; Selby, Saskatchewan; Moose Jaw, Saskatchewan; Regina Beach,Saskatchewan; Greymore, Saskatchewan; Scout Lake, Saskatchewan, Frobisher, Saskatchewan; Winter, Saskatchewan; Craven, Saskatchewan, Estevan, Saskatchewan.

Hon. M. Lorne Bonnell: Where is Estevan?

Senator Buckwold: You don't know where Estevan is? We are building a dam near there. It is all mixed up, as you recall.

Senator Bonnell: What is all mixed up?

Senator Buckwold: The Alameda dam, right beside Estevan. It's going full steam ahead, regardless—

Senator Bonnell: What about the Minister of the Environment; is he stopping it?

Senator Buckwold: I am not quite sure. But just keep asking me questions.

Senator Bonnell: Is the Premier of Saskatchewan pushing onward?

Senator Buckwold: The Premier of Saskatchewan is ignoring any request from environmentalists. It is moving full steam ahead to complete the dam.

Senator Bonnell: What about the court order?

Senator Buckwold: It is a matter of rules. He learnt that somewhere. Rules don't matter. There are petitioners from Stoughton, Saskatchewan. When you have 375 names, it is a lot to read out.

Senator Bonnell: You are going too fast. I can hardly understand.

Senator Buckwold: If you want any names, I will be glad to give you some.

Senator Frith: Give us a large sample.

Senator Buckwold: All right.

(*Names of signatories read*)

Senator Bonnell: A pile of bones.

Senator Buckwold: Regina is a pile of bones. Ask Senator Barootes about that.

(*Names of signatories read*)

Senator Bonnell: Do you know most of these people?

Senator Buckwold: No, I don't know very many in Regina. I will give you some other petitions in Saskatoon, and Senator Barootes will know those.

(*Names of signatories read*)

• (1420)

That gives you a rough idea of what is included in this petition. I would ask that these names be submitted.

Senator Bonnell: Honourable senator, if you submit that petition, we will not hear all of the names that are included in it.

Senator Buckwold: I am sure other senators have many names to read, and I will try to get in touch with those people I know in Saskatchewan.

Hon. Joan Neiman: Honourable senators, I have a number of petitions signed by the residents of the province of Ontario who humbly pray and call on the Senate to prevail on the Government of Canada to stop the introduction of the proposed goods and services tax. I have many names from the Ottawa area.

(*Names of signatories read*)

We have more names from Ottawa, Nepean, Hull, Dunrobin and Kanata. I have more names from Brockville, Nepean and Ottawa.

(*Names of signatories read*)

I managed to get a couple of people on this page from Winnipeg. I guess they were visiting the Ottawa area, or perhaps this particular petition was well circulated, because I also see names from Toronto, Winnipeg and Montreal.

• (1430)

I think every province west of here, and Quebec, is represented on this petition which contains 25 names.

(*Names of signatories read*)

I have a petition with 14 names, most of whom seem to come from Iroquois, Winchester and the Brockville area.

(*Names of signatories read*)

I have a petition from the far west of Ontario, the Kenora area. It contains some 53 names, almost every one of whom is from Kenora.

(*Names of signatories read*)

This petition is from closer to my home area. It contains some 128 names of people from such places as Milton, Etobicoke, Don Mills, Orangeville, Mississauga, Brampton, Cambridge, Aurora, Beeton and Norval and Caledon.

(*Names of signatories read*)

I have a petition from a number of people from Scarborough, Brampton, Bramalea, Mississauga and Richmond Hill.

I have another petition from people from Malton and Orangeville.

This group of 27 petitioners is from farther west. They appear to be from the Cambridge area, including one from Kitchener.

(*Names of signatories read*)

This is a petition from an area quite close to mine. It contains 13 names, including several from Bolton, Orangeville and Brampton.

(*Names of signatories read*)

I have 25 more names of petitioners from the Brampton area, including one from Grand Valley which is slightly north of our area, and Milton, which is slightly west of our area.

Senator Frith: Where do you consider your area?

Senator Neiman: It is Caledon, Bolton and Orangeville.

Senator Frith: These petitioners are generally from your area?

Senator Neiman: Yes. I have a petition with 20 names on it. They are mostly from the Grand Valley, Brampton and Milton area; but there is a signature of someone from Leeds, England. I do not know how that name got there, but I guess the person just got into the spirit of it.

(*Names of signatories read*)

I have 20 names of petitioners from the Burlington area, Orangeville, Scarborough, Toronto and Beeton. These petitioners must have signed at their place of work, because they come from an area surrounding Toronto.

(*Names of signatories read*)

I have names of many petitioners from the Milton, Mississauga, Georgetown and Orangeville area, totalling some 146 names.

(*Names of signatories read*)

I have another petition signed by people from Milton and Acton, which is a nice place to visit. It is just north of Milton. These are all delightful parts of Ontario. It is interesting to see the number of people who have signed these petitions and how they are concerned about what is happening with respect to the GST.

I have another 27 names of people, at least 20 of whom are from the Brampton and Mississauga area, as well as someone from Nepean and Milton.

(*Names of signatories read*)

These 27 petitioners come from the Campbellville area, which is not far from Milton. It is the home of the Mohawk racetrack, for anyone who is interested in harness racing. Rockwood is a lovely village in that same area.

(*Names of signatories read*)

This group of petitioners comes from north of Toronto, right up Yonge Street, as it were. There are 16 names of people from Newmarket on here. The petition also includes people from Willowdale and Beamsville.

(*Names of signatories read*)

I have a list of 27 petitioners from the Brampton, Mississauga and Georgetown area.

(*Names of signatories read*)

I have well over 100 signatures of people from east of Toronto, including Oshawa, Newmarket, Baysville, Don Mills, Rice Lake and other areas in the lake country where people are equally concerned about the possible effects of GST on them.

I have the names of another 20 petitioners from Huntsville and Baysville.

(*Names of signatories read*)

On this petition I must have the signatures of well over 200 people from the Baysville area alone.

(*Names of signatories read*)

• (1440)

We have a great number from the Richmond Hill area again, from Baysville and Toronto, Burlington, Weston, and Lake of Bays. I have a name from Florida, which we will have to ignore. Of the 20, I count only 19.

Here is another group from the Baysville area. I do not know what is happening in that area, but they certainly are very exercised about the GST. These are petitioners from Huntsville and Toronto, Barrie, more from Baysville, and Brampton. Members of Parliament who come from that area must be getting all sorts of petitions themselves, asking them to do something about changing the government's mind on the GST.

Here we have 20 more names from Baysville, Scarborough, Niagara Falls, Willowdale, Rockwood, all of which are in Ontario, and from Saint Laurent, Quebec.

There are 20 more, again from Baysville, Toronto, Huntsville, St. Catharines, Willowdale and Scarborough, Thornhill and Etobicoke.

Then we have a further 19 from Baysville, Bracebridge, Rexdale, Toronto, Etobicoke, Burlington.

I think I underestimated the number of people in the Baysville area, because here is another petition with 20 names, half of whom appear to be from that area. We also have petitioners from Richmond Hill, Etobicoke, Toronto, and Notre Dame de Grace, Quebec.

We have a group of 17 names from the Barrie area, Fergus, Huntsville, Burlington, Hamilton, and Dorset.

There are 16 names from Bala, Rosseau, Huntsville. This is beautiful lake country in Ontario. A great place to live.

Again, we have names from Baysville, Weston, Dorset, Toronto, and Mississauga.

There are another 20 names from Baysville, Bracebridge, Newmarket, Toronto, and Bowmanville.

There are 20 more, mostly from the Mississauga area. I see one signature from the Bridle Path in Toronto, which is rather interesting. That is a very wealthy area of the city, but even there the people are concerned about the effects of the GST.

Here are 20 names, mostly from the Toronto area; but I see Etobicoke, Baysville again, and Buffalo, New York. I do not know how he got in there. Perhaps he is one of the people who have just moved down there as a result of our problems. Finally, we have Niagara-on-the-Lake, a lovely spot.

Here are 20 names from Baysville, Toronto, and Barrie.

Here is another 20, starting off again with Baysville. Then we have Petorborough, Brampton, Mississauga, Toronto and Burlington.

There are another 20 from Etobicoke, Newmarket, Bradford, St. Catharines, Willowdale, Fonthill, Downsview, Strathroy, Richmond Hill, Baysville, and Bradford, all on the one petition.

We have one with 14 names, of whom about 10 are from Baysville. Then we have Bracebridge.

We have another one from Baysville, St. Catharines and Dorset.

Here is another with 21 names, with about a dozen from Baysville. I have to go there sometime. I am not quite sure where it is, but it seems to be growing. I believe it is in the lake country.

An Hon. Senator: Lake of Bays.

Senator Neiman: It must be in that area. I have another petition from Mississauga, Markham and Oakville.

Here are another 20 names from Rexdale, Burlington, Toronto, Dundas, Etobicoke, Beeton, Thornhill; and another 20 from Baysville, Hamilton, Lake of Bays, Oakville, Toronto, St. Catharines, Mississauga, and North York.

Here are another 20, with some from Baysville. About half of them seem to be from that area. Then we have Muskoka House, Bracebridge, Lake of Bays, Seabright and Orillia.

There are 20 more, all from the Baysville area again. I see one name on here from Belleville.

Senator Stanbury: May we have some of the names? We may recognize them.

Senator Neiman: Yes, you may.

• (1450)

They have added another 24 or 34 names to this petition. It appears they ran out of space and typed names on the front and back of the petition, and then added an extra page.

(*Names of signatories read*)

There are a number of names which seem to be from the Alliston/Brantford area. There are 34 names in all.

(*Names of signatories read*)

I have another petition with 22 names of people from Kirkland Lake.

(*Names of signatories read*)

I have another petition with 22 names from Kirkland Lake.

(*Names of signatories read*)

There are names on another petition from Larder Lake and Kirkland Lake.

(*Names of signatories read*)

I have another petition with 22 names from Larder Lake.

(*Names of signatories read*)

I have another petition with 18 names of people from Sudbury.

(*Names of signatories read*)

I have another petition with 16 signatures of people from Sudbury.

(*Names of signatories read*)

I have another petition with 20 names from the same general area.

(*Names of signatories read*)

I have another petition with names of people from Chelmsford.

(*Names of signatories read*)

I have another petition with 22 names of people from Chelmsford.

(*Names of signatories read*)

I have at least four more petitions with approximately 88 names in total mainly from people in Chelmsford.

(*Names of signatories read*)

• (1500)

On this page, we had a couple from Montreal.

[Senator Neiman.]

(*Names of signatories read*)

All of the other 20 petitioners are from the Chelmsford area.

(*Names of signatories read*)

Here is another petition from Larder Lake up in our north country. Everyone on this list of 22 except two are from Larder Lake.

(*Names of signatories read*)

There are a couple of names from Rouen.

(*Names of signatories read*)

Still in our north country, we have further names.

(*Names of signatories read*)

Some are from Orillia.

Names of signatories read)

There are 27 names in all. Here we have people from Baysville:

(*Names of signatories read*)

There are 25 names here from Iroquois and, again, areas to the north. This group is almost entirely from the Iroquois area.

(*Names of signatories read*)

Here are 18 names in another area north of Orangeville on the way to the lake.

(*Names of signatories read*)

Here are several more from Flesherton.

(*Names of signatories read*)

There are a number more names from the Markdale area, as well as seven more on this page.

(*Names of signatories read*)

There are 32 names on this petition. This is up in our farm country just north of Toronto in the Bradford area, the Holland marsh country.

(*Names of signatories read*)

There is an entire petition of some 32 names from that area, where farming represents a very important industry. There are only two names on the next petition.

(*Names of signatories read*)

This is a wonderful geography lesson for everyone. Here is a group of 26 names from the Bracebridge area.

(*Names of signatories read*)

There are 23 names on this petition, a little closer to my area.

(*Names of signatories read*)

Here are some names from Mississauga, Brampton; and another name from Norval; and many more from Mississauga.

(*Names of signatories read*)

There are a couple more from Rexdale and Mississauga, and another from Elmvale.

(*Names of signatories read*)

Here are 25 names, mostly from small country villages.

(*Names of signatories read*)

● (1510)

I have several more names from Elmvale and Wasaga Beach, where some people live all year round.

(*Names of signatories read*)

I have 29 more names from the lake country, Orillia and Barrie.

(*Names of signatories read*)

I have 27 more names from Severn Bridge. Anyone who is interested in boating through the canals will know of that town.

(*Names of signatories read*)

I have 27 more names from that same area.

(*Names of signatories read*)

I have 27 more names from the Orillia and lake area, which is a beautiful section of Ontario.

(*Names of signatories read*)

I have 28 more names from the Orillia area. In fact, out of these 28 names, 20 are Orillia addresses.

(*Names of signatories read*)

I have another 27 names, a number from the Orillia area.

(*Names of signatories read*)

I have 24 names on my next petition. Again they appear to be from the Orillia area.

(*Names of signatories read*)

I have another ten names from the Orillia area.

(*Names of signatories read*)

I could take you through a number more. As I say, they all seem to be from my area. There are incredible numbers from Orillia, Bracebridge, Wasaga Beach and Barrie, all asking that we listen to what they have to say. There are more names from Beaverton and Britannia. These are from the small towns and villages surrounding the Toronto area, half-way to the north country. As I said, we had names from the far northwest, including Kenora. There are names from Brighton and Tweed. When I was sitting here looking through everything, if my addition is correct, I counted 2,479 names on these petitions; but, I found a couple of American names and at least one Englishman on the petitions, so perhaps 2,470 would be a more correct number.

ROYAL ASSENT

NOTICE

The Hon. the Speaker informed the Senate that the following communication had been received:

RIDEAU HALL
OTTAWA
K1A 0A1

THE SECRETARY TO THE GOVERNOR GENERAL

6 November 1990

Mr. Speaker,

I have the honour to inform you that the Honourable Charles Gonthier, Puisne Judge of the Supreme Court of Canada, in his capacity as Deputy Governor General, will proceed to the Senate Chamber today, the 6th day of November, 1990, at 5:15 p.m., for the purpose of giving Royal Assent to a Bill.

Yours sincerely,

Judith A. LaRocque
Secretary to the Governor General

The Honourable
The Speaker of the Senate
Ottawa

GOODS AND SERVICES TAX

PRESENTATION OF PETITIONS ON BILL C-62

Hon. George van Roggen: Honourable senators, I have petitions from British Columbia, which I would like to table this afternoon before the vote on the amendment presently before the Senate is taken, because they relate to the GST. The first petition I have is dated September 25, 1990. It has 25 signatures on it. It is in the usual form, whereby the petitioners, all residents of Canada, avail themselves of their ancient and undoubted right thus to present a grievance common to them in the certain assurance that this honourable house will provide a remedy.

● (1520)

I understand that under the rules I should not read the subject matter of the petition, but I will paraphrase it by saying that specifically it has to do with the tax applied against the printed word.

The majority of the petitioners on this petition come from the greater Vancouver area, but there is one from Kelowna, one from Richmond, one from Victoria and one from Robert's Creek on the Sunshine Coast, which is not too far away. I would ask that this petition be tabled.

The next petition I have is also signed by people in the greater Vancouver area. It is in a similar form and again deals with the same subject matter; namely, the application of the GST to magazines, books, newspapers, periodicals and other reading materials. I think it is significant, honourable senators—and I address these remarks particularly to those senators on the government side—that, much as they might have criticized and decried our reading of petitions over the last few weeks, it is significant that the impact of the petitions eventually does penetrate even this government. The outpouring of the feelings of hundreds of thousands of Canadians through the mechanism of these petitions on the particular subject of, for example, the application of a tax to printed material, has even penetrated to the level of the Prime Minister.

It was in Vancouver a week or so ago that I saw Mr. Mulroney on television, where, in answer to a question posed

by a student, he came as close as he possibly could to suggesting that we should indeed amend the GST in much the same form as the amendment before the Senate this afternoon. I will not say that he went that far, but he inferred, in language strong enough to cause the student to accept his assurance, that following passage of the GST he would be giving the most serious consideration to the very subject of the amendment before us today. I am sure that many of the thousands of petitioners in British Columbia, and, indeed, across the rest of the country, will all feel that their petitions were not entirely in vain and that perhaps it was of some minor benefit to pursue this subject in the way they have so as to try to bludgeon some sense into the government on this issue.

They have obviously succeeded—not that they will succeed in persuading all of the members on the government side to support this amendment—in at least getting a moral commitment out of the Prime Minister that this subject matter will be dealt with following the implementation of the GST, if, indeed, it gets implemented.

Honourable senators, I have a second petition to table. It is dated September 27, 1990, and is signed by 25 people, all of whom, with one or two exceptions, are from the Lower Mainland. I see one signature from Kitchener, Ontario, but, as I have said, the rest are from the greater Vancouver area.

All of the other petitions deal with the same subject matter of the amendment presently before the Senate. I feel that these petitioners are entitled to have their petitions tabled prior to a vote being taken on this amendment.

The next petition again is in the same form and again deals with the imposition of the GST on magazines, books, newspapers and other periodicals. It is dated September 30, 1990. It contains 25 signatures of Canadian citizens, most of whom reside in the greater Vancouver area. A few, however, obviously were visiting at the time they signed. I see one from New Westminster, one from Shawnigan Lake, one from Campbell River, Vancouver Island, one from Ladner in the Fraser Valley and one from Delta.

The next petition I have is in similar form and also applies to the application of the tax to magazines, books, newspapers and other periodicals. It is dated October 1, 1990. Again, it is signed by the full complement provided for in the printed form; namely, 25 petitioners, most of whom are from the greater Vancouver area. I see that one is from Belleville, Ontario; one is from Victoria, British Columbia; one is from Whitehorse, in the Yukon, where I enjoyed living for a number of years; one is from Kamloops, B.C., and another is from Toronto, Ontario.

It is interesting that Canadians, even in the course of business travel or holidays, are still sufficiently concerned and sensitive to this particular aspect of the tax that they will take the trouble to sign a petition even away from their own homes. I would ask that this petition be tabled.

I might say, honourable senators, that these are not all of the petitions I have, but they were among the ones that I particularly noted dealt with the subject of the amendment presently before the house. I thought it appropriate that these people should have their petitions presented before the vote is taken on the current amendment before the chamber.

The next petition is in the same form and is on the same subject matter as the previous ones; namely, the application of this tax to written materials, particularly school books. It is dated September 30, 1990. Again, these petitioners live for the most part in the Vancouver area. I note signatures from Abbotsford, Vancouver itself, McBride, B.C., some distance away, Langley and Toronto, Ontario.

• (1530)

I am referring only to some of the places other than greater Vancouver which are represented on this petition. All the rest are from Vancouver or suburbs of Vancouver and the greater Vancouver area. I would ask to table that petition.

Of the two remaining petitions I have to present, one is signed by 25 petitioners and is dated September 27, 1990. It is in the usual form and again deals with the same subject matter, which is the amendment presently before the Senate. Two petitioners are from Parksville on Vancouver Island, where my son-in-law and his wife live. Other petitioners are from Vancouver, Abbotsford, from UBC and Kitimat. Others are from Burnaby and West Vancouver.

The last petition I have on this particular subject is in the same form. It is dated September 27, 1990, and contains the signatures of 25 petitioners from the Greater Vancouver area, with the exception of Pitt Meadows, Aldergrove, one from Victoria and another from Surrey.

Hon. Dalia Wood: Honourable senators, I too have some petitions to table this afternoon. These petitioners come from my designated area as senator for the south shore of Montreal. The first petition comes from residents of Chateauguay and Huntingdon. These people have asked us to reject the new universal 7 per cent goods and services tax adopted by the Conservative government which will create serious and inhuman difficulties for Canadians.

They go on to say that the implementation of this tax will constitute an unprecedented assault on the income of Canadians, not only by forcing them to pay higher taxes but also by confronting them with a rise in inflation and unemployment. They have asked the honourable Senate to present these petitions. We all have designated areas in the province of Quebec, and I was pleased when I received these petitions from my own area. There is a total of 27 names on this petition.

(*Names of signatories read*)

I have another petition containing names of petitioners from Mount Bruno, which also adjoins my constituency. My constituency covers five federal constituencies. This petition also includes the names of several people from Noranda, which is a little further north of my area. These petitioners humbly ask the Senate to present their petition.

(*Names of signatories read*)

I have another petition from residents of Mount Bruno, with another name from Noranda. There are a total of 20 petitioners from that area.

(*Names of signatories read*)

I have another petition from Huntingdon and St. Luc and Chambly, which is in part of my riding.

(*Names of signatories read*)

I have another petition from residents of Huntingdon and Valleyfield. Their names were submitted in early July.

(*Names of signatories read*)

● (1540)

Back to Huntingdon again. I would like to read these names out to you.

(*Names of signatories read*)

I have another page also from Huntingdon.

(*Names of signatories read*)

Back to Huntingdon again.

(*Names of signatories read*)

I have another petition from Waterloo, Huntingdon, and St. Jean.

(*Names of signatories read*)

I have another petition from Pickerel, Ontario and Huntingdon.

(*Names of signatories read*)

This is my last petition before I give way to someone else. These petitioners are also from Huntington, Waterloo, mostly from my area.

(*Names of signatories read*)

Those are my petitions for today.

Hon. Jerahmiel S. Grafstein: Honourable senators, I have the privilege to present dozens of petitions on behalf of students from the largest university in Canada, one of the greatest universities in the English-speaking world, if not, indeed, the world, the University of Toronto. I am a graduate of that university, as, I am sure, are many other senators on both sides.

There are hundreds of petitions, all urging the Senate to oppose the goods and services tax, and specifically bringing to its attention the wide variety of items that previously were untaxed but which will now cost students 7 per cent more. These include student residence fees, transit fares, locker rentals and, of course, the most invidious tax of all, the sales tax on text books and periodicals which, for the first time in Canadian history, according to these petitions, undermine the importance of education and literacy nationwide.

● (1550)

The University of Toronto Students' Administrative Council dealt with this matter, and I am not sure what the outcome was. However, flowing from their deliberations, they decided to canvass individual students and they have presented us with hundreds of petitions signed by every class at the University of Toronto from the class of 1990 through to the graduating class of 1997.

The students who have signed these petitions come from every college, every department of the univertity, from University College, Trinity College, St. Michael's College, Victoria College, and from all the faculties: medicine, law, engineering, nursing, commerce, pharmacy, and others.

When one examines the names, we see that these students represent the rainbow complexion of Toronto and Canada. The surnames come from practically every ethnic and racial origin. They also represent a wide selection of students from every region, not only of Ontario, but across Canada and from around the world. All of them have one message to give us, senators, as we approach the vote this afternoon on deleting from the proposed GST those portions of the tax which apply to education and to literacy.

I hope, honourable senators, that we take the voices of these thousands of students into account when we proceed to the vote later this afternoon. I was delighted last Thursday when I heard from senators opposite that they were anxious to get on with the debate dealing with the GST, and I noted that one senator, Senator Simard, suggested that senators opposite would consider amendments. It is my hope that you will follow the advice of the Prime Minister and listen to the substance of these petitions and vote favourably for the amendment which I think would not only hearten all of us on this side, but would also restore credibility in Parliament and the parliamentary process with the next generation of students who will bear the burden of trying to sort out the sordid economic mess which we of this generation have bequeathed them.

CLERK'S ACCOUNTS

REFERRED TO COMMITTEE

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I move:

> That the Clerk's Accounts be referred to the Standing Committee on Internal Economy, Budgets and Administration.

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

Motion agreed to.

THE HONOURABLE PHILIPPE DEANE GIGANTÈS

ALLEGATIONS OF FRAUD—QUESTION OF PRIVILEGE—REPLY BY LEADER OF THE GOVERNMENT

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, before Your Honour calls for the oral Question Period, there is a brief statement I would like to make.

Last Thursday, in a statement to be found at page 3504 of the *Debates of the Senate*, the Honourable Senator Gigantès raised an objection to references made to him in the course of interviews I held with journalists earlier in the day. In particu-

lar, he objected to the use of the words "fraud" or "fraudulent" in the course of those interviews.

I want to make completely clear that I did not, and do not, impute fraudulent intent to Senator Gigantès or to anyone else taking part in this debate. My concern was, and is, with a process and its costs. Indeed, I have no hesitation whatever in withdrawing completely any reference that Senator Gigantès or any other senator finds personally offensive. It is not my habit to make personally offensive remarks. Indeed, I try to avoid anything that might be so considered.

In the case of Senator Gigantès, I also, needless to say, accept completely the explanation given by him in this chamber concerning his books and their publication and translation.

Hon. Philippe D. Gigantès: Honourable senators, I would like to thank the Leader of the Government. I do accept his statement and explanation. One thing that really did hurt was that anyone would believe that someone who has earned his living by writing could possibly dare submit for publication, under his own name, any text in French coming from the hurried translation, under very great pressure, of our translators, who are fine people, but who cannot, in the limits of the time given, produce a decent text. Writing is rewriting. Whenever I submit something for publication, I have written it at least nine times and rewritten it nine times.

● (1600)

QUESTION PERIOD

GOODS AND SERVICES TAX

ELIMINATION OF FEDERAL SALES TAX—CALCULATION OF REFUND—DISCRIMINATION AGAINST WHOLESALERS—GOVERNMENT RESPONSE

Hon. Gildas L. Molgat: Honourable senators, my question is to the Leader of the Government in the Senate and is in regard to the proposed GST. This is a specific question that has been put to me by a wholesaler in Winnipeg. I will read the material so that the minister will have the full knowledge of the problem. The wholesaler writes as follows:

> I would like to bring to your attention a very unfortunate and disturbing situation in connection with the implementation of the Goods and Services Tax on January 1, 1991. As you may be aware, the intention of the Government was to refund the amount of Federal Sales Tax in corporate inventories at December 31, 1990. This was to be done in order to ensure that sales in 1991 do not include this latter mentioned tax. Unfortunately, the Government has decided that a standard percentage of 8.1 per cent will be used to calculate the amount of Federal Sales Tax paid at the rate of 13.5 per cent for these inventories. This 8.1 per cent may be sufficient in some industries and for some retailers, but it is not sufficient to recover the cost of inventories owned by many wholesalers.

[Senator Murray.]

> Our company would normally have about $10 million of inventory on hand at December 31, 1990. The Federal Sales Tax component of this inventory would amount to approximately $1,180,000. The Government intends to allow us to claim as a rebate 8.1 per cent of $10 million or $810,000. The difference between these two amounts, or $370,000, would be a direct loss to this company as a result of the Government's measures. We believe this amounts to highway robbery!

He then goes on to give an example based on $100 of what the specific cost would be. There would be a loss of $4.23 on $100 of inventory.

> I am sure that you can appreciate that our Company cannot afford to incur the loss of $370,000. Our choices of trying to prevent or reduce this loss are but two. One is to try to pass this loss on to our customers who are retailers. This would be a poor choice because:
>
> a) The Government has stated that all Federal Sales Tax has to be eliminated from pricing after December 31,1990 and,
>
> b) Several of our competitors are manufacturers who sell direct to retailers. These competitors, because they are manufacturers, will not have any Federal Sales Tax in their December 31, 1990 inventories. Accordingly, if we were to include the F.S.T. loss in our price of goods, our prices would be uncompetitive.

My question is: How does the minister propose to avoid discriminating against companies like this one, remembering that in the west, in particular, we do not have the concentration of manufacturing facilities that exist in the central provinces? We have a multitude of wholesalers—this is just one example—who have to purchase their goods essentially from eastern manufacturers and are not, as this individual indicates, in the same position as the manufacturers who will get the full amount of the sales tax back. The wholesalers will therefore be discriminated against.

Can the minister indicate any remedy if the sales tax does proceed?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I cannot deal with the question fully at the moment, but what I can undertake to do is take the details that the honourable senators has placed on the record and ask for at least a comment from the officials of the Department of Finance and bring that to the attention of the Senate at some point before we have completed the debate on Bill C-62.

OFFICIAL LANGUAGES ACT

REQUEST FOR TABLING OF REGULATIONS

Hon. Dalia Wood: Honourable senators, I have a question for the Leader of the Government in the Senate. The Official Languages Act received Royal Assent July 28, 1988. That is 28 months ago. Is the honourable senator aware that the refusal of the government to table the regulations of the

Official Languages Act has caused Mr. d'Iberville Fortier to threaten to resign? Also, he was forced to table an emergency special report pursuant to Section 67 of the act. Is the leader aware that by not tabling these regulations, the government is endangering the health and the safety of Canadians? I will give you an example. Announcements on board trains, airplanes and ferries are often not made in both languages. Another situation arising from the lack of regulations is the fact that anglophone inmates in a detention centre in Quebec do not have access to professional care in the language of their choice.

Can the senator tell me when to expect these regulations?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I had an exchange on this very matter the other day with our colleague, Senator Thériault. As I explained at the time, the regulations under this act have been the subject of very extensive consultations between the government and the Canadian public, in particular the representatives of the minority language groups. The short answer to her question is that I expect the regulations to be tabled very soon.

Senator Wood: Honourable senators, don't mind if I am sceptic about that, because some time ago when I questioned you—I think it was a year ago, on September 21, 1988, you told me then that they would be imminent. So, today I thought I had better look it up.

Senator Croll: She has a different meaning of "soon".

Senator Wood: Well, I looked it up.

Senator Croll: Delay, inventory tactics.

Senator Wood: It was soon to happen. Well, it didn't happen. I noticed that before that, in reply to another question I asked on the same subject, you said, "very shortly." I don't think those words have the same meaning for each of us. Then in April, 1989, the President of the Treasury Board said, "Long before Christmas." Two Christmases have now gone by and we still haven't seen the regulations. I would like to have a better answer than "very shortly." I would like to have a date.

Senator Murray: The consultation process has taken a good deal longer than we had anticipated, and I appreciate the patience of my honourable friends and others on this matter. I think I can assure her with some certainty this time that the regulations are in their final form and will be tabled very shortly. If later today or tomorrow I find that I am wrong in that expectation, I will say so in the house tomorrow.

Senator Wood: I would like to remind the honourable senator that the consultation with the minority groups has long since passed. They went two rounds on the consultation. I was in touch with them recently and they are not expecting any further consultations.

• (1610)

I believe the government has all the information it needs.

COUNCIL OF EUROPE

CANADA'S ROLE IN PROPOSED PARLIAMENT—GOVERNMENT POSITION

Hon. Jerahmiel S. Grafstein: I should like to ask a question of the Leader of the Government in the Senate. Yesterday the Council of Europe marked the 40th anniversary of its human rights charter and at that meeting declared that it now wants the United States, the Soviet Union and Canada to join some of its functions. As honourable senators are aware, the Council of Europe is the oldest post-war body promoting European cooperation. Today it will admit Hungary as the first member from the former communist bloc. The 23-nation council issued a statement at the end of the meeting yesterday saying that it wanted to help coordinate human rights issues for the Conference on Security and Cooperation in Europe. That organization, as honourable senators know, is a loosely-defined body of some 34 nations, including Canada, and has been a forum for talks between cold war adversaries.

Yesterday, as well, the Foreign Mminister of Italy opened the session by calling for the council's assembly to develop into a parliament to bring together the former Communist Bloc countries with the West, including the United States. The United States responded by saying that it was unlikely to become a member of the Council of Europe.

Could the Honourable Leader of the Government in the Senate advise us as to Canada's position with respect to becoming a member of the proposed parliament? What does Canada intend to do in terms of furthering its role with respect to the new functions now proposed by the Council of Europe? Does it intend to follow the lead of the United States and not actively participate in the way proposed by members of the Council, or will it choose to adopt a unique North American path and become active in the deliberations, not only of the Council and its attendant committees, but hopefully the proposed parliament?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): If I understand my honourable friend correctly, the recommendations from the Council of Europe have been sent to the CSCE, the Conference on Security and Cooperation in Europe. Shortly that conference will reconvene in Europe. For the moment, all I can tell the honourable senator is that the Prime Minister himself, together with Mr. Clark, the Secretary of State for External Affairs, will be attending that conference and taking an active interest—as we have been from the first Helsinki conference—in those deliberations. The deliberations of the Council of Europe, to which my honourable friend refers, had not been brought to my attention until now, and I would want to consult with colleagues before making a definitive statement as to what our position will be.

GOODS AND SERVICES TAX

TIMETABLE FOR PREPARATION OF REGULATIONS

Hon. H. A. Olson: Honourable senators, I should like to ask the Leader of the Government in the Senate a question. I must

be careful because some senators have been objecting to my provision of background information. It has been a long time since we have had a Question Period. I have three areas on which I want to ask questions, but I will only ask one at a time so that other honourable senators, who have also been waiting a long time, may have an opportunity to ask questions.

I have received many inquiries about the administration of the GST. I would like to ask the honourable minister if the regulations are ready or will be ready by a reasonable date, such as December 1, 1990, so that people will be capable of complying with the regulations, if this bill is passed, that will be used to administer it or will we have a problem like the one we had with the Official Languages Act?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I must give the honourable senator the same reply I gave Senator Molgat earlier. I am not at this moment in a position to answer his question about the regulations under Bill C-62, but I shall make inquiries of the Department of Finance and will certainly bring forward a reply before the debate on Bill C-62 has concluded.

Senator Olson: If the regulations are not ready, could the minister tell us what information is used to provide answers to callers of the toll-free number? Replies are being given, but they are not consistent. I have been told that one can be given two or three different replies to the same question in the same hour. Therefore, if the regulations are not now ready, what is the basis for these replies that are being given to the people calling the toll-free number?

Senator Murray: Honourable senators, I have not had a report on the operation of this telephone information service for some time. I suspect that most of the inquiries have to do with the taxation of particular commodities and services, input tax credits, and so forth, which are already covered in the proposed legislation. If the honourable senator could cite specific examples where conflicting information is being given from various telephone lines in response to the same inquiry, I would appreciate having that information so that I may convey it to the Department of Finance.

Senator Olson: Honourable senators, my problem is somewhat deeper than that. If the minister says that the regulations are not now ready, what is the basis for giving any information?

Senator Murray: To correct the record, I did not say that they were not now ready. I said I would inquire of the Department of Finance as to the state of play and whether they can be made publicly available, and that I would get back to the honourable senator. That was my reply to his first question.

Senator Olson: I guess it was something like that. I think you hedged on whether or not you were going to admit that the regulations were ready.

I hold in my hand an advertisement, paid for by the Government of Canada, headed "Questions about the GST and Prices?" and says:

[Senator Olson.]

> If you're asking how the proposed GST will affect prices, we're here to tell you. Call us toll-free Monday to Friday 9am-9pm.

Then it gives the telephone number. It then says "The answer is to call your GST Consumer Information Office." I will read the number into the record. It is 1-800-668-2122. Apparently all information is available there. I will provide you with some inconsistent answers. I do not know how I am going to do it, because the people I have heard from have not made tape recordings of their telephone conversations. I hope the minister is not asking me to do that; but inconsistent answers have been given. I hope he will tell us tomorrow if the regulations applicable to the administration of the GST on January 1, 1991 are now ready. If they are not, then I think people would like some explanation of why you are passing out information that is not authentic or official.

● (1620)

Senator Murray: The first question the honourable senator asked was whether the regulations were ready. I replied by saying that I would make inquiries and let him know. That answer stands.

UNEMPLOYMENT INSURANCE

EXTENDED MATERNITY BENEFITS—DATES OF AVAILABILITY TO WORKING WOMEN—GOVERNMENT RESPONSE

Hon. Stanley Haidasz: Honourable senators, I too should like to ask the Leader of the Government in the Senate the following important and pressing question: Can he tell us today whether he has made the representations that I think he promised to make to his colleagues in the cabinet to take into consideration the requests of those Canadian women who have been paying upgraded unemployment insurance premiums and who delivered babies before we passed Bill C-21? They feel that they should be paid retroactively the extra maternal benefits that are provided for in that legislation.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I had thought that the Deputy Leader of the Government brought in a reply to Senator Haidasz's question. If I am wrong, I will undertake to obtain a reply as soon as possible.

EXTERNAL AFFAIRS

APPOINTMENT OF AMBASSADOR TO IRAN—GOVERNMENT POSITION

Hon. Eymard G. Corbin: Honourable senators, I should like to preface my remarks by correcting a statement I addressed to Senator Murray on October 26, 1990. In the course of my questioning, I said: "In recent days Iraq and Iran have rejoined forces against outsiders to the Gulf incident." I never meant to say that. I had something else on my mind and my tongue galloped ahead of my thoughts. I withdraw that statement, because it is a non-truth.

The line of questioning in which I was engaged with the Leader of the Government in the Senate at the time had to do with the appointment of a new ambassador in Tehran following years of non-activity arising out of the incidents, of which we all know, which took place some ten years ago. The ambassador who has been named has a background in international trade and commerce. It seems to me that in the current circumstances it would have been preferable to appoint someone to Tehran who is sensitive to and has wide experience in the field of human rights. Goodness knows what abuses have taken place in those intervening years.

All we have to do is look at the list of people who are unaccounted for—youths and whole families who literally have disappeared from civil lists. There are not only rumours but factual reports of torture, of people being put to death without a proper trial, and so on.

Even though the United Nations sent a special envoy to Iran to inquire into these matters, its report has been widely discredited by most people as being unrealistic. Abuses of human rights still go on there.

Besides questioning the fact that we are now appointing an ambassador to Iran, in my view, our first preoccupation, as a nation which believes in human rights and basic decency, would have been to appoint someone who has the expertise and the background with which to deal with those matters and to carry some weight with the extremist regime that now prevails in that country. I am amazed that that was not done. I can only conclude that Canada at this stage is more interested in rejoining the oil pipeline than it is in dealing with basic human concerns.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I can only undertake to draw to the attention of my colleague, Mr. Clark, the comments of Senator Corbin. I will ask Mr. Clark whether he has any comment to make. I simply do not agree with the honourable senator that the personal background of a particular Canadian ambassador, whether it be in the law, politics, trade, commerce or whatever, necessarily sends a message about human rights to the country to which he is accredited as ambassador. The important thing is that he represents Canada and Canada's long-standing policy and attitude on human rights matters. I am sure that the ambassador, who is not known to me personally, will be quite capable of stating our views and, indeed, of pressing them in a professional and forthright manner.

CITIZENS' FORUM

ATTITUDE OF CHAIRMAN—COMPOSITION OF COMMISSION—GOVERNMENT POSITION

Hon. Raymond J. Perrault: Honourable senators, I have a question for the Leader of the Government in the Senate with respect to the Citizens' Forum announced last week. I am sure we all hope that it proceeds constructively to do the work assigned to it. On Sunday, however, during the Cross-Country Checkup program broadcast by the Canadian Broadcasting Corporation, the Chairman of the Citizens' Forum, Mr. Keith Spicer, volunteered some interesting views regarding his new mandate.

As a long-time Senate abolitionist, he reiterated his position regarding this assembly by saying that he had not changed his views at all, that he thinks the Senate should be abolished. He said, as well, that the commissioners would not be interested in speaking to members of the old-line parties. Rather, he said they would be interested in speaking to members of the Reform Party and allegedly new groups of that kind.

Are we to assume from Mr. Spicer's statements that this represents part of the mandate given to him by the Prime Minister? Most of the members of the Reform Party are disenchanted Conservatives. The question then becomes: Are disenchanted Conservatives the only ones who are going to have an opportunity to put their views before the commission that is being established?

It seems to me, and I hope that the Leader of the Government can clarify the situation that Mr. Spicer has demonstrated a disturbing naivete, to say the least. I did not think that being involved in public life for a considerable number of years and serving as a member of the Senate, as have many colleagues in all corners of this house, disqualified anyone from being able to contribute to the dialogue on the future of Canada. I want to ask the Leader of the Government whether there is going to be any opportunity at all for senators and members of the House of Commons at least to submit their views in written form to Mr. Spicer and his commissioners.

In my view, it is a healthy exercise to enable citizens from all provinces to be heard in as great a number as possible. However, I do not think it is fair and realistic to adopt the position that those who have made a lifetime vocation out of attempting to serve the people of this country in one of the assemblies, whether it be a provincial legislature, the House of Commons or the Senate, that they should thereby be disbarred from having their views considered by the commission.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I fully agree with Senator Perrault. I am sure there will be an opportunity for members of this house and of the other place to submit briefs, to express their views, and to attend public sessions—as, indeed, we are being encouraged to do—held under the auspices of the Citizens' Forum. It must not be forgotten, however, that what we are trying to encourage in the Citizens' Forum exercise is a dialogue among ordinary Canadians. Mr. Spicer would take the position, and I would agree, that most of us here in the Senate or the House of Commons—and those in the provincial legislatures—have our own platforms from which we can express our view. The time has come for us to give centre stage to ordinary Canadians to enable them to exchange views on the kind of country they want, what values they think we hold in common, what they expect of this country, this government and government institutions, including the Senate.

• (1630)

In that connection, the Reform Party in the west and other so-called third parties represent not a new phenomenon in Canadian politics but an old phenomenon in a new form. Therefore, Mr. Spicer and his colleagues, being people of inquiring and open minds, would be very interested to discuss with members of that party the grievances unmet, or the objectives unattained, that have led them to form new political parties, whether in the west, in Quebec, or wherever. There is no intention to exclude politicians, serving members of Parliament, from taking part in the process. Indeed, it is encouraged.

I repeat, however, that we want to give centre stage to ordinary Canadians so that they may have their say about the future of their country.

Senator Perrault: As a supplementary, I fully support your expressed view that "ordinary Canadians" should be heard. No Canadian is really ordinary, but I know what the government leader is saying. I think that to single out one party and say that commissioners will be interested in hearing from the Reform Party but not from Conservatives or Liberals because they are so-called "old-line" parties is a bit naive. I believe there are many people in this assembly, sitting on both sides of the chamber, who have some constructive ideas about the future of this country. It disturbs me to think that somehow priority will be given to such so-called "new groups" as the bloc populaire and the Reform Party, and that somehow opinions expressed by others associated with other parties are second rate or irrelevant. I hope we can construe from his reply that the Honourable Leader that the Government in this place shares that view.

Hon. George van Roggen: I have a supplementary question to Senator Perrault's question. As an aside, I might say that the government will rue the day it appointed this particular gentleman as chairman of this commission. However, that is not my question.

Does the Leader of the Government in the Senate have a view on whether or not Mr. Spicer's reference to old-line parties would include the NDP, or is that a new-line party?

Senator Murray: I would not have the faintest idea; but to take up the point made by Senator Perrault earlier, there will be opportunity not just for disenchanted Conservatives, but also for disenchanted Liberals, although there will not be time to hear from them all.

Senator Perrault: Presumably only so long as they go under a new title. If they are a so-called "new group," would that be acceptable to Mr. Spicer? I am concerned that the attitude is almost one of: "Don't confuse me with the facts, my mind is made up." All options should be open to this committee, even with relation to the Senate. Mr. Spicer should not be saying that he still thinks the Senate should be abolished, but he should approach all options with an open mind. One wonders how open it is.

Senator Murray: We are not seeking from the panel of Mr. Spicer and his colleagues a model for a reformed Senate. We are not seeking from them recommendations as to future amendments to the Constitution. We are sending them out to encourage and conduct a dialogue among Canadians as to the values they hold in common and the kind of country they want to see this country become.

What we expect in the report from Mr. Spicer and his colleagues is a summary of their findings as to where a consensus may lie in this country, what divisions have yet to be bridged, and whether in a conceptual sense there are ways in which these divisions among Canadians can be overcome.

Senator van Roggen: Does the Leader of the Government really suggest that a commission needs to travel across the country to hear the views of individual Canadians just on the nature of a Canada they would liketo see? I would suggest that you do not need a commission of this nature, which will run into millions of dollars, simply to find out what Canadians want. If you had a consensus from 26 million people, you would find that they would like a country that is united, peaceful, prosperous and democratic. Beyond that you get down to technicalities, not generalities.

Senator Murray: I invite my honourable friend to read the speech that the Right Honourable the Prime Minister made in the other place, and the terms of reference that have been issued for this Citizens' Forum.

Let me give some examples of the areas where we think consensus is lacking and where in this country we must try to build that consensus. First is the relationship between Aboriginal Canadians and other Canadians. We think it is quite important that there be a dialogue among Canadians, Aboriginals and others, about their attitudes and aspirations. A consensus is lacking on this subject, and nowhere more so than in my honourable friend's province and other provinces where a majority of Aboriginal peoples live.

A second example is the various competing, if not conflicting, elements in Canadian society, the concept of individual rights versus collective rights.

A third example is the relationship between the French and English-speaking people of this country.

A fourth example is the policy of multiculturalism and how it is reconciled with the desire for national unity.

Another example is whether our institutions, parliamentary institutions in particular, are serving all of Canada as well as they might, and whether there are structural changes that should be made in them.

There is a whole list of very important areas on which it is necessary that Canadians confront some rather difficult questions, and on which the Citizens' Forum, by encouraging dialogue, try to achieve consensus on these questions before we can talk about future constitutional amendments or reform of our institutions.

Senator van Roggen: I am sure we all wish them luck.

NATIVE AFFAIRS

OKA CRISIS—ROYAL COMMISSION OF INQUIRY—GOVERNMENT POSITION

Hon. Len Marchand: Honourable senators, I do not want to stray too far from questions raised by Senator Perrault, but last summer was rather long and hot for a number of us, especially those of us in the Indian community. The Oka crisis was on the minds of many Canadians and in our province of British Columbia there were many roadblocks formed by our people in sympathy with what happened at Oka.

If I recall correctly, in his speech in the Commons on September 25 the Prime Minister referred to a royal commission of inquiry. I heard him talk about a royal commission in other interviews, as well as a commission of inquiry into what happened at Oka. Personally, I support both.

There must be an inquiry into what went on at Oka specifically, and, in order to deal with the overall question, there should be a royal commission of inquiry, something which is supported by many people in our community, and by people like Max Yalden and others who have been talking about it for some years.

Where do these matters stand? Is there the possibility of an inquiry into Oka and is the idea of a royal commission still being considered by the government? Will there be an announcement about a royal commission of inquiry into the whole question of Aboriginal interests in the country?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): With regard to Oka, I will have to inquire into the situation and the circumstances that led up to it. I will have to inform myself as to the state of play in that matter.

With regard to a royal commission into aboriginal matters generally, we could not exclude that possibility at all. For the moment, we want to give the Citizens' Forum an opportunity to get up and running.

My friend will know that, in the terms of reference, the first area of inquiry listed is the relationship between Aboriginal peoples and the rest of Canadian society. That is for a very good reason.

● (1640)

There is no question more important or urgent, and none with more history, on which the Citizens' Forum must hold a proper dialogue among Canadians. Consensus is lacking. We want to give the Citizens' Forum an opportunity to make some headway. However, I do not exclude at all the possibility of appointing a royal commission into Aboriginal matters generally. The only thing that is on hold is an actual constitutional amendment, for reasons that the honourable senators and others understand.

Senator Marchand: Honourable senators, I am sure the Leader of the Government can understand the position taken by some leaders of the Assembly of First Nations when they say they are not too excited about this latest citizens' group which has been appointed. There have been full-fledged constitutional conferences from which nothing has really come. We had the Meech Lake Accord and the fiasco that developed there.

They are really saying, I guess, that they are not very excited about again making their positions known in front of this inquiry. I am hoping it will be resolved before too long but I am sure you can understand why they are saying that. The constitutional positions they have put forward have been really clear. They have been consistent in putting forward the amendments they wanted in the Constitution.

A royal commission is a whole different ball game. It relates to a lot of other issues. The AFN has put forward some positions saying that perhaps only economic and social issues should be looked into. Other groups say other things. Personally, I favour a full-fledged royal commission of inquiry that covers the whole field. Nothing should be left out.

I would hope that the result of such a commission would be a whole new beginning, a whole new approach, a whole new leaf turned in the life of our people and their relationship with each other, the government and other Canadians. That is how I see a royal commission of inquiry. It should be that complete and comprehensive.

As well, I was rather hopeful that the standing committee concerned in the other place would have started its inquiry according to the agreement made over there. I welcomed it. I thought it was a good opportunity. I think it is most important that we not wait too long before a complete public record of what went on at Oka is established. If the other place is not going to do it, then I hope the Leader of the Government might support the idea that our Standing Senate Committee on Aboriginal Peoples do that work. We have the talent in this place. We have the commitment. We have the machinery. We can do the job.

I want to impress upon the Leader of the Government most strongly that it is absolutely urgent and important that we have a public record of what went on last summer at Oka.

Senator Murray: Again, honourable senators, I will make inquiries among my colleagues in the other place as to the state of play of that matter.

With regard to the other matters raised, the honourable senator correctly points out that the constitutional positions and aspirations of the Aboriginal peoples are well known, at least to governments. There is, however, as Mr. Spicer said the other night on the program to which Senator Perrault referred, enormous ignorance in the country about many more fundamental matters touching the Aboriginal peoples. Constitutional conferences failed. I attended some of them. It is easy to say that they failed for lack of political leadership, but at the end of the day it has to be recognized that they also failed because there is not a consensus in this country as to how these matters should be dealt with. I would hope that the Aboriginal peoples themselves, as well as their leaders, would look upon the Citizens' Forum as a real opportunity to overcome the depths of ignorance that still exists in this country on some of those issues.

We do not preclude for a moment the possibility of going ahead with a royal commission in the future. We do want to give the Citizens' Forum an opportunity to get up and be running and to try, by means of public dialogue, to identify a consensus on those issues. Meanwhile, as the Prime Minister pointed out in his speech of, I believe, September 25, we are moving ahead on a number of fronts.

The honourable senator is aware that hitherto the government would agree to deal with only six comprehensive land claims at a time. We have taken that ceiling off. That is an important step. We are putting more resources into the negotiation of specific land claims. We are discussing with the Aboriginal leadership how we can accelerate that process.

Mr. Siddon has been speaking to Premier Devine over the last few days about treaty lands. The honourable senator is aware of the situation which has recently shown some hope for improvement in the attitude of the government of British Columbia. There are Indian-run child welfare agencies in parts of the country. We are going to extend those to the rest of the country, including British Columbia.

It should not be thought that, pending the activities of the Citizens' Forum, or some future royal commission, we are marking time. We are not. We are trying to move ahead on a very broad front.

CITIZENS' FORUM

REPORT OF COMMISSION—INADEQUATE TIMETABLE—GOVERNMENT POSITION

Hon. John B. Stewart: May I ask a supplementary question concerning the Citizens' Forum?

I notice that in his statement in the other place on November 1, Mr. Mulroney said that Mr. Spicer will report to the government on the forum's findings by next June 30. There has been a good deal of talk about consensus, and I guess we all agree that consensus is a desirable thing. The Leader of the Government has indicated that consensus is desirable on a wide range of topics. I wonder if the government is not being too optimistic in thinking that a satisfactory level of consensus on this wide range of topics can be achieved by June 30, 1991.

I suggest to him that in this kind of discussion there are at least two phases. The first is a period when different groups define and clarify their stands. After that has been done on any one topic of disagreement, there are modifications and adjustments.

I ask the Leader of the Government in the Senate whether there is not a real danger, given the short time made available to the forum, that only the first of the two phases will be accomplished and perhaps only on one or two of the topics—that is, that there will be a definition and clarification, and indeed a hardening of positions; and that adequate time is not being allowed, at least as the forum's work is now anticipated, for the other phase, namely adjustment and modification.

• (1650)

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): The honourable senator is correct. One of the risks run in an exercise of this kind is that positions will harden, or the dialogue will become so harsh and bitter that in the search for a consensus we lose rather than gain ground. One of the other dangers is that the whole exercise could be taken over by special interest groups.

These are the risks that we run. Let me repeat: We hope that in the process of dialogue and exchange of views the views of all sides will become better known and better appreciated.

At the same time, Canadians must decide, at the outset, whether they still want a country, whether they still want to live together and whether they are prepared to make the accommodations that are necessary to do that, because we all know that there will need to be accommodations on all sides if we are to have any future at all in this country.

We are vesting in this Citizens' Forum a task which is fraught with all kinds of danger, as Mr. Spicer has pointed out, but which is essential to our future. We do not expect that the Citizens' Forum will be able to report that there is a consensus on the wide range of topics that I mentioned. We hope, however, that the forum will be able to report that there has been such a clarification of views, and such an improved understanding of positions that there will be the making of a consensus and that, most of all, Canadians are determined to live together in one country and are prepared to make the accommodations that are necessary. That, in itself, would be a tremendous educational achievement on the part of the Citizens' Forum.

ATTITUDE OF CHAIRMAN—DIRECTION OF COMMISSION—GOVERNMENT POSITION

Hon. M. Lorne Bonnell: Honourable senators, I know that many people have a great many questions concerning this very important matter. However, I would like to ask if the chairman of the commission runs the commission. Is he a dictator? Does he decide whom the forum will hear? Does he decide who will present their views?

It was my understanding that the purpose of this forum was to listen to what the Canadian people had to say, and report back to the government, not to go around saying, "We will not hear this one or that one. We will decide whom we will hear."

The second point I would like to make is that I understand the Indian leaders are not too anxious to come at all, because Senator Murray has said that it is futile for them to bring their particular issues forward. Yet one of the things that this forum is supposed to do is find out how the Aboriginal peoples feel about the rest of us.

Senator Murray says that it is futile to examine native issues while this national unity debate is continuing. So the Vice-Chairman of the Assembly of First Nations says, "There is no point in us appearing."

I understand also that Mr. Spicer has said that the first meeting will be held in Tuktoyaktuk, but that the only one to go there will be himself. Were all of these other great Canadians who are on this forum consulted? Again, who is running

this commission? Is Mr. Spicer a dictator, or is he under orders from the Prime Minister? Is he consulting with the members of this forum and deciding that three or four of them should go to Tuktoyaktuk to hear the views of these people?

Is there any limit to the expenses that this forum may incur, or do they have an open-ended account? Does the Treasury Board say, "Go and spend the money and we will cover the costs"?

Hon. Jean-Maurice Simard: How much are you prepared to spend to save Canada?

Senator Bonnell: If it will save Canada, I will invest quite a bit. But if the government could not save Canada, I do not think this forum can do it. I think there are a lot of questions to be answered. Who is running the show? Who is deciding who is to be heard? Will they go out and dictate to the people what they would like to hear? If they do not intend to listen to the people, they should stay home.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, this is not a dialogue between the commission and the people. This is a dialogue that the commission is mandated to encourage among Canadians, so that Canadians themselves will come to understand better the different perspectives and points of view that exist in this country on some very fundamental issues where we believe a consensus is lacking at the present time.

With regard to the commission itself, Mr. Spicer and his colleagues will be holding hearings in various parts of the country and will be encouraging Canadians to come together for the purposes that I have indicated.

With regard to the Aboriginal peoples, I replied in a previous question to Senator Marchand that the only thing that is on hold is a constitutional amendment, and it would indeed be futile to pursue a constitutional amendment under the present circumstances. I have also told Senator Marchand and the Senate a moment ago that we do not preclude the possibility of a royal commission on Aboriginal affairs, and we are moving forward in a broad front as a government regarding land claims and other matters of interest to the aboriginal people. The quotation that the honourable senator refers to is totally out of context and it does not really represent the views that I have just restated in my reply to Senator Marchand.

Senator Bonnell: Why do you not put a press release out and say, "I made a mistake. I did not mean that it is futile for the native people to be heard, and I invite the native people to appear before the commission. I am not just another one who is telling the commission whom they should hear and whom they should not hear."

Why don't you, as a member of the government, back off and let the commission decide whom they want to hear. Just do not tell the native people that it is futile for them to be heard.

Another thing: Do you have an Inuit person on that commission to listen to the views of the native people? If there is a native person on that board, he or she certainly would know how the Indian people relate with other Canadian people. So you should back off and put an apology in the newspaper to make it clear that you never meant to say that their attendance at the hearings of the commission would be futile, and that you are prepared to let the native people be heard.

Senator Murray: Honourable senators, it happens that there is a native leader on the Citizens' Forum panel, but again, this is not a dialogue among members of the panel. What we are trying to do is provide an opportunity for ordinary Canadians to express their views as to the future of this country. As for senators and Members of Parliament, they have, as I said to Senator Perrault earlier, a platform of their own from which to speak: That is to say, the Senate or the House of Commons or the provincial legislatures or whatever.

In the case of Senator Bonnell, when the panel or some representatives of it come to Summerside, I am sure that he would have every opportunity to appear there and that might be an occasion that he could use, belatedly, to express his views on the fixed link.

COPYRIGHT ACT

IMPLEMENTATION OF SECOND PHASE—EDUCATION EXEMPTIONS—GOVERNMENT POSITION

Hon. Lorna Marsden: The Honourable Flora MacDonald, the then Minister of Communications, in speaking to us about the copyright bill, gave us her assurance that the education exemptions which were being discussed, and which she said were already drafted, would be brought in. That is three years ago. In the meantime, because the copyright bill was passed on the understanding that those amendments would be brought in, all educational institutions, as I have said before many times in this chamber, are really suffering from the significant limitations put on them. We were assured once again that phase two of the copyright amendments would be brought in this year. They have not been brought in. In fact, in correspondence and telephone calls over the last three weeks, I have heard many different things:

● (1700)

My question is to the Leader of the Government. I ask if he would please inform this chamber if he has any sure knowledge on this question. First of all, as background, I have received a number of letters, especially from universities and colleges, who were really feeling the cost of having to deal with those provisions of the Copyright Act which, as you know, provide no exemption for legitimate educational uses, or even illegitimate ones, for that matter. There is a rumour that phase two will be broken into two parts, that whatever is to be in phase two may come in small bites. I would like to know whether that is true or not. There is a rumour, a very widespread one, subsequent to meetings held in the recent past, that the minister is no longer entertaining the education exemptions to which he had already committed himself in writing in letters to members of the educational community. There is a rumour that while those education exemptions may still come in, there may be costs attached to them so they will

not, in fact, be exemptions at all. I wonder if the Leader of the Government is in a position to confirm or deny any of these rumours, and if he is not, what is the earliest date, on which he can provide some information to this chamber which has quite a number of people who have direct interest in this matter.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I am always glad to hear the honourable senator's rumours. I agree it is probably time to put some facts on the record. I undertake to do so as soon as possible.

CITIZENS' FORUM

COMPOSITION OF COMMISSION—NORTHERN REPRESENTATION—GOVERNMENT POSITION

Hon. Paul Lucier: Honourable senators, I have a question on the Citizens' Forum. I am just wondering if we are seeing a repeat of the Meech Lake Accord process here, or is it the case that there was no one around from the north when the committee was being made up, and here we go again! We now have the committee made up to go and find out what Canadians think. It would appear that those who live below the Sixtieth Parallel can be members of that committee. Why have you again neglected the people of the north? Why is there not one northerner on that commission? After the Meech Lake fiasco—you found out at that time that Canadians north of the Sixtieth Parallel do count—why could you not, this one time, do something right? Why couldn't you put someone from the north on the commission?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, the panel itself is not in the form of a traditional royal commission. We did not try to appoint a panel that could begin to be fully representative of all parts of Canada and of all facets of Canadian society. The important thing is that the exercise, the Citizens' Forum, gives Canadians everywhere in Canada and of all backgrounds an opportunity to express their views and to exchange views with other Canadians about how they see the future of Canada. That is the purpose of the forum, and no significance should be attached to the fact that various geographical ethnic or language groups may not be represented on the panel. The panel was not intended to be representative in that sense.

Senator Lucier: Honourable senators, that is exactly the opposite of the truth. The fact is that the representatives on the panel come from Eastern Canada, Western Canada, Ontario, Quebec, the Prairie Provinces. They come from all the different regions. We have an aboriginal person on the panel and you are bragging about that token aboriginal. The Prime Minister yesterday was telling some lady in Toronto from the Italian community, "Oh gee, we forgot to put an Italian on; maybe we will put somebody on from one of those communities." What you are saying is exactly the opposite of the truth. The committee is made up of people from different parts of Canada representing different cultures, and that is the way it is supposed to be made up. The only problem is that you stopped short again. You stopped at the Sixtieth parallel. For God's sake, don't you know there is a north in this country!

Senator Murray: Honourable senators, I would have thought that the honourable senator would take some satisfaction from the fact that the panel is not stopping at the sixtieth. It is going north of the sixtieth for its very first series of meetings. Second, I regret very much the manner in which the honourable senator speaks of the "token" aboriginal on the panel. That person is there because of the personal qualities and background she brings to the task. And what his question suggests is that what he is looking for is a token northerner.

Senator Lucier: Senators, here we go again. I know who the token aboriginal on the committee is. I was repeating what you were saying to Senator Marchand. The aboriginal lady who is on the committee is a very qualified, very intelligent, strong representative and I welcome her to the committee.

Senator Murray: You are changing your tone.

Senator Lucier: Why don't you just sit down and be quiet for a minute and listen. You might learn something. You are trying to suggest now that sending Keith Spicer to Tuktoyaktuk should really satisfy the people of the north. Well, I am going to tell you, it is not going to satisfy them, and I am telling you that you are back on the road to making the same damn stupid mistake that you made the last time. You ignore the north, and then you send somebody up there and you say, "By the way, what do you think? Send us your information down south of the border and let us know what you are thinking." This is just a continuation of the stupidity that we have seen from this government since they have been in power.

Senator Murray: Honourable senators, by the time this exercise is over, the honourable senator will be trying to pretend that he thought of it.

Senator Lucier: That will be the day! I would like to say, honourable senators, that if I had thought of it—and I did not—it would have been structured a little bit differently. It would have represented all areas of Canada. I am not at all surprised that the minister, who is supposedly the Minister of Federal/Provincial Relations, who is supposed to consider the north when commissions of this type are put together, who is supposed to represent us, does not have the slightest idea what we are all about and has no interest in us. He has shown us this before.

GOODS AND SERVICES TAX

COMMITMENT TO EASE EFFECT ON READING MATERIAL—STATEMENT OF PRIME MINISTER—GOVERNMENT POSITION

Hon. Eymard G. Corbin: Honourable senators, in the course of the debate yesterday on the GST, some comments were made to the effect—and I don't have the precise quotes in front of me, but I think in this context loose quotes are sufficient to understand what I am coming to—comments were made to the effect that, "Oh, by golly, we never seriously looked at the effects the tax is going to have on reading material," and as the Prime Minister said in Burnaby, when

someone told him that the tax would apply to the Bible, he reacted by saying something, "Oh no, we can't have that. We will have to have another look at it." Honourable senators opposite, I believe, in the course of debate yesterday said that much. "We have to have the bill go through as is, but come the new year or after the bill is in place, we will do something to get rid of the tax on reading material." The Prime Minister, I am told, said that on the tube last night or on a hotline. Now if anything is confusing the public mind at this stage, it is these pronouncements by government spokespersons, statements by senators who say, "In principle, we are opposed to the tax on reading material, but we are going to follow the party line".

• (1710)

Does the government expect people in the business of selling printed material to go through the expense of setting up—if this tax is eventually given royal assent—the necessary cash registers,et cetera, only to be told by the government that they will be taken care of next year during the course of a budget speech or through changes to the regulations? The government is sending two messages. On the one hand it says that the GST is going to apply January 1; on the other hand, it is starting to leak out the rule of exception, starting with printed material. The government also says it is going to do the same for other sectors. The government is seeding confusion in the business community, which is getting very mad at the government. I am receiving calls to that effect. People want you to stop this nonsense and axe the tax.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations: Honourable senators, the short answer to that question is no. Let me clear up any confusion in the mind of the honourable senator.

Senator Corbin: I got it from your side.

Senator Murray: Let me clear up the confusion in the honourable senator's mind. The government has made no commitment whatsoever to change any particular provision of that legislation at any particular time. The Minister of Finance, the Prime Minister and others have pointed out that there is a budget in this country every spring. At that time, the government takes the occasion to examine the impact of all of its tax measures on the Canadian people and, as a result, makes timely and necessary changes.

With respect to the tax on books, the honourable senator has referred to the statement of the Prime Minister in Burnaby; and, yes, that is one area of concern.

Hon. H.A. Olson: Do it right now! We will help you do it right now!

Senator Murray: If my honourable friends had not abandoned the technique of pre study, we might have had an opportunity many months ago—

Some Hon. Senators: Hear, hear!

Senator Murray: —to look at possible improvements in that entire bill. But my friends abandoned that practice in favour of confrontation. There is no commitment on the part of the government to make any particular change to Bill C-62 at any particular time. However, we make the commitment that the impact of this tax will be monitored throughout its implementation. We have a budget every year, at which time there will be ample opportunity for us to make whatever changes are desirable.

Hon. Jearahmiel S. Grafstein: I have a follow-up question to that last comment by the Leader of the Government in the Senate. All of us watched the Prime Minister last week on television respond to a student from the University of British Columbia. I do not have the exact text of his comments, but, as I recall, the student asked whether or not the Prime Minister was still prepared to tax knowledge or books, which are the implements of a student. In response to that student's question, the Prime Minister said "Not to worry," or words to that effect, "Not only does the government understand your concerns, but it will resolve your concerns", leaving the student, and certainly the television audience, with the clear impression that the Prime Minister intended to resolve the student's problems. The logical conclusion from that would be that the Prime Minister was going to withdraw or at least ameliorate those tax measures under the GST that cover books and other costs that a student has to pay by the new tax. That was the clear implication of his statement. Subsequently the Prime Minister was asked questions in the House of Commons, and Mr. Wilson moved off that position and said that the government would respond to those concerns in the next budget or at some future time.

If the Prime Minister made that moral commitment to the students of Canada, why does he wait until next spring? Why can the Government of Canada not decide in the next 60 minutes to delete the tax provision, satisfy the concerns of aroused students across the country, and fulfil the Prime Minister's moral commitment to that student and all students?

Senator Murray: Honourable senators, I do not now have in front of me the full text of what the Prime Minister said in Burnaby. I suggest a reading of that would support the interpretation I gave earlier; namely, that there is no commitment to make a particular change at a particular time, but that these matters will be monitored during the implementation of the tax, and we will have an opportunity to make the necessary improvements at budget time.

An Hon. Senator: Why not do it now?

Senator Grafstein: If I misquoted the Prime Minister, perhaps the record could be corrected if the Leader of the Government in the Senate would table the transcript of the Prime Minister's comments. I was certainly left with the impression, as were others on this side, that he was going to deal with the concerns of that student who raised the question of the GST as it applies to books.

Senator Murray: Honourable senators, what I was referring to was a full newspaper account, which I read yesterday. There may also be a verbatim transcript. If there is, I will make it available to my honourable friends.

Senator Grafstein: To help the Leader of the Government, I am referring to the transcript of what the Prime Minister said

on television, either CTV or CBC, when he was at the University of British Columbia. That is the transcript I am alluding to.

The Senate adjourned during pleasure.

• (1720)

ROYAL ASSENT

The Honourable Charles Gonthier, Puisne Judge of the Supreme Court of Canada, in his capacity as Deputy Governor General, having come and being seated at the foot of the Throne, and the House of Commons having been summoned, and being come with their Deputy Speaker, the Honourable the Deputy Governor General was pleased to give the Royal Assent to the following bill:

An Act respecting the Hibernia Development Project and to amend certain Acts in relation thereto (*Bill C-44, Chapter 41, 1990*)

The House of Commons withdrew.

The Honourable the Deputy Governor General was pleased to retire.

• (1730)

The sitting of the Senate was resumed.

BUSINESS OF THE SENATE

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, with respect to the business before us, it is my understanding that we will hold a vote at 5.45 p.m.

Some Hon. Senators: Ring the bells.

Hon. Orville H. Phillips: As whip, I have certain questions to raise. My understanding is that the vote will be called at 5.45 p.m., and then there will be a bell.

Hon. Royce Frith (Deputy Leader of the Government): That is right.

Senator Phillips: I think it is essential for both whips to know that when we defer a vote from one sitting to the next, it is at 5.45 p.m. as stipulated in the rules. It is not 5.30 or any other time.

Hon. Raymond J. Perrault: It has been earlier in the past.

Senator Phillips: It is not Senator Frith's rule, it is from the provisional rules which stipulate 5.45 p.m. for the vote. Subsequently there is, subject to the whips' approval, a 30-minute bell.

I would ask that rather than having the bells begin ringing now, we wait until 5.45 p.m. That is according to the rules.

Senator Frith: Hon. Senators, I want the record to show how delighted I am to hear that Senator Phillips has finally repented and wants to observe the rules.

[Senator Grafstein.]

Senator Phillips: I feel I have always observed the rules.

Some Hon. Senators: Oh, oh.

Senator Frith: You told us that it is not the rules that count, it is the Speaker who counts.

Senator Phillips: My honourable friend opposite is saying that I have not observed the rules. I think I have done a hell of a lot better at observing the rules than Senator Frith.

Senator Frith: I know you think that.

Senator Olson: Honourable senators, I had a couple of questions that I did not have the opportunity to ask. I see that the Leader of the Government is not here, but would the deputy leader take one or two questions as notice?

Senator Barootes: Now it is Delayed Answers to Oral Questions.

Senator Olson: We need an opportunity not so much for hearlin delayed answers as for asking questions.

Senator Doody: I thought we had proceeded to Orders of the Day. I thought the first order had been called.

QUESTION PERIOD

AGRICULTURE

MAJOR SALE BY CANADIAN WHEAT BOARD—GOVERNMENT POSITION

Leave having been given to revert to Question Period:

Hon. H.A. Olson: I would ask the Deputy Leader of the Government to ask the leader to advise the House whether or not there has been a major wheat sale by the Canadian Wheat Board in the last few days? The papers are full of rumours that it has been made, but there has been no confirmation. Farmers of western Canada would like to know whether this is true, or whether it is just a rumour mill.

Senator Doody: I assume there is general consensus that we revert to Question Period, in which event, I will take your question as notice and try to find some information.

THE ECONOMY

EFFECT OF MANUFACTURERS' SALES TAX

Hon. Raymond J. Perrault: My question is directed to the Deputy Leader of the Government. The Prime Minister was on television last night and appeared to be in good form. In one of his answers he condemned the manufacturers' sales tax as one of the most iniquitous provisions in this country. He said it was wrong and had hampered Canadian trade. Why did the government boost the tax three times since 1986 if it was doing that much damage to the Canadian economy?

Hon. C. William Doody (Deputy Leader of the Government): I suspect they needed the revenue to cover that amazing deficit the honourable gentleman's party left behind.

Senator Perrault: It was not the iniquitous tax that the Prime Minister described in his rare appearance on the open line show.

Senator Doody: It is a terrible tax, as most taxes are.

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE ACT
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMEND—THIRD READING—MOTION IN AMENDMENT NEGATIVED

The Hon. the Speaker: Pursuant to provisional order P-3(a), the Senate will now proceed to the vote on the motion in amendment of Senator MacEachen to Bill C-62. Call in the senators.

The Hon. the Speaker: Let the doors to the chamber be locked.

Honourable senators, it was moved by the Honourable Senator Kelly, seconded by the Honourable Senator Beaudoin that thie Bill C-62 be read the third time.

In amendment, it was moved by the Honourable Senator MacEachen,P.C., seconded by the Honourable Senator Frith:

> That Bill C-62 be not now read the third time but that the Schedule of the Bill be amended, on page 342, to make provision for reading material by adding to Schedule VI, and numbering accordingly, a new heading and Part as follows:

"READING MATERIAL

1. A supply of a book, periodical literature or other reading material."

Motion in amendment negatived on the following division:

Insert Division . . . ..

YEAS

THE HONOURABLE SENATORS

Adams	Lefebvre
Austin	Lewis
Bonnell	Lucier
Bosa	MacEachen
Buckwold	Marchand
Cools	Marsden
Corbin	Molgat
Croll	Neiman
Davey	Olson
De Bané	Perrault
Fairbairn	Petten
Frith	Riel
Gigantès	Rizzuto
Grafstein	Robichaud
Graham	Sparrow
Haidasz	Stanbury
Hastings	Steuart (*Prince Albert-Duke Lake*)
Hays	Stewart (*Antigonish-Guysborough*)
Hébert	Stollery
Kenny	Thériault
Kirby	Turner
Kolber	van Roggen
Lang	Waters
Lawson	Watt
LeBlanc (*Beauséjour*)	Wood—51
Leblanc (*Saurel*)	

NAYS

THE HONOURABLE SENATORS

Atkins	Keon
Balfour	Kinsella
Barootes	Lavoie-Roux
Beaudoin	Lynch-Staunton
Beaulieu	Macdonald (*Cape Breton*)
Bélisle	MacDonald (*Halifax*)
Berntson	Macquarrie
Bolduc	Marshall
Buchanan	Meighen
Carney	Molson
Castonguay	Muir
Chaput-Rolland	Murray
Charbonneau	Nurgitz
Cochrane	Oliver
Cogger	Ottenheimer
Comeau	Phillips
David	Poitras
DeWare	Robertson
Di Nino	Roblin
Doody	Ross
Doyle	Rossiter
Eyton	Simard
Forrestall	Spivak
Grimard	Sylvain
Hatfield	Teed
Johnson	Tremblay
Kelleher	Twinn—55
Kelly	

ABSTENTIONS

THE HONOURABLE SENATORS

Nil

The Hon. the Speaker: I declare the motion in amendment negatived.

• (1810)

BUSINESS OF THE SENATE

The Hon. the Speaker: Honourable senators, according to Rule 12, I must leave the Chair, to return at 8 o'clock.

Hon. Royce Frith (Deputy Leader of the Opposition): Before Your Honour does so, I would again note—

Senator Barootes: Do you mind?

Senator Frith: Yes, I mind. If the eight senators—

Senator Simard: You can have all the moral victories! You had better get used to it.

Senator Frith: I can wait.

The Hon. the Speaker: Order, please.

Senator Frith: If the eight senators, whose qualifications are in doubt—in fact, we say they are unqualified—had not voted and if the Speaker had not voted, the result of the count would have been 51 in favour of the amendment, 46 against, and reading material would not be taxed.

Some Hon. Senators: Hear, hear!

The Senate adjourned until 8 p.m.

[*Editor's Note: For continuation of proceedings see Issue No. 106B.*]

THE SENATE

Tuesday, November 6, 1990

[*Editor's Note: Continuation of proceedings from Issue No. 106A.*]

At 8:00 p.m. the sitting of the Senate was resumed.

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE ACT
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMEND—THIRD READING—MOTION IN AMENDMENT

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, this order stands in my name, but I yield to Senator Hays.

Hon. Dan Hays: Thank you, Senator Doody. Pursuant to the special order, on behalf of the Leader of the Opposition, Senator MacEachen, I move:

> That Bill C-62 be not now read the third time but that the Schedule of the Bill be amended, on page 342, to make provision for electricity and heating fuels by adding to Schedule VI, and numbering accordingly, a new heading and Part as follows:
>
> "ELECTRICITY AND HEATING FUELS
>
> 1. A supply of electricity and heating fuels."

The Hon. the Speaker: It is moved by the Honourable Senator Hays, for the Honourable Senator MacEachen, seconded by the Honourable Senator Molgat:

> That Bill C-62 be not now read the third time but that the Schedule of the Bill be amended, on page 342, to make provision for electricity and heating fuels by adding to Schedule VI, and numbering accordingly, a new heading and Part as follows:
>
> "ELECTRICITY AND HEATING FUELS
>
> 1. A supply of electricity and heating fuels."

Is it your pleasure, honourable senators, to adopt the motion in amendment?

Senator Hays: Honourable senators, it is a pleasure for me, to address you on this proposed amendment. I should like to start by explaining its effect. The effect of the amendment is to amend Bill C-62 by adding to the definition of those goods or services which constitute zero-rated supply. Zero-rated supply is defined in the bill at page 36. The amendment, of course, is achieved by adding to the end of the second-last schedule, as the bill is now drafted, a new heading and a new item, namely the goods described, which are electricity and heating fuels.

I think it is clear as to what is meant by the supply of electricity. As to heating fuels, perhaps that is not quite so clear. As I envisage it, heating fuels would include furnace oil, natural gas, propane and wood for heating.

The goods and services tax, as we know, is a transaction-based tax. What attracts the tax is the transaction, and the effect of this amendment would be to make the supplier of these goods a person selling a zero-rated commodity or good and, accordingly, no tax would be attracted. The supplier of the zero-rated good is, of course, entitled to tax input credits, which are extremely important to the concept of Bill C-62 and the goods and services tax.

I think that perhaps a few words about the effect on industrial users of these commodities would be in order. The industrial user who sells a good or service which is taxable would, as Bill C-62 is now drafted, pay seven per cent on, let us say, electricity, but would then be entitled to an input tax credit and would recover that. The tax would then be borne by the ultimate consumer. This amendment would have the effect of removing that from the chain of transactions, and would essentially make no difference to the industries involved. In other words, they would not pay the tax and they would not be entitled to claim it back as an input tax credit.

As a matter of further interest, however, there are some exceptions to the rule of its not having a major effect on an industrial user of these commodities. Some industries would be affected differently, and they would be producers of a good or a service that would be subject to a tax-exempt transaction. As we all know, tax-exempt is about the worst thing possible, because you sell the good or service as a tax-exempt good or service but you are not entitled to claim the input tax credit. Accordingly, those people would benefit by this amendment, because there would be no amount payable on using, say, electricity as the particular input. An example would be a lessor of a residential property, or a municipal government authority such as, for instance, a transit authority. Interestingly enough, about the only example I can envisage where this amendment would be of benefit beyond the normal use of the good, be it electricity or heating fuel, would be in the case of a transit authority that uses electricity as a motive fuel. Honourable senators may feel that perhaps this should be taxed. However, I think there is a very good argument why the tax should not apply to electricity, because most subway systems or light-rail transit systems with which I am familiar receive heavy subsidies, and the effect of their paying the additional tax would simply mean that the authorities that now subsidize them, which mainly are the municipal authorities, would

simply be more heavily burdened and more problems would arise, as with the tax-exempt sector, in terms of how they recover their additional costs.

That, then, is my attempt to explain briefly the proposed amendment and how the legislation would be changed by accepting it. I should now like to turn to the issue of why this amendment is proposed. What is the main reason for this? What motivates us on this side to propose such an amendment? Well, honourable senators, the motivator is that if we are to have this tax, then surely it should remain true to the principles the government stated would be observed in implementing the legislation, one of which was that it would not be a tax on necessities. The examples of necessities that have been dealt with effectively in the legislation are such things as basic groceries, prescription drugs and certain medical devices.

There is in the legislation preferential treatment for housing. For example, rents are tax-exempt, which, as I earlier touched on briefly, is not necessarily all that easy for the lessor to deal with. The lessor will pay the goods and services tax, but, upon entering into a tax-exempt transaction in the case of a residential lease, will not be entitled to pass the tax on, and so must recover the additional costs in extraordinary ways such as by increasing the rent, and sometimes that is difficult. I happened to be sitting in the committee when we heard of a difficult case in Edmonton, where the medical profession was having quite a lot of difficulty with that problem. In addition, on the subject of housing, used housing is not taxed and new housing is taxed at seven per cent minus a 2.5 per cent rebate where the value of the home is under $350,000.

Other examples of recognized necessities are day care, medical services, and—a striking example—water and water services, which I hope will become evident from my comments this evening.

The other argument in favour of this amendment is that it avoids the imposition of a tax that middle- and low-income people will find difficult to bear, particularly as it will raise the price of electricity. According to the Consumer Information Office, which is sometimes characterized as the "GST Watchdog," the increase in the price of electricity as a result of the imposition of the GST will be approximately 6.6 per cent.

● (2010)

As I envisage it in the proposed amendment, furnace oil, which is one of the heating fuels, would rise by something like 5.7 per cent. The difference between 7 per cent and the numbers I am quoting is the withdrawal of the manufacturers' sales tax. In these areas there is not much difference. In some areas it can be argued validly that the 7 per cent goods and services tax net is not all that great, but in this particular area that argument does not apply. According to the Consumer Information Office, in net terms it is 6.6 per cent in the case of electricity and 5.7 per cent in the case of furnace oil.

It will be extremely unfair on people with lower and middle incomes. Using 1986 Census figures, it is clearly illustrated that a person whose income is $10,000 to $15,000 spends 5.6 per cent of his or her income directly on electricity. A person earning $20,000 to $25,000 spends 3.5 per cent directly on electricity. Those who earn $60,000 or more spend 1.8 per cent of their income on electricity. There is no more classic illustration than that of the regressivity of the tax and how it will fall more heavily on lower-income Canadians than on those who are fortunate enough to be in the higher income bracket.

Heat supplied by electricity or fuel is a necessity in Canada. Spending a short time outdoors today was sufficient evidence that there is absolutely no question but heat is an absolute necessity. Water is a classic example of a situation where the government has recognized that. The same right to acquire basic groceries and prescription drugs without extraordinary burdens should apply to the right to purchase utilities necessary to heat one's home.

Later I wish to address the point that high energy prices encourage conservation and therefore a tax on energy is not a bad thing.

I wish to reinforce some of the points I have made by quoting from a presentation that was made to the Banking, Trade and Commerce committee on June 27, 1990. On page 48:8 of Issue No. 48, Mr. Hueston, a representative of the Municipal Electric Association of Ontario, stated:

> It is the MEA's (Municipal Electric Association's) position that electricity should not be taxed throughout the distribution chain. We feel that it is as vital to our economic growth and standard of living as water, which has been exempted.
>
> I recently had the opportunity to attend the American Public Power Association's annual meeting where Congressman Peter A. Defazio, a member of the Water and Power Resources Subcommittee of Public Works and Transporation Committee, referred to electricity as, and I quote, "Not nice to have but an absolute necessary contingent part of our modern way of life."
>
> Interestingly enough, almost half of our members also deliver water and are having great difficulty in understanding the distinction. Not only would this inconsistent policy introduce burdensome administrative procedures for these utilities, but it would directly contradict the government's stated objectives of minimizing pro-rating.

In terms of the goods and services tax, pro-rating is required of a taxpayer who provides both exempt and fully taxable goods or services and the obligation to allocate costs that relate to each of those types of goods or services as between them. There could be a third category which would be for a good or service that results in a zero-rated transaction. If ever there was a call for simplicity to avoid problems, and the government recognizes it by having it as an objective, this would be a situation where a strong argument could be made not only on the grounds that I have made but also on the grounds of complexity. As we are all too familiar, that is one of the great drawbacks of this legislation.

As an aside, I spent the weekend at home and I learned of the 15 members of the Department of Justice in Edmonton, six of whom are assigned to handle litigation which will result

from the goods and services tax. I was also told that they will probably be overworked and used, as an indicator of this situation in Great Britain, where there are some 200 reported cases a month on problems associated with the value-added tax.

In any event, Mr. Hueston further stated:

> What baffles the MEA and its membership even more is why electricity distribution is not considered part of the "mush" sector; i.e., municipal, university, school, and hospital. The fact is that in some of our smaller municipalities the council is the utility commission.
>
> Like water distribution, the electrical distribution system actively develops and maintains the municipal infrastructure. It is an integral part of the municipal government system. And unlike other utility services, electricity in Ontario is supplied by local or provincial levels of government, as it is in most of Canada. Members are likely aware that there are a few exceptions in Alberta, P.E.I. and Newfoundland, et cetera.
>
> Electricity, like water, is an important service and is treated as such in various pieces of legislation. Its usages are numerous and go far beyond the more limited applications of alternative fuel. It is certainly as vital a service as municipal transit, which has also been exempted.
>
> In short, we do not believe there is any valid policy justification for treating electricity differently from water supplies, municipal transit or any other exempted standard municipal services.
>
> Electricity has been exempted since the manufacturers' tax was introduced early this century. This exemption clearly shows that the federal government has always recognized the importance of electricity to Canadians and to our industrial sector.

I will not read it, but there then follows an exchange between the chairman, the witness, and Senator Poitras which illustrates that has not been the case in the last two years and that the manufacturers' sales tax now applies to the electrical sector. There has been no evidence in terms of statistical information because no new power facilities of any consequence, to which the manufacturers' sales tax would apply, have been constructed in the recent period.

I will continue with a few more words from Mr. Hueston:

> The government wants to tax electricity, yet our municipal electric commissions do not benefit from tax dollars. They are, by law, non-profit, public sector suppliers who must operate on a break-even, non-profit basis. All costs are recovered by rates. Funds raised may not be used for other purposes.

● (2020)

> Our consultant's review of Statistics Canada data shows that removing the federal sales tax from manufactured goods used in producing and distributing electricity would reduce the impact by only about one per cent. As mentioned, the GST would mean high-rising administrative costs for our members, and it would be their customers who would ultimately bear this cost. For example:
>
> One advisor suggested that a small utility, with two persons handling accounting and billing, would likely need to hire a third person;
>
> It appears that the MEA would have to charge goods and services tax on all or most of our services, many of which are really just cooperative money saving efforts by our members. While members would be able to offset the direct tax impact against the tax they collect, there would be needless, costly administration involved at both the collective and individual level. Again, the customers would pay for that;
>
> And the GST could discourage such cooperative efforts, like large utilities preparing and mailing invoices for smaller utilities; developing of industry standards and guidelines through membership in the MEA, and jointly run training and educational programs.
>
> There are still further ramifications. Because electricity has traditionally been tax free, subjecting it to the GST means it would carry a disproportionate amount of the GST tax burden.

Later on he said:

> In closing, we would like the Senate to note that in many of the European countries with the value-added tax system, electricity is afforded special treatment. In the United Kingdom and Ireland, electricity is zero-rated, while others like Norway, Sweden, Portugal and Belgium offer reduced rates.

That is about as good an illustration as can be found on why electricity should be zero-rated. I submit that these arguments apply equally to heating fuels. I shall not relate heating fuels to specific witnesses or instances as I have done with electricity. However, I have thought about it, and, for the most part, electricity and heating fuels are used for the same purpose, that is, as a source of energy for space heating, and to drive equipment, and so on.

One of the MEA members, the Halton Hills Hydro, wrote a letter to its customers. It is from the Commissioners of Halton Hills Hydro, the Chairman, Vice Chairman and Mayor of the city involved, which is Acton. I have been advised by the staff of the Banking, Trade and Commerce committee—and I have here some 130 letters—that this particular letter, addressed to the users of the utility, has produced an unprecedented response. Essentially the responses are statements of opposition to applying the GST to electricity, a vital municipal service. The purpose of this amendment is to present the facts and to respond to the pleas made before the committee to change this aspect of the GST. Perhaps we will hear from those on the other side who may have some ameliorating testimony from other witnesses. In any event, it is a strong plea from a particular sector asking that electricity and heating fuels be treated in the legislation as other similar necessities are treated.

I want to say something about the unfairness of the tax on people in remote regions, such as the north, because they will have to pay GST on the transportation cost to move the fuel as well as on the electricity they use. I believe that some other honourable senators intend to speak on this topic at some length. However, let me just say that it does not take very much imagination to picture someone in a remote area attempting to hold on to a reasonable standard of living faced not only with the GST on high transportation costs but on the fuel itself. This unfairness could be addressed by zero-rating electricity and heating fuels.

An argument that I hear frequently is that energy should be taxed, that its cost should be kept high because it encourages efficiency. Perhaps it is true, but the argument is a cruel one, particularly when applied to people in middle or low income socio-economic levels, because they do not have the capital to invest in greater efficiency. It is just not available to them. The government should ensure that there is adequate funding and adequate incentive to develop means of using energy more efficiently, whether it be through better insulation in our houses or whatever.

On June 13 of this year I gave a speech on the report of the Energy and Natural Resources committee on Petro-Canada. In that speech I quoted the Minister of Energy, the Honourable Jake Epp, who spoke about funding for programs. I think you will find that most of his announcements are in areas where there were severe cutbacks in funding, particularly on programs that would develop more efficient means of using energy. In fact, the government is beginning to reinstate some of those programs. It is again starting to spend money on programs brought in by the previous government that were terminated early in the administration of this government, programs which benefitted all Canadians.

We must recognize that we must remain competitive in an international sense. We often fail to recognize that other countries are doing a better job of using higher prices in combination with incentive and direct spending on research and development to achieve a more efficient use of energy, all of which makes those countries more competitive. Our failure to follow that example will result in a trade disadvantage.

Honourable senators, the amendment is a simple one. It would add electricity and heating oil to that class of transactions that is zero-rated. If this amendment is accepted, it would be consistent with the government's implicit and stated policy that necessities will not be subject to the goods and services tax. Clearly, heating oil and electricity are a necessity, and they should be exempt, because they work a hardship on people in lower-and middle-income groups. These people need nothing less than an additional tax burden.

● (2030)

The few statistics I have quoted show the greater percentage that a lower income family spends on electricity, which would also apply to heating oil, as compared to a higher income family. This illustrates how the goods and services tax works an unacceptable hardship, and I submit, honourable senators, that this amendment should pass.

[Senator Hays.]

Some Hon. Senators: Hear, hear!

Hon. Jack Austin: May I ask if the honourable senator has been able to examine the constitutionality of this tax in terms of asking provincial crown corporations such as Quebec Hydro or Ontario Hydro to collect this particular tax? Does Senator Hays have information on whether provincial crown entities, 100 per cent-owned crown corporations, have any obligation whatsoever with respect to this tax?

Senator Hays: I have had some discussions on this issue with a colleague. This, in fact, is the issue that arose at the time of the National Energy Program, when the petroleum and gas revenue tax and the natural gas liquids tax were introduced. There was a reference by the Province of Alberta which they won. They now submit that the goods and services tax, which is now in the process of litigation, falls into a similar category, although it has nothing to do with resources, and that the federal government cannot impose the tax.

A classic example of this is a landlord in my city of Calgary, who is letting premises to the Alberta Liquor Control Board. He is obliged to pay the goods and services tax and his tenant, the Government of Alberta, refuses to do so. There is no relief for that individual. Although this is not a resource example—and there are many—that is one of the unresolved, difficult issues that we have before us with respect to the goods and services tax as a general question. Of course, there is no better illustration than that of why it is not possible to proceed with this kind of tax without having come to grips with the problem of the two levels of government agreeing about what is to be done.

Senator Austin: Senator Hays, it is my understanding of the provisions in the British North America Act—which were carried forward in the Constitution Act—is that no level of government can tax the other level of government or involve that government in acting as a tax collector. The honourable gentleman has said that the province of Alberta is testing this proposition in its courts. I believe that, along with the Province of Alberta, the Province of British Columbia and one other province are joining with Alberta in that litigation.

Senator Olson: I believe it is Ontario.

Senator Austin: Is it Senator Hays' opinion that leaving this area of authority open will cause a great dislocation among many who will, presumably, not pay this tax, because provincial agencies will not collect it until the constitutional question is resolved? What is the position of the federal government, as the honourable gentleman understands it? Will they go after thousands of Canadians, should they be successful in the courts; or, if they fail to be successful in the courts, will they find another way to collect those taxes? What does he think will be the result?

Senator Hays: The two levels of government face a very serious problem, and I do not know what the result will be. My information is that, at this point, there is an uncompromising confrontation on the part of the two levels of government. The GST requires payment and the provincial level is saying that it will not pay. Those people who are obliged and liable for the

payment of the tax are going to be in an impossible position. I am not sure how that will be resolved if this unfortunate tax should come into force on January 1. Some solution will have to be found, because it leaves those people in between the two levels of government, who are obliged to collect and pay the tax, in an impossible position if someone will not render the tax.

In the example I gave earlier, a colleague in the chamber explained this evening that the resolution of the situation would be by an agreement between the two levels of government, and added that there was no legal solution to it, that it has to be resolved by an accord. I believe it was this government who said it did not do it forever, that it did it for periods of time. It is a good question respecting a very difficult problem, and at this point in time there is no solution on the horizon.

Senator Austin: Since Senator Kelly, the sponsor of the bill, is not here, could Senator Murray assist us before the end of the debate on this amendment by telling us what measures the government has taken with the provinces or what it sees as necessary to deal with the lacuna in the application of the GST which has just been discussed by Senator Hays.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I will obtain what information I can on this matter.

Hon. Paul Lucier: Honourable senators, this evening I wish to speak on this amendment which could remove heating fuel and electricity from the ravages of the GST.

Honourable senators, the GST is obviously seen as one of the most regressive, unfair treatments that could be imagined. Normally, a tax is designed to be fair to the people who are most needy. In this case, we have the exact opposite effect of that particular rule taking place. Surely we all understand that when the cost of fuel to heat a department store is increased, in a region of Canada that has severe, long winters, the price of all goods in that store will increase and a seven-per-cent tax on one item is more than a seven-per-cent tax on the same item where the cost of doing business is lower. That should be a fairly simple formula.

While the amendment before us deals mainly with heating fuels, it must be noted that significantly increasing the price of heating fuel and electricity has a domino effect that would be destructive enough during good times but would be devastating during the recession in which we presently find ourselves, and much more so in the north than anywhere else. It should not be too difficult to understand that there are parts of Canada, because of climate and extra hours of darkness, where more heating fuel and electricity are used. It will increase the cost of doing business in those regions.

It should be clearly understood at the outset that, while I speak as a senator from the Yukon, my remarks will show that the unfair, callous results of the Mulroney GST will be felt by many people in other provinces such as Newfoundland, Prince Edward Island, Quebec, Manitoba and, in fact, all of the provinces across Canada, because the further you go from the source of the goods being purchased, the higher the percentage of GST you must pay. Does that unfair formula not register with senators opposite who are hell-bent on shoving this deplorable tax down the throats of the people they are supposed to represent? Does it not scare you to stop and think what you are doing to the people whom you are supposedly here to represent? I heard Senator Chaput-Rolland say something last night about how she deplored the tax on books and reading materials, but that she was going to vote against the amendment in any event, because she owed her allegiance to the Prime Minister. Surely, she owes some allegiance to the people of the province of Quebec who will be adversely affected by this legislation.

• (2040)

It should not be too difficult to understand that the cost of doing business—and I have used Churchill, Manitoba as an example—is higher than doing business in Winnipeg. They are both in the province of Manitoba, but it costs more to do business in one of the areas than it does in the other.

Northerners accept that fact and are prepared to pay the price to live in northern areas. Does it follow, then, that they should be taxed more heavily because they are prepared to reside in the northern areas of their province or territory? In fact, should we not be moving in exactly the opposite direction and encouraging Canadians to inhabit the more remote areas?

Does it not offend your sense of fairness that the citizens of northern Manitoba will pay a higher percentage of tax on a gallon of heating fuel than a person living in Winnipeg?

I wish my friend Senator Everett were here—and I will be bringing this to his attention at a later date. Whatever you want to say about Senator Everett, he has always been a very fair-minded and open person who, I believed, has always been prepared to listen to a reasonable argument that was being made. I would like to ask him how he could justify, just in his province—not even moving from his province to the Northwest Territories or Yukon—the fact that the people in Churchill should be penalized for living in Churchill. That is what this tax does. It penalizes people the farther they live from Toronto. It does not make any sense.

Have we already forgotten that this is the very same incompetent government which promised an icebreaker and some submarines so that we could establish sovereignty in the north? That was not very long ago. We were going to have an ice-breaker and to have some nuclear submarines so that we could establish sovereignty in the north.

Northerners have been saying for years that, if the government wants to show the flag in northern Canada, it should put some people up there; it should make it possible for people in the north to exist. The people would then wave the flag, and the government would not have to do all these other things.

You need not make it easy for people to live in the north. You need only be fair. That is not asking too much.

We need icebreakers in the north, but we need them to break ice, not for sovereignty. We do not need nuclear submarines at all. We need people in the north, and we need fairness

for those who are currently there. That should not be very difficult to achieve.

Honourable senators, I would hope that at least some Conservative senators opposite, from regions such as Newfoundland, Prince Edward Island, Nova Scotia, Manitoba, northern Alberta and British Columbia, who intend to vote against this particular amendment, would at least justify their actions to their constituents either by denying what is being said here today or by admitting that they knowingly support unfair taxation for their regions. Surely, their silence in the face of 85 per cent objection from their constituents, the signing of millions of names on petitions and the mounting opposition to this hideous tax, can only be interpreted as an abandonment of their principles and of their constituents.

If you are going to vote against the wishes of your constituents and for a tax which treats them unfairly, why not at least stand in this chamber and tell the people why you are doing that? Why not at least stand up and deny the things that I am saying are happening here? Why not stand and tell the people in your ridings why you are supporting this tax?

You don't have the guts to do it.

I have here some figures which I want to put on the record. I have made a few telephone calls and I have talked to some people in the north. There were even some people in Toronto who contributed.

To heat a 1,000-square-foot home in Toronto—and 1,000 square feet is not very big; that is a small condominium—on average it costs 20 cents per cubic metre for natural gas. It costs $74 per winter month or approximately $410 per year to heat an apartment in Toronto.

Senator Buckwold: Honourable senators, I would like to hear a very interesting and informative speech. Quite frankly, there is so much noise at the end of this room that I cannot hear it. I know that noone on that side is interested, but I would like to be able to hear what Senator Lucier is saying.

Some Hon. Senators: Hear, hear!

Senator Lucier: I will go back to heating a 1,000-square foot home in Toronto with natural gas, at 20 cents per cubic metre on average, which amounts to $74 per month in the winter months and approximately $410 per year. The GST on that amount is $28.

Senator Molson, I know this is not very important to the people whom you represent. Senator Molson?

Senator Buckwold: I wish the Speaker would ask for order. I would like to hear what is being said.

The Hon. the Acting Speaker: Order, please.

Senator Lucier: I know these things don't mean very much to the people from your area, sir, but they are damned important to those whom I represent. I would like to have your attention, or at least quiet, while I am speaking.

The GST on heating fuel for that home in Toronto is $28. That is not an exorbitant sum. I am sure that, while it is not easy, the people in Toronto could live with that.

[Senator Lucier.]

Yesterday I spoke to a lady from Dawson City. She has a 980-square-foot house. She has plastic on the windows, and the house is insulated. She has two children. It certainly is not an elaborate home, but it is a very liveable home.

Her fuel bill, which would be $400 in Toronto, is $2,700 in Dawson City.

Senator Perrault: What is 7.0 per cent of that?

Senator Lucier: Seven per cent on $2,700 means that the lady in Dawson has to pay $193 GST on her fuel bill.

Senator Perrault: Disgusting!

Senator Lucier: In fairness, if someone in Toronto is heating with oil, his GST will be $72 rather than $28. The GST on the fuel bill for the lady in Dawson is $193. And let me make something clear: She does not have the option of converting to natural gas. That cannot be done up there. People in Toronto, who would pay $72 GST, have the option of converting to gas. People in Dawson City do not have that option.

Senator Buckwold: And the tax credit is exactly the same.

Senator Lucier: The tax credit is exactly the same. The above cost does not include the electrical bill, which can be $100 to $150 per month in Dawson City. The GST, just on the lady's electrical bill, is $30 per month. What kind of fairness is that? I do not like to pick on the new senators who are here, such as Senator Keon. I have said before that I expect Senator Castonguay, Senator Eyton and Senator Molson to vote for this bill. I have no problem with that. I respect that because the people they represent are not going to be affected by this, other than that they are going to pay less tax. We are going to pay more but they are going to pay less.

• (2050)

Senator Perrault: Tory justice!

Senator Lucier: It is no secret that the reason the manufacturers are supporting this tax is because it is good for them; so why shouldn't people who are here to represent the manufacturers vote for the tax? I have no problem with that. However, as I have said before, Senator Cochrane, Senator Muir and Senator Keon, you are here to be fair, which you have been all your lives.

I was on a call-in program in Whitehorse a few weeks ago, and talked to a person there named Lance Houston. Lance is a good Conservative and he and I have always been very good friends. I always send him a copy of our *Hansard*, and he called me on the program and gave me hell for having brought into the debate the names of Senator Keon, Senator Cochrane, Senator Muir and Senator Marshall. I told him at the time that the reason I brought those names into the debate was not because I have anything against those senators but because of their decency. I brought them in because they are decent people, not because they are not—and I would like them to know that. I would like Dr. Keon to know that I do not use his name because of any disrespect. I do so because of my respect for him. I am just trying to make it understood what is happening to people in other parts of Canada and what this tax will do.

It seems that, when the bureaucracy decides to draw up a law, since the laws, of course, are drawn up in this part of the country, the first thing they do is draw a circle from Montreal to Ottawa to Toronto and ask, "What is good for that area?" We keep running into that problem all the time.

Senator Murray has said that no amendments that we put forward will be passed. The Prime Minister has said—and I even heard Senator Murray say this—that perhaps, after the bill is passed, the government will look at making some changes.

Senator Buckwold: In the next budget!

Senator Lucier: Shades of Meech Lake! Here we go again! "Trust us! Let us put this in and then we will change it."

Senator Frith: "And your cheque is in the mail!"

Senator Lucier: Yes, "And your cheque is in the mail."

Senator Perrault: Don't hold your breath!

Senator Lucier: I am not a lawyer, but I know there are quite a few lawyers in here, and it would seem to me that it would make a lot more sense to amend this bill and pass a good law rather than to try to correct a bad law after it is in. Why does the government keep trying to get poorly drafted laws passed, and then say, "Let us see if we can fix them"?

Senator Grafstein: I thought that was the role of the Senate.

Senator Lucier: I think it probably is the role of the Senate to ensure that bad laws do not get passed.

Senator Grafstein: We were told by Senator Murray that if we had not been so nasty, he might have fixed some of these problems in a prestudy. So he is punishing the Canadian public because we were not good boys.

Senator Lucier: If we believed what he tells us, especially in this particular case, there would not be a lot that we would not believe.

Honourable senators, I do not know how anyone in this chamber, regardless of what side of the chamber he sits on, could justify causing a person in Dawson City, who is just as Canadian as anyone else and just as entitled to be treated fairly, to be treated in this way. How can you justify voting against an amendment that would allow this person to be treated not better than the person in Toronto but just the same? The people in the north have to heat their houses and they have to use electricity, and they are just asking that the situation be the same for everyone in Canada. What is wrong with that concept? Why would you take the people who need the most help and give them the least? On the fuel bill for a home in Toronto, the GST will be $28. For the exact same home in Dawson City, the GST will be $193. What kind of sense does that make? If it does not make any sense, then how can you just ignore the problem and vote for it? It is absolutely baffling to me.

I should like to discuss another problem that was put to me by some people in the north over the last few days. How do we deal with Aboriginal Peoples on this? Senator Lang may be able to relate to this. He has a nephew who lives up there and he would know exactly what I am talking about here. If you go to Whitehorse or Dawson City to deliver oil to people's homes, do you go into the house after you fill their fuel tank and ask them if they are status Indians or non-status Indians or white? How do you decide whether or not you will charge the GST on the fuel? People cannot get an answer to that. They phone the numbers that are put in the papers but they cannot get answers to those questions. How do people know who will be charged this GST and who will not be?

Honourable senators, I can tell you something. The cost of heating fuel in the Yukon and the Northwest Territories—as well as in Newfoundland, Prince Edward Island and Nova Scotia—has gone up considerably in the last few months, and it will be going up considerably more in the next few months. I can also tell you that the GST will not stay at seven per cent. I have said that before and I say it again. Regardless of who is in power, the GST will not stay at seven per cent. I am sure that within a year or two the people of Dawson City will be paying $250 GST per year on their fuel bill.

Senator Perrault: That is indefensible!

Senator Lucier: It just does not make any sense. Honourable senators, I know that I get a little steamed up when I get talking about the people that I represent in the north—

Senator Frith: And you will pay seven per cent on that steam!

Senator Lucier: —but I can tell you that they are very discouraged and very offended by this piece of legislation. They are fighting it every way they know how. Was it not something last night to see on the news the people of Powell River withdrawing their Canada Saving Bonds to try to get some sense into this government, to try to wake them up. These are Canadians! These are people who honestly want to be good Canadians and they are being forced to do this sort of thing, to try to pound some sense into some people's heads.

Honourable senators, I know that I should not be insulting people when I am trying to get them to vote for my amendment but I really do not give a damn if you vote for it or not. I just want you to know that, when you vote against this amendment, you are voting for an unfair situation for the people of northern Canada, and for the people of the northern parts of every one of the provinces of Canada.

Some Hon Senators: Hear, hear!

Senator Lucier: If you want to do that, then go ahead and do it, but as I said before, don't try to do it pretending you don't know what you are doing, because you do know.

Hon. Willie Adams: I have a question for the honourable senator. During your speech, you did not mention food and freight rates. I think the airlines will be raising their prices as well. The rate has already gone up quite a bit, even before the GST. Right now, for a flight from Montreal to Resolute Bay, one kilogram costs over $6.50. Could you discuss the effect on costs to bring in the food to some of the communities once the GST is in place?

I also have a question regarding the number of hours of daylight in Whitehorse and the high Arctic, from the beginning of September until about the middle of April. Many communities in the north, such as Resolute Bay and Pond Inlet, have no daylight for eight months of the year. You were discussing the cost of fuel and electricity. Could you discuss the effects of that?

I see my colleagues across the floor from places like Toronto. We do not live in an area like Toronto; we live in the high Arctic. Could you compare the effects of the problems I have just mentioned between here and the Arctic?

Senator Lucier: Thank you, senator. I appreciate the questions from Senator Adams because he, better than anyone else—even better than I—understands the problems that are faced by the people up north. It is hard to believe that those who draw up legislation would not take into account what Senator Adams has just described, that is, that there are areas where it never gets to be daylight for long periods of time. And then to stick a tax on electricity! How can you draw up a bill that puts a tax on electricity and then say that it is the same whether you live in Windsor where—

Senator Stewart: It's known as a level playing field!

Senator Lucier: —you get sixteen hours of daylight, or whether you live in the high Arctic where you get none and you obviously have to use six times as much electricity.

Senator Perrault: Only a Tory could come up with an idea like that!

Senator Lucier: With all due respect to the people who draw up the legislation, surely they are not always going to catch these things, but once we catch it here, how should we deal with it? What are we here for if it is not to deal with exactly that situation? What is the role of the Senate if it is not to inject some fairness once we find out where the unfairness is taking place?

As far as the freight cost that Senator Adams was asking about, that is what I was trying to discuss in the earlier part of my remarks. When you live in an area of Canada where it costs more to get supplies and costs more to do business, then your products are going to cost more. However, is that a reason for putting a higher tax on them? I would have thought it would be a reason to put a lower tax, or at least the same tax, on them and deal with the problem in some other way. How can you justify saying to somebody, "Gee, you live up there and it costs you a lot of money to live up there, but we are going to raise your taxes and we will be able to get more money out of you than people in the south"? Is that what being a Canadian is all about?

Senator Perrault: That is what being a Tory is all about!

Senator Lucier: I do not think that that is what being a Canadian is all about. Senator Adams will be saying more about freight and about other parts of the legislation as we go along, but I appreciate his questions on this particular section.

Hon. Sidney L. Buckwold: I have a question. Could you give us any figures, not just on the cost of the heating and electricity and the length of the heating period, but on the general income status of the people who are affected? How many people are there in the Northwest Territories?

[Senator Adams.]

Senator Lucier: Sixty thousand.

Senator Buckwold: Could you give us some breakdown of their general income levels? I presume they would be very low in view of the fact that most of them are native and Inuit people with low incomes, but who require heating just as much as those who earn substantial incomes. Perhaps you could give us an incidence of the burden of that tax on the general population, keeping in mind that the tax credits are exactly the same in Toronto or in Inuvik.

• (2100)

Senator Lucier: Senator Buckwold, I cannot give you specific figures. However, the number one industry in the Yukon is mining. Senator Austin would have better figures on this than I do, but probably 40 per cent of the mining economy in the Yukon is from one mine. Since the number one industry is mining, if a person is employed in that mining town, he or she does earn a pretty good wage. However, the second industry in the Yukon is tourism. Dawson City lives on tourism. From October to June there are not many tourists around. It is very difficult for those people to earn a living during those months. Many people have to collect unemployment insurance over the winter. Even the ones who are employed very often earn a lower wage.

The tax credits are the same everywhere. Generally the cost of food and living is much higher, and that is accepted. People in the Yukon want to live there. They know it costs more to buy a head of lettuce in Whitehorse than it does in Vancouver, and it costs more in Dawson than it does in Whitehorse. The people accept that and are not asking for any favours on that basis. However, they are saying, "Don't make the situation worse than it is by taxation". Taxation should have the opposite effect. Taxation should not be implemented in such a manner that it is more expensive for the people who are making the least amount of money, and at the time of the year when they are making the least amount of money. The same month that the extra costs for heat and electricity kick in is when high unemployment takes place. The highest expenses come for people in Dawson City when they are least likely to be working, and already have enough things going against them.

Honourable senators, I want to say one more time that the people of the north are not cry-babies. They are not asking for anything extra. They are asking for fairness. I have discussed this with them on several occasions. I have been on open-line shows up there and all they are asking for is fairness. If you can find a way to make this tax fairer, you would be doing them a great favour.

Hon Willie Adams: Senator Buckwold, you were the chairman of the Senate committee studying the GST. School teachers and civil servants working in the north pay approximately 25 per cent of their salary on accommodation. Although the average salary is $40,000 to $50,000 a year, at

the present time accommodation consumes 25 per cent of their salary. Even a family with three or four members working and living in the same four-bedroom home still pay 25 per cent each of their salary. In some areas in costs $3000 to $4000 a month for that four-bedroom house. Some members of local communities do not receive a northern allowance. People from the south receive a northern allowance of somewhere between $2000 to $4000 a year. However, people who were born in the community do not receive a northern allowance.

Senator Buckwold: I am not sure if that was a statement or a question. However, we heard that from witnesses who appeared before the committee. One of the most moving witnesses who appeared before the committee came into Yellowknife from the far north. It was a very long distance for her to come, and I think it was her first time so far away from home. She outlined the very things Senator Adams mentioned. The burden is extraordinary because of the immense expenses. The extra 7 per cent will be added to those goods which sometimes cost more than twice as much as those same goods or materials in central Canada. The tax burden then becomes double because it is based on the price of the goods.

The maximum rebate for a family of four earning $28,000 or $29,000 a year will be $580 a year to help pay for the extra cost of the goods and services tax. The figure is exactly the same in the north as it is in the south, although the tax incidence will be two or three times higher. This was one of the major complaints. I am only repeating some of the information, and I do not know if I have answered your question.

We all agree that there is an immense burden being put on northern people, and there will be further amendments involving the general position of those in the north, over and above the motion we have before us right now which relates to heating, because the problem goes much deeper than that in the north.

Hon. Charlie Watt: Honourable senators, I have two questions for Senator Lucier. In northern Quebec, electricity costs 48 cents a kilowatt hour. I understand that in the Northwest Territories electricity costs 34 cents a kilowatt hour. What is the rate per kilowatt hour in the Yukon.

Senator Lucier's topic was more directly related to the Northwest Territories and the Yukon. Those two areas are pretty highly subsidized by the central government by way of channelling money to the governments of the Northwest Territories and the Yukon. It is difficult to find knowledgeable and experienced educators who are willing to move to the north. Those people are highly subsidized by the government. At times it is difficult to find qualified teachers, and I am curious as to who will pay the 7 per cent? Will it be the Government of Canada indirectly? If not, will it be the individual teachers who will have to be paid higher salaries to attract them to the north? Will they be paid an extra 7 per cent? Will they have any more purchasing power, since the high cost of living is tremendous in those two areas, and also in northern Quebec and Labrador? What is your interpretation of this, Senator Lucier? Perhaps you can enlighten me on it.

Senator Lucier: Senator Watt, I thank you for the question. I do not have the precise figure for the cost of electricity per kilowatt hour in the Yukon. However, it is not as high as one would expect, since we generate most of our own electricity through hydro. There are three hydro developments in the Yukon. We are running short and reaching the point where we will have to come up with something else, but presently there is a pretty good hydro production in the Yukon.

It is difficult to compare the Yukon with the Northwest Territories or northern Quebec or Labrador, because those areas are spread out. The Yukon is fairly compact. It has some 26,000 or 28,000 people, and 18,000 live in Whitehorse. There are 2,000 here and there in different communities, but mostly they are centralized. The other thing is that there are many roads in the Yukon. In fact, Old Crow is the only community one has to fly to. In northern Quebec or the Northwest Territories it is the opposite. There are few communities that can be driven to; most of them have to be flown into.

Make no mistake, school teachers, professionals and all the people who go to those communities and keep the north operating are the very people that the government wants in the north, regardless of which government it is, because that is how sovereignty is displayed in the north. Sovereignty is not displayed by icebreakers or submarines under the ice, but by people. Whether directly or indirectly, teachers, professionals, doctors and miners who come to live and work in the north will have to pay this themselves one way or another. It may be that the Territorial governments will hire them and pay the bills originally, but it will come out of the pockets of the teachers and the workers, and that is where it is supposed to come from. It is designed so that it will be the people of the north who will pay those taxes, not the governments of the north. Quite frankly, unlike in some other places, the government of the north are the people of the north, so it will work its way right back down to the people who will have to pick up the tab.

Senator Watt: The purchasing power of welfare recipients and pensioners in the north is almost nil even before the GST. Could you elaborate, Senator Lucier, on what that means to you as a Yukoner and also from having a certain amount of experience with what is happening in the Northwest Territories? Do you foresee this government increasing pension cheques and welfare cheques in order that these people can sustain their purchasing power? I know for a fact that today, because of transportation costs and the high cost of living, their purchasing power is almost nil, and this at a time before the GST. How do you foresee this matter being dealt with?

• (2110)

Senator Lucier: I know what the honourable senator is saying. I have spent a number of years in Whitehorse, including eight years on city council. I know that seniors in the north cannot be moved, even with dynamite. They have spent their lives there and they do not intend to leave. They do not want to go to Jamaica for the winter months. It is very difficult for those people to survive under present circumstances. Frankly, I do not think, when the government drew up the GST, that it purposely said, "Let's draw up our policy and let the chips fall

where they may." I do not think the bureaucrats were paying attention to detail and I do not think the government was on top of the matter when it was introduced. I do not understand why we cannot take out the offensive parts of the legislation.

I could understand the government saying, "We did not know they were there." However,once you are made aware of these offensive measures, that someone in Toronto pays $28 in GST whereas someone in Dawson pays $193 to heat exactly the same house, why not remove that part. Just get it out of there. It does not seem complicated.

Hon. Hartland de M. Molson: I wonder if I might ask a question of Senator Lucier. I have listened to what he has had to say about the effect of the GST on the north country, and I cannot help but be in substantial agreementwith what he has said about the problems there. I am interested in what is happening in the north country, and I am wondering if the problems he has just related to us could not have been raised in time for the Senate committee to do the job that it should have been doing, in my humble opinion, which was to have these amendments considered before the last minute. As matters have unfolded, these amendments can only be considered as a means of delaying the progress of the legislation. Senator Lucier would have received more support and interest had he persuaded the committee to bring in amendments to help relieve some of the situations he has described this evening. As I said in this chamber the other day, to wait until now to bring in amendments is to begin a process that cannot possibly work very well. We had time earlier, and had he raised these points for the committee to put forward amendments to correct them, perhaps they would have received a better hearing and a lot more sympathy, because we would have had more chance to understand and to participate.

Some Hon. Senators: Hear, hear.

Senator Lucier: Senator Molson, that is an excellent question. I think you are trying to be fair and that you honestly believe what you have just said. However, there is one thing wrong with what you have said. These problems were raised before the Blenkarn Committee and the House of Commons by the government of the Northwest Territories and the government of the Yukon at the start of the process, and yet the provisions remain in the legislation. As far as the Senate Committee is concerned, I agree that it would have been nicer had we brought these issues forward sooner. However, I can tell you that these same problems were raised before the Blenkarn Committee and in the House of Commons at the beginning of this process, and there has not been one change. They have been rejected holus bolus. In fact, Mr. Blenkarn said at one point that if the government had been a little more open from the beginning, amendments may have been possible and some of these things could have been corrected.

Senator Grafstein: Mr. Blenkarn said that the government refused because the committee system was too partisan, that the government knew about these matters a year ago and refused to make amendments.

Senator Molson: I am talking to Senator Lucier.

[Senator Lucier.]

Senator Lucier: I simply want to say that the government knew of these problems more than a year ago.

Senator Molson: I just wish that our committee had brought these problems to this chamber. I quite understand what Senator Lucier has said, and I understand that the government is completely intransigent on the matter. However, that does not alter my opinion that when a Senate committee deals with something, it can report in any way it chooses, and if it finds inequities and so on, it should bring those forward to us. We cannot get at Mr. Blenkarn and we cannot deal with the problems here if they are introduced at the eleventh hour.

Senator Olson: Why not?

Senator Austin: An injustice is an injustice.

Senator Lucier: I guess the question is, why not? Why can we not deal with these problems now? In fact, would it not make more sense, in the face of a recession and in face of all the opposition, to delay the legislation for one year to make the proper adjustments?

Hon. Efstathios William Barootes: Honourable Senators, I would like to start out with one or two little observations. To borrow a phrase, it seems more than passing strange to me that this bill is so terrible, so poorly constructed, so flawed, so inoperable, so inoperative, such a jungle and so complex that it could not be changed and had to be rejected totally; that there was no other way, that it was unamendable. I am so pleased to see that there will be eight or more amendments introduced to patch up this thing.

Senator Haidasz: Then why don't you vote for the amendments?

Senator Stanbury: If you want amendments, you have them.

Senator Doody: One sentence and he has got you going already!

Senator Austin: We are competing for the "Simard Cup."

Senator Barootes: Senator Olson has remarked that these changes could have been brought in on September 24 or 25 if there had not been so many questions of privilege. On September 24 and 25 we were presented with the judgment that the bill had to be rejected.

Senator Olson: No, you weren't. You were presented with four possible options.

Senator Barootes: We did not have much of a chance to discuss the four options. As I recall, we were told very early in the committee meeting what was to be done.

Senator Grafstein: We were told that the government would not accept any amendments!

Senator Barootes: Majority ruled then, but, somehow or other, you do not seem to want to have the majority rule now. That is a rather unusual situation. I believe that the minority should have an opportunity to put its points forward, and we, as a minority, were not given any opportunity to put our views forward.

Senator Olson: You wanted to stop everything, and that is all!

Senator Barootes: Be that as it may, I will accept all the criticism that the honourable senator wishes to give afterwards, because I see that he wants to have a last crack at this topic.

Allow me to make some general remarks. I congratulate Senator Hays for presenting the viewpoint of his side, with respect to this amendment, as cogently as he did. I regret that I have had to patch together my information on the spur of the moment, not having prior knowledge of the amendment and the supporting arguments that would be put forward for consideration. So I ask honourable senators to bear with me if, in my confusion and haste to prepare a few remarks, some of them may appear at times to lack cohesion.

Senator Buckwold: As usual.

Senator Barootes: In view of that comment, I would like to make one other remark. I do not mind personal attacks; in fact, I enjoy them, as they have been part of my life. However, I decry those people who, when an argument is put to them, or a point is made on an inconsistency, rely on their paranoia of personal attacks as a means of rebuttal. Have I made that clear?

Senator Olson: No.

Senator Stewart: Give us more.

Senator Haidasz: Try again.

Senator Barootes: In other words, instead of answering an inconsistency, they feel that it is better to attack a person by saying, "I am being picked on."

Honourable Senators, unlike the existing federal sales tax that was imposed previously at a multiple rate on only one third of all the goods and services consumed in Canada, the GST will apply at a lower and uniform rate to most goods and services. Consequently the sectors across our economy are likely to be treated more equitably.

Senator Buckwold: The rate is not lower; it's the same rate.

Senator Barootes: Honourable Senators, I do not intend to give a two hour address; I intend only to speak for about ten minutes.

Senator Haidasz: Seven per cent for Senator Eyton is not the same as seven per cent for John Kowszlawski on Adelaide Street in Toronto!

Senator Barootes: I want to point out that the nature of the policy behind this measure was a comprehensive tax on a much larger base of industry and people paying for it. As a consequence, and in order to make it simple and understandable, the government decided to apply it to as many goods and services as possible, omitting only those that are basic—

Senator Buckwold: Like heating oil and electricity!

Senator Barootes: I refer to food, medical care, drugs, rent, and so on, all of which were exempted from the GST. If we were to apply all the exemptions that have been requested, it would not work. We have had representations from citizens and sectoral industries requesting exemptions for fuel, funerals, clothing, footwear, books, restaurant meals, and the list goes on. The complexity would then be really enormous and there would be a loss of the revenue expected to be yielded through the GST. You would have to either raise the rate or apply it at a higher level to some products and goods. We want a level situation. I will show the corrections that can be made.

• (2120)

Consistent with this principle, the GST will be applied to electrical bills and to heating fuels. In order to generate the same net revenues as the existing tax, which the GST will replace, the 7 per cent rate must be applied on that broad and comprehensive base. Clearly, the more items that are included in that base, the lower the rate; the more that are excluded, the higher the rate will be. In this context, it would be appropriate to increase the GST rate in order to provide special treatment for electricity or for some of the other items it has been suggested should be exempted. However, you may not be aware that your electrical bill today contains a fairly significant, if hidden, amount of existing federal sales tax which the GST will remove. In order to produce electricity and to operate their businesses, utilities purchase numerous items on which federal sales tax has to be paid. These include power transmission lines, service vehicles, motor fuels, computers, tools and maintenance equipment, office equipment and furniture, telephone services, and even stationery supplies. The consumer is paying a fair amount towards these things.

I should also add, parenthetically, that, in Saskatchewan up until the present administration came into power, electricity rates were subject to provincial sales tax at a rate of 5 per cent to 7 per cent. An electricity or natural gas bill included the 5 per cent. I would also point out that transportation and utilities sectors are projected, by this method, to have a real output gain of 3.1 per cent as a result of the GST. In other words, the economy, their jobs created and their activity, will increase ultimately by 3.1 per cent.

Residential electrical users will benefit from the elimination of the current hidden tax burden on this electricity. As you know, the representatives of the electrical utilities, who appeared before the House of Commons Standing Committee on Consumer and Corporate Affairs, publicly committed themselves to passing along this federal sales tax saving to their customers. We wait to see if that shall come to pass.

Let us talk a little bit about fairness. To ensure that lower-income and middle-income earners are treated fairly under this new tax system, the government will be providing, quarterly, a tax credit. This will go to 8.7 million families in Canada, families whose income is under the $30,000 level. The achievement of greater fairness in the sales tax system has been a fundamental objective of this government since coming into office.

Senator Haidasz: And they failed.

Senator Barootes: The government has worked to eliminate special treatments that used to be permitted to some industries

and to some investors, allowing them to pay less tax. Consequently, higher-income earning Canadians and profitable large corporations now pay taxes which are more commensurate with their earnings. I thank this chamber for finally passing that bill which allowed the application of a corporations tax to those large corporations, capitalized over $10 million.

Senator Haidasz: They still defer too much.

Senator Barootes: I think you are in the wrong party, my friend.

The government converted personal exemptions and many deductions to tax credits in order to improve fairness, and they reduced or eliminated many of the special tax breaks which former administrations had made available. The government also eliminated or reduced many of the corporate tax breaks and broadened the tax base so that many of the profitable associations, organizations and corporations now pay tax.

I am sorry to see Senator Perrault leave because my next point touches on one of his major complaints. A week ago we heard that the major banks in Canada will now be paying $100 million in tax in the coming year under the new act. In the 1989 budget, the government announced that these large corporations would be paying this tax, if capitalized, over $10 million. Effective January 1, large corporations' tax on capital will be raised from .075 per cent to .2 per cent, a 15 per cent increase in their tax rate. This tax will help ensure that big business pays its fair proportion of taxes.

In 1986, you will recall, the government introduced the sales tax credit where nothing of that nature previously existed. This credit was enhanced in 1988, in 1989 and again in 1990. These increases almost tripled the amount of credit, far exceeding the rate of inflation.

To illustrate how this will affect low- and modest-income groups, I will quote some tables. As I said once before in speaking to the GST, my interest was not in those earning $50,000, $60,000 and $100,000, but in those earning around $15,000 to $20,000. Let us look at how a single wage earner under 65 will benefit from this GST which he will be able to apply to his electrical bills, to his water bills, to his food and to everything else.

Senator Grafstein: Would Senator Barootes tell us what he is referring to?

Senator Barootes: I am referring to tables on the goods and services tax issued by the Government of Canada.

Senator Grafstein: What date is on that?

Senator Barootes: December 19, 1989.

Let us look at a person earning $15,000. As a result of the GST instead of the FST—that is, the goods and services tax instead of the manufacturers' sales tax—that person earning $15,000 will be $150 better off. If he is in the $20,000 bracket, he will be $250 better off.

Let us now look at the single individual over 65 years of age. I will use the same two levels. At $15,000 he will be $150 better off and at $20,000 he will be $250 better off. In other words, these are the people who I think will need help.

[Senator Barootes.]

Last but not least is the group we always harp on about and for whom our hearts flutter, the single parents with a couple of children. A single parent who has a couple of children and is earning $25,000 would be $550 better off. If the income were $20,000, he or she would be $325 better off.

These tables help to illustrate that this government not only has a heart, not only has compassion, but also has the financial tables to prove that it is doing something for this group of modest- and low-income people.

Senator Grafstein: Would the senator entertain a question at this point? I think he has given us a different insight into the figures we have on this side. When he says that a family earning $25,000 will be $550 better off with the removal of the FST, has he added in the additional cost of the GST, or is that a net figure?

Senator Barootes: That is the net figure, taking the FST and subtracting the GST from it. They will be that much better off. I will give the honourable senator the tables and he can study them. I know he is a very acute economist on these matters. Perhaps Senator Austin would also like to have them.

The proposed goods and services tax is designed to further improve the fairness of taxation in Canada. Under the GST the distribution of the tax burden will be more progressive than what I have heard from the other side.

Wealthy Canadians will pay their fair share and they will not be able to avoid the GST. They tend to consume more and therefore they will pay more on average. In other words, those people in the $20,000 to $25,000 bracket expend 3.5 per cent of their income on electricity and those in the $60,000 bracket expend only 1.8 per cent of their income on electricity. Here we are talking pure percentages, proportionally speaking. On the other hand, I would point out to you that persons earning $60,000, although the percentage of the income they are spending on electricity or heating fuels is lower, the number of dollars that they are paying for their heating fuels is considerably higher, because usually they have larger homes to heat, just as they have larger cars to drive, which use more gasoline, just as they spend more money on food, and so on. Although I have great empathy and sympathy for them, you could apply that to almost any expenditure of the low- to modest-income groups because they do spend nearly all of their income.

With the GST tax credit, families with incomes of up to $30,000 a year will have more after-tax income than they do today. There is no refuting that. This includes three quarters of the families in seniors or singles groups. As I said, 8.7 million families will be receiving an income tax credit and will be better off.

Before this government introduced a refundable sales tax credit in 1986, low-income Canadians paid much more federal sales tax as a percentage of their income than those in the higher-income brackets. With the introduction of the GST, the refundable sales tax credit will be enhanced once again. The monetary value of the credit will be increased and the income eligibility threshold of those who receive the credit will be raised. It has been raised already to around $30,000, and I

have no doubt that this compassionate government or any other government that follows them will also see that it is indexed in proportion to the buying power of their income.

As a result of what I have just said, there is no doubt that low- and modest-income earners will pay much less as a percentage than those in the higher-income brackets. For these reasons, the GST tax credit has been recognized by experts as a major advance in Canadian social policy and I am surprised that sociologists in Canada—those bleeding hearts, all of those non-government funded organizations—do not come around and hail this as one of the greatest social measures that has been undertaken in Canada in many a year.

As well, basic groceries, residential rents, drugs, appliances, and so on, will all be exempted from the GST.

Senator Olson: Appliances?

Senator Barootes: Medical appliances.

On indexation, the intentions and record of the government are quite clear. The GST tax credit will be reviewed periodically and, I hope, adjusted appropriately. This is the approach that was used with the child tax credit which, since 1985, has been increased much in excess of the rate of inflation.

These actions, honourable senators, speak for themselves. The government's fiscal initiatives show a commitment to a fairer tax system and to the targeting of assistance, especially to those in need.

An amendment of the nature that has been suggested, therefore, is not, in my opinion, warranted or useful.

Let me make one or two comments off the cuff about the comments made by the last two speakers. I, too, have been up north. I have an interest, as do most Canadians, in what is going on in the Yukon, the Northwest Territories, northern Quebec and northern Ontario. I wish that we could transfer our manufacturing industries to the Yukon and the Northwest Territories.

Senator Doody: I think you have lost some of your audience.

Senator Barootes: I just don't think it can be done. I wish we could change their climate and make it warmer for them so they would not have to use as much heating fuel and electricity in the winter, but those are things over which we have no control. However, if we are to ameliorate some of the things mentioned by Senator Lucier, that would be only a very small part. It would not, in any way, change the other aspects of their living which would continue to be more expensive than they are in Toronto or in Regina. Those things would continue.

• (2130)

If we are looking for a way out, it is not through the GST with its wide base and the purpose we have given it. It should be through an observation or two with regard to the Income Tax Act, whereby their incomes may be taxed at rates different from those who live below the 60th parallel. Those are the things to which our governors may be giving some attention—perhaps higher exemptions; perhaps lower rates for those people, bearing in mind that they do have some additional costs.

Some of the other things that have been said are a little troublesome to me. One observation related to transportation systems in the cities. We must realize that many of the transportation systems which use electricity or fuel are subsidized from general taxation.

The water system, to which some reference was made, is not the same as electricity. In many cities the water costs for household use—and Montreal is a good example—is not billed; rather, it is taxed and paid out of general revenue. So, it would be an inequity to try to apply the same to electricity that we apply to water. In your city, Senator David, I understand there are no water bills sent to people. In many other cities, as well, it is included in the general tax case. So we are not dealing with the same situation with water that we are with electricity. Moreover, in some centres, electrical generating and distribution systems are privately owned, not owned as they are in Saskatchewan. Even in Ontario there are some private organizations distributing electricity. So there is a difference in that regard.

Although I have some sympathy for some of the things suggested, on the basis of the philosophy of the GST and on the basis of its thrust and its help to low- and modest-income people, I cannot accept this amendment, and I will vote against it.

Some Hon. Senators: Hear, hear.

Senator Hays: Honourable senators, I have a question for Senator Barootes.

Senator Barootes made some mention of the fact that electricity costs would be lower as a result of eliminating the manufacturers' sales tax. Let me remind you that for the purposes of my address I obtained information from the GST watchdog group, which indicated that the increase would really not be very much, 6.6 per cent. So we are talking about less than 0.5 per cent being applicable to the reduction. In the case of furnace oil, it is something like 5.7 per cent. I don't have the numbers in front of me.

Perhaps you could comment on that or try to put your comments into perspective. You left me with the impression that there would be a great reduction. The information I have is that there would not be a great reduction.

The other question I have arises out of an article I read over the weekend in the May-June issue of the *Canadian Tax Journal* which contains an article by Mr. Patrick Grady relating to an analysis of the distributional impact of the goods and services tax.

You were quoting figures which indicated that a lower-income family would be much better off. The conclusion which the author draws in this article, at page 643 of the May-June 1990 issue of the *Canadian Tax Journal*, Volume 38, No. 3, is that three-quarters of Canadian families will pay more taxes in 1991 because of the introduction of the GST package; that the increase in the sales tax credit will help to ease the burden on low- and middle-income taxpayers but that, nevertheless, families who earn less than $30,000 will pay $20 more in tax, on average, because of the GST package and that 46 per cent of

families who earn less than $30,000 will face heavier tax burdens; and that, if the government wishes to live up to its commitment to ensure that families earning less than $30,000 are better off as a result of the sales tax reform, it will have to increase the sales tax credit.

This author has provided a table through the use of a model based on Statistics Canada information. I am wondering, Senator Barootes, whether you are familiar with this and, if you are, how this squares with the information which you were giving us. It is a very different view and, I believe, a reasonably objective view, having regard to the reputation of the *Canadian Tax Journal* and the kinds of authors which it publishes.

Senator Barootes: Honourable senators, first of all, the reduction arising from the input tax credits to which I referred, which will occur for the electrical utilities over a period of time, and bearing in mind that they are going to lose the 13.5 per cent on their costs and will have a considerable reduction on the equipment and inputs which they have, will probably yield for Canadians cheaper electrical rates.

As for the table in the *Canadian Tax Journal*, as with medical journals, scientific journals, tax journals, accounting journals, the article from which you quoted is no better than the author who prepared it. As you know, sometimes people write articles for great journals, and later we find 10 people refuting them.

I am not saying that that gentleman's article is or is not correct. All I am saying is that I have looked through this table and I will say this: Single wage earners under 65, single individuals over 65, a one-earner couple with two children, a two-earner couple with two children—and, in that case, it assumes that 60 per cent of the income comes from one earner—a single parent with two children, every one of them, Senator Hays, at $30,000 or less per year appears in these figures to be better off, according to figures tabled in the House of Commons on December 19, 1989.

If there were people who intended to refute that, surely they would have done so by now.

Senator Buckwold: Are those Department of Finance figures?

Senator Barootes: They were tabled in the House of Commons by the Hon. Michael H. Wilson, Minister of Finance.

Senator Buckwold: Those are Department of Finance figures. That is all they are.

Senator Lucier: I presume they are.

Senator Stanbury: The book is known by its cover.

Senator Barootes: This is discredited and that is credited; is that your point? You quoted that journal once before. It was issued just after you tabled your report in the Senate.

Senator Buckwold: Everyone has discredited the submission of the Department of Finance in the projection of figures. That is why all the poverty groups and the low-income groups and the church groups expressed in their presentations the fact that this regressive tax, in spite of the tax credit, will very seriously adversely affect low-income people.

[Senator Hays.]

Senator Barootes: That reminds me of the fellow who always starts off with: That is a good question and I am glad you brought it up. I am glad that you brought it up. You are again quoting from people like Neil Brooks. I have it here. I saved it just in case you brought this up.

Here we have a comparison of the great champion of the progressive income tax system versus the GST. We have the figures of Mr. Neil Brooks, the darling of the CLC, of CUPE and of the PSAC. If you look at these figures, and I quoted them to you before, Senator Hays, you will find that his proposal is the regressive one in the lower- and middle-income groups and that the GST is the progressive one.

Let me give you some figures. According to the professor at the University of Toronto, of those earning $15,000 or less, 54.6 per cent would be worse off under his system. The percentage that might be better off is 20 per cent. Whereas, under the GST, it is indicated that 30 per cent to 40 per cent will be better off.

All I am saying to you is that I have these figures. I have quoted them at our meetings in western Canada, and I can quote them to you again. With regard to unattached elderly individuals, 74.5 per cent—that is, three-quarters—are worse off under the system you have praised, whereas 40 per cent are better off under the GST.

I can use figures, too, if you want to be bamboozled.

Senator Hays: Who knows? This debate may go on another day, maybe not on this amendment. I will look at your numbers and, hopefully, you will get a chance to look at the article from which I have quoted. Perhaps we can come up with what are the better numbers—those generated by the Department of Finance or by this independent writer.

It is so easy to cast doubt on an article in a journal by saying that sometimes they are not all that reliable. But sometimes they are.

Senator Barootes: I agree. As I say, I would like to study the tax journal you are referring to. Maybe there are some comparisons we can make between them.

There is one other point on which I wish to comment, honourable senators. That is in respect to the old CHIP program and programs with rising costs. Rising costs of services and rising costs of energy usually result in people as stupid as you and I in this place beginning to observe some husbandry in the use of those expendable services. You find that, as the price of gasoline or of natural gas or of electricity and heating fuels goes up, more and more people may say: Maybe I will use a little less electricity. Instead of using a 250-watt bulb here, I will use a 100-watt bulb, and instead of a 60-watt bulb, I will use a 40-watt bulb. Maybe I will insulate the house and maybe I will, when I am going to work I will put the thermometer down to 60 degrees, and when I come home I will put it up to 68 degrees. These things are not bad for conservation of a depleting resource in this country. So, I say to you that that would be helpful.

Finally, it has been brought to my attention that for some industries utilizing electricity and fuel, the cost of electricity will go down because they will get an input tax credit. I don't guarantee there will be, but there could be some depletion of the rate of inflation, or COLA in this country, not that it would not rise, but it would not rise as fast. In fact, I will suggest to you that the GST will have less effect on the cost of living in this country than has the rise in cost of oil through the Iraq war. I believe that will have more effect on our cost of living than will the implementation of the GST with a once-only rise of 1.0 per cent to 1.25 per cent.

• (2140)

Senator Grafstein: Senator Barootes, I agree with you: There are statistics and statistics and then damned statistics. Obviously, it is vital, in aid of the amendment proposed by this side, to determine the impact of the GST on families in those sectors of the economy that are less able to protect themselves against costs. We have heard Senator Lucier make a very eloquent plea for those in the north who are not able to protect themselves in terms of choice for fuel. We in the south can choose among hydro-electricity, gas, oil, wood or even coal heat, but those in the north do not have those same choices.

I have been trying to examine carefully, and independently, statistics regarding the impact on lower-income families, whose income is less than $30,000. We have not generated these figures ourselves. We have had to rely, being the opposition, on independent bodies to prepare statistical data for us, and we realize, as some will suggest on the other side, that some independent studies are more valuable than others, but that only goes to the weight that you put on those studies.

Obviously, the government is convinced that its figures are correct. Having been on the government side, I can tell you that whenever we received statistics from any government department, our first job, as it is of any thoughtful political figure, was to question the figures that we received from the bureaucracy. We on this side have been injured badly by statistics we received from the Department of Finance and Treasury Board when we were on the government side.

Senator Doody: Question!

Senator Grafstein: My question to you is this: Can you make available to us any independent studies that have been done that support your position that family households, with two children, earning $30,000, will be better off? I believe you indicated they would be better off by $150. The statistics that we have show that there will be an increase in tax anywhere from $20 to $100 for them, and that, when you get below $30,000 the number spirals so that a $25,000 household, instead of being better by $550, will be substantively behind. Those households with $25,000 in income will probably be in a position the reverse of what you have said, possibly by hundreds of dollars the other way.

Are you able to present us, or other senators opposite who have given this careful thought, any material, any independent figures, aside from the government figures, to support your contention?

Senator Barootes: I do not know what you are quoting from to get your figures.

Senator Grafstein: I was quoting from the *Canadian Tax Journal*. The Brooks study came up with different figures, as did the Canadian Tax Foundation when it examined the bill. We on this side have received a series of so-called independent studies that have demonstrated that the impact on families at $30,000 and under will be greater rather than lesser. All I am asking is that you give us something other than the government figures, because we know that government figures can change due to economic conditions. I should like to know whether or not you have any independent studies, outside of the government, that have so convinced senators opposite of the fact that this tax will be fair and equitable. We have heard, from Senator Lucier and from others from different regions, that the tax will not be fair. We have heard from certain sectors that the tax will not be fair. I am only asking that you give us, if you could, the independent studies that have been done that support your contention. Then, after sober second thought, we may be able to come to a different conclusion about our concerns.

Senator Barootes: Yes. I do not have any of them here with me, but there were some presented to us by various organizations, and if I can get my hands on them I will be pleased to pass them over to you and then you can study them in comparison to the government figures. All people within the government are not dishonest. Your figures from the *Journal* and perhaps some others, such as from the CLC, have not been accepted by everybody. It would be interesting for us to examine them, I agree. Incidentally, when I hear somebody say to me that the person in the $20,000 to $25,000 earning group spends a larger percentage of his income on electricity and heat, I agree, but I again point out that he also spends a larger percentage of that income on clothing and lodging and recreation and everything else. However, if you want to put it into actual, hard dollars, the low-income person may spend many fewer dollars than does the fellow, like yourself, living in Forest Hill in a 20-room house. I will leave it at that.

Senator Grafstein: I have a final question. I know that Senator Barootes is always candid to members on this side. Over the weekend, I read an article in one of the papers dealing with comments made by Mr. Blenkarn, who is chairman of the Finance Committee which reviewed this bill when it was in the other place. He apparently indicated that there were serious flaws in the bill, and he went on to suggest that, had the members in the opposition in the other place been less partisan and more cooperative, a number of amendments would have been obtained. Earlier today we heard the Leader of the Government in the Senate suggesting—and you have confirmed this in your comments, Senator Barootes—that, if we had used a different process here, if we had pre-studied the bill or, according to your suggestion, if the Senate Banking Committee had been more open-minded at an earlier stage to amendments, then the government might have accepted those amendments.

Senator Barootes: I did not say that.

Senator Grafstein: I am suggesting that it is a logical consequence of what you were implying. My question to you is this: Based on your attendance at those many hearings across the country over several months, and based on your own research, did you detect any flaws in this bill that we might, at this last juncture, correct? I am not talking about minor flaws. Are there any significant flaws in this bill or is this bill beyond correction at this stage?

Senator Barootes: As to your last statement that the bill was so flawed it could not be corrected, quoting from the New Testament: You said it, I didn't! To begin with, regarding Mr. Blenkarn, I have not read the article. I presume it was in the *Toronto Star*. I think that is the only paper you fellows read.

Senator Grafstein: I believe it was in the *Globe and Mail*.

Senator Barootes: I have not read it and I do not know what he said, but if he said something with which you agree, then you should go and talk to him about it. We are not talking about that here. We are discussing what we have seen and heard. As for my impressions of the presentations made to us, I think we were told that there were three hundred some odd presentations made, of which two hundred some odd were opposed. I think you should look at those figures a little more carefully. It is easy to make the blunt statement that two hundred some odd were opposed. However, they were not so much opposed as they were presenting a lobby for their sectoral group, for their industry, for their chocolate bars or their biscuits or whatever business they were in, to point out that there were some anomalies that applied to them that they felt should be corrected to make the tax fairer for them, to make their industry more profitable, or to make it more profitable for them to sell tourist packages in Minneappolis for people to come up and fish in northern Saskatchewan. Those people did not come and say, "Throw the bill out."

Senator Olson: Yes, they did. They sure did.

Senator Barootes: They did not, even though our friends tried to persuade them repeatedly, with all kinds of intimidation, that we should do away with the bill. The fact of the matter is that many people presented a view that they thought the bill could be corrected or improved and that the Senate was to present their views. I say to you, as our Prime Minister has said, and as the Minister of Finance recently said, if there are anomalies or inequities or difficulties when the bill is passed and put into operation, then there will be an opportunity to have them corrected. They may not need amendments. Some of them will only need regulatory or administrative or interpretive changes. So I say to you that the Prime Minister and the Minister of Finance have said that they are willing to examine some of these things once we get it into operation, and I think that is the reasonable way to do it. That is the way other new taxes have been implemented and corrected in the past when there were difficulties.

Senator Grafstein: Senator Barootes, you really did not respond to my narrow question.

Senator Barootes: I did my best.

[Senator Barootes.]

Senator Grafstein: Let me just repeat it, and if your answer is the same, then we have struck an impasse. I understand what the Prime Minister says. I understand what the Minister of Finance says. That is not my question. My question is for you as a member of this chamber. You are called upon, in this chamber of sober second thought, to review legislation by the government and to come to a determination as to whether or not this bill needs substantive correction. That is my question. My question is not what the Prime Minister will do in the future or what the Minister of Finance will do in the future. I do not quarrel with that. I am just asking you whether or not, based on your study of this bill, you see any substantive defects that could be corrected now. That is all.

Senator Barootes: I tried to answer before and I will try it again, but this will be my last try at it. I am doing my very best to tell you that I agree with the thrust of the bill, its principle and its intent, which I know you understand. The intent is to have a broad-based, lower-rate consumption tax to help our exports and our industries to compete, and ultimately to increase the economy of this country by $9 billion over a period of time, and I am fully in support of that. The little corrections that different little groups may want, if there are any, should be done only after the tax has been tested, and that may come to be.

Hon. H. A. Olson: Honourable senators—

Some Hon. Senators: Hear, hear.

Senator Olson: —it is fairly late so I will be brief.

Some Hon. Senators: Hear, hear.

Senator Olson: I thought that would get some response. I hope that honourable senators, particularly the ones who have been here only since we were swamped, will listen carefully.

There are all kinds of criticisms that can be made of Bill C-62, because as we travelled across the country, we found, if not hundreds then certainly scores of inconsistencies and injustices which I heard members of the Conservative Party who were there on the committee say needed to be corrected; no doubt about it. I am not going to deal with all of them. I am only going to deal with the ones that apply to the amendment that is before us now, and I will try to confine my comments to that area.

Honourable senators, why we have to make a plea now is that tomorrow afternoon at 5:45 we are going to be called upon to vote as to whether or not we are willing to take heating fuel, in all its forms, out of this iniquitous tax.

I think that most of us who have been here for some time—and perhaps even the new senators—understand that, above everything else, the job of the Senate is to try to identify and then correct regional disparities.

Senator Grafstein: Absolutely!

Senator Olson: People talk about sober second thought, and I think that is a good thing, too. If the House of Commons, its committees and legislative process have made a mistake, when a bill comes here we can have another look at it, a sober second thought. I have not seen that practised as much during

the time I have been here because, usually, governments—whether it is this government or the previous government—have been perhaps a little reluctant to admit they have made mistakes. Every time we found a serious discrimination in the application of the law with respect to the regions, the Senate, almost unanimously, indicated that it would remedy that situation. Honourable senators, there is absolutely no question that that is what we are faced with tonight. I suggest to honourable senators opposite that they think about this seriously. The government is not even doing what it stated it would do; therefore, you have a serious obligation to amend the bill and send it back to the House of Commons so that the government can at least keep its word.

● (2150)

It is implicit in the government's position and in its statements with respect to the GST that basic necessities are to be exempted. The list includes basic groceries, prescription drugs and certain medical devices, as Senator Barootes has pointed out, day care, medical services and water. Why did the government stop there? In Canada's climate, is heat not a basic necessity? I do not care whether one lives in Alert Bay, Old Crow or Toronto, surely we understand that in North America north of the 49th Parallel some fuel is required to heat residences for a large part of the year. If the government believed that it was going to exempt basic necessities but then included fuel, surely it made a mistake and overlooked fuel. In my view, it is ludicrous even to think that, for people living in Canada, heating a house is not a basic necessity. That is what we are asking you to consider tonight, honourable senators.

I do not want to repeat the arguments that low-income people will be hurt the most in terms of a percentage of their income, or that a residence with the same square footage as one built to a higher set of building standards because of higher incomes will cost more to heat on a square-meter or square-foot basis. However, that is what will happen. Not only that, but to make matters worse, 7 per cent GST will be added on to the cost of the transportation of the heating fuels. Surely hononourable senators opposite must realize that the transportation cost on fuel is a large part of the selling price, and the farther north the higher the cost. It seems to me that the problem is easy to see and to understand, because this whole tax will be based on price at the point of sale to the consumer. Therefore, everything that makes up the price, such as handling charges and transportation costs will be used to calculate the selling price and then 7 per cent will be added to that price.

Honourable senators, it is not fair. Senator Lucier made a great speech, pointing out the difference in costs as between places like Dawson and Toronto. If I remember correctly, he said that the same goods actually cost seven or eight times as much in the north as they do in Toronto.

Many times in the past several months the complaint has been laid before the Senate that in almost every aspect the GST is a regionally discriminatory tax. Tonight we are talking about heating fuel and electricity, probably the worst example of discrimination. It is the best example to prove the point, but the worst example of discrimination against various regions, because the cost of transporation is such a high percentage of the cost of fuel. I think of fuel oil in particular, but coal would be even worse, although not nearly as much coal is used for heating any more.

It is the Senate's responsibility. I cannot understand why senators opposite do not understand that fuel for heating is as basic a requirement to living in Canada as almost anything else, such as basic groceries, certain medical devices, prescription drugs and water. One needs to buy fuel for heating to live in Canada. Therefore the tax is regionally discriminatory.

The point has been made that the situation is exacerbated by regional considerations, because the further north one goes the longer are the periods of darkness and cold. No reasonable member of the Senate would deny that. Yet the way this tax is structured and designed exacerbates the problem.

If the tax had been applied on litres of fuel oil and was the same for everyone in Canada, north, south, east and west, there would be some justice and people would pay essentially the same federal tax on the same thing; but that is not the situation. At the refinery in Edmonton, Sarnia or Montreal the fuel is a certain price. I will not go into how fuel is priced, but everyone knows that it is based on the market price using west Texas intermediate crude, and freight is added or subtracted along the way until it comes into the refinery. Fuel is based on the market price and all the other factors are included. The further north the oil is transported, the higher are the transportation costs, and more fuel oil is used in the north. In some parts of Canada for several months there is no daylight at all. Averaged over a year, in some areas houses would probably require two or three times as much electricity for lighting than houses in other areas of Canada, and in addition, the winter is much longer.

Honourable senators, that is not fair. Senator Barootes suggests passing the GST and amending it afterwards. But that is not the job of the Senate. After we have identified severe regional disparities, those disparities should be corrected. Tomorrow afternoon, honourable senators, you will have an opportunity to correct one of the severe injustices in this bill. I plead with you to take up your responsibilities. It will not be the end of the day for the Conservative government, or for anyone else, to bring in a bill and have the Senate correct a few things. Someone stated that it was not done before 1984; but it was done before 1984.

Senator Lucier: Many times.

Senator Olson: Many times we found inequities and in most instances the government would listen and make adjustments. Senator Murray has been here long enough to know that happened.

Senator Murray: Before the disappearance of prestudy.

Senator Olson: So you are going to penalize everyone because there has been no prestudy. Senator Murray knows as well as I how he abused prestudy until it stopped. Why does he not admit that?

Senator Murray: Abuse? How?

Senator Olson: Yes, he abused it. He said that if we were going to do all these prestudies, we did not need the Senate committees.

Senator Grafstein: Why would you not correct a clear and present danger? Is that not what a legislative body is for?

Senator Murray: We only did prestudy when the Senate agreed to it.

Senator Olson: Are you going to tell the people in Canada that there are regional disparities because those Liberal-type senators did not do a prestudy? Is that a good reason not to correct a very serious injustice when it is right in front of your nose and you have an opportunity to correct it by voting the appropriate way tomorrow afternoon? It is ridiculous.

Senator Barootes states that it might be a good thing to maintain the high price of heating oil. I could not believe that anyone would say anything like that. He said, "Make heating fuel expensive enough and people might use a little less." Do you want people to freeze a little more? That is exactly what you said, that there would be some incentive to conserve heating fuel by turning the thermometer down to 65. I do not like to be in a house when it is at 65 degrees, and I doubt whether many Canadians like it either. I like the heat to be around 70 degrees, and if there is enough fuel in the country to meet the supply, I do not think the government should try to set up a taxation structure that will force people to live in misery. Is that what you want to do? That is what you said.

Senator Barootes: That is somewhat out of context.

Senator Olson: Honourable senators opposite have complained every time I have tried to point out that there are many other situations where regional disparities exist in the application of this tax. However, I said at the outset that I did not intend to address all of those disparities tonight. The people in my part of Canada will be paying approximately 20 per cent more federal sales tax because of the way this bill is structured, because almost all of the manufacturing plants are located in central Canada and we have to pay the high cost of freight. That is not fair. However, I will not pursue that matter tonight. I am talking about fuel and electricity costs, because those are outstanding examples of the unfairness and regional disparity in the way this tax is structured and applied.

I was impressed by questions asked by Senator Austin, following the speech made by Senator Hays, concerning all the legal problems. I do not believe that honourable senators opposite have thought those points through. We face enough problems with the provinces regarding unity and their right not to pay federal taxes. I will not get into the matter, but I am sure that there will be legal battles for years to come if this tax is brought in in its present form.

● (2200)

The spokesmen for the government, including particularly the Minister of State for Federal-Provincial Relations, who was supposed to promote peace, harmony and tranquillity between the two levels of government, say, "Not one amendment. No way. We're not going to make any amendments."

[Senator Murray.]

Senator Murray: Who said that?

Senator Olson: You did. That is exactly what you told us about the Meech Lake Accord, a seamless web that could not be changed without it all coming apart.

Senator Murray: I heard Senator Lucier quoting me as having said the same thing. Senator Lucier is clearly your authority. Tell me when and where I made such a statement.

Senator Grafstein: We made amendments in this place and you would not accept them.

Senator Olson: Perhaps I will have to take that remark back until I can find the source.

Senator Lucier: Senator Olson, you will not have to take it back. He made the comment on the news. He said that he would not accept amendments because there would be no time because they would have to go back to the House of Commons.

Senator Olson: I heard about that.

Senator Murray: I never said that.

Senator Olson: I have witnesses who heard you say it.

Senator Murray: I said that there was great difficulty with it.

Senator Austin: Can anyone show us a single time when Senator Murray has accepted an amendment to any government legislation?

Senator Murray: Senator Lucier quoted me as saying that no amendment would pass. How could I possibly take that position in a house that is as evenly balanced as this one about amendments I have not seen?

Senator Lucier: I thought it was a little strange myself.

Senator Murray: It is fiction.

Senator Olson: Can I take it that Senator Murray has softened his attitude slightly from what he said the other day? Now he is saying that if we come up with an amendment that is good enough, he might accept it.

Senator Grafstein: Ask him if he can suggest any.

Senator Olson: I suggest that there are no better examples than the one in front of the Senate right now. By this measure we are trying to correct a regional discriminatory inequity. It is part of the Senate's role. There are all kinds of regional discriminations in this bill, but this is a bad one. It is so simple to fix it. The government could do it tomorrow.

Honourable senators know that our objective is to kill the bill. We have reached the point where it may not be possible to achieve that objective, so we are ready to look at some improvements. Here is one suggested improvement. I would appreciate it if the Leader of the Government would give us an undertaking that he will at least correct this provision.

I will conclude by appealing to senators opposite to set aside their partisanship and take up their responsibility as senators. When Confederation was discussed approximately 124 years ago, between 1864 and 1867, there was probably more discussion on how to protect the smaller provinces, particularly Nova

Scotia and New Brunswick, against the larger population in what was then Upper Canada and Lower Canada, than on anything else. There is no doubt—and I have not read all of the debates, although I have read some of them—that if Upper and Lower Canada had not agreed to a bicameral system with an upper house known as the Senate with the authority that it presently has, there would not have been a Canada. The other provinces would not have joined the federation if they had not received that undertaking. That is why the Senate has the power to reject measures that are discriminatory against regions.

Members opposite should take these responsibilities seriously. It did not say in those debates that the Conservatives should do one thing and that the Liberals should do another. It said that this house should examine legislation and specifically identify and correct any discriminatory matters in the legislation. The Senate was given the power and authority under the Constitution to do it, and that is why I plead with members opposite now. It is so clear that if the Senate intends to discharge its responsibilities to the Fathers of Confederation and the people of Canada, this is what it ought to do.

Some 85 per cent of the population does not like this tax. Members opposite say, "Nobody likes taxes." That is not quite good enough. That is not what I heard as I travelled across the country with the Banking, Trade and Commerce Committee. People asked us over and over again to find a way to reduce expenditures and to increase taxes. They are ready to pay more taxes, but they do not want this kind of tax with all its injustices. Of course, they went on to point out the injustices. We will introduce six more amendments that deal with some of the injustices. Here is an opportunity for the Senate to perform its function. I do not think that anyone over there would disagree that this measure is an injustice against certain regions. So, in conclusion, I plead with honourable senators opposite to take up their responsibility as senators and as part of the body that is supposed to protect the regional interests of this country.

Hon. John B. Stewart: I wonder if Senator Olson would permit a question. I have been listening to what he has been saying, and I suspect that his pleas are falling on deaf hears.

Senator Olson: I hope they are not.

Senator Stewart: If the honourable senator will look at what has been said by the ministers of the present government for the past five or six years, he will discover that their position with regard to the Senate is almost virtually the same as that of the CCF and the NDP since 1933. They argue, as did the Labour Party in England, that there is no place in a modern democratic country for a body such as the Senate of Canada. The NDP argues consistently for the abolition of the Senate. In contrast the Progressive Conservative ministers say, " You have no role. Oh, yes, you have the role of doing a little, minor, sober second thinking, so long as you do not touch anything that is important, so that you can maintain the illusion that the Senate is doing something. Then, of course, we will make lots of patronage appointments to the Senate." That is really the function of the Senate, a place that receives patronage appointees.

I can document those comments and I intend to document them, from the mouths of Senator Murray, Prime Minister Mulroney, Harvey Andre, and on and on and on.

Senator Lynch-Staunton: And John Turner.

Senator Stewart: And John Turner. It is a consistent view that has prevailed in this country. Some of us came here in 1984 with the notion that if this place could not be changed, it ought to be abolished. We knew that we could not make it equal, that we on our own could not make it elective, but we thought that perhaps we could make it efficient. However, we ran into a general attitude that the Senate had nothing important to do, that it was improper for it to do anything.

Senator Cogger: What is the question?

Senator Stewart: John Turner and Brian Mulroney have the same attitude. Of course, the NDP has a hostility toward the Senate because as long as the Senate is here and has a legitimacy, they anticipate that it will veto their socialist measures. We understand that, but it amazes me that the Progressive Conservative government has taken exactly the same position.

I ask Senator Olson —

Senator Cogger: He does have a question!

Senator Stewart: I ask Senator Olson perhaps to save his efforts. Why should he plead with people who have taken a position that is even more hostile to the Senate than that of the CCF or the NDP?

Senator Olson: Honourable Senators, I am always hopeful. I travelled across the country and listened to many presentations on this tax. If the witnesses did not volunteer during their opening remarks that they believed that the Senate should take a hand in the matter of this bill, and, indeed, kill it, I would ask them: "Never mind wether the Senate has the authority under the constitution, do you think, in this modern age, 1990, that the Senate ought to assert its authority and defeat or, at least, severely modify this legislation?" Of those I asked, 137 said, "Yes, the Senate ought to use its authority now."

I will not say that I despair. I am still hopeful that enough of the Senators opposite will take their responsibilities seriously and correct this situation with respect to the discriminatory practice of taxing heating fuel. You could do that tomorrow, and people across the country would cheer for you.

Senator Grafstein: Tell them to sleep on it.

Senator Olson: Think about it carefully. The Minister of State for Federal-Provincial Relations has indicated that he would be interested in modifying Bill C-62 as it applies to fuel oil and electricity. He realizes that his government faces trouble in the courts. Some provinces are already taking the federal government to court over a measure that requires them to pay taxes to the federal government.

Senator Murray: It doesn't though.

Senator Olson: Oh, but it does.

Senator Murray: Oh, but it does not.

• (2210)

Senator Olson: That is their interpretation of it, but my guess is, whether it is direct or indirect taxation, they do not have a right to do that either. You are going to run into those kinds of problems.

My understanding is that the main job of the Minister of State for Federal-Provincial Relations is to make peace.

Senator Murray: Who told you that?

Senator Olson: Your Prime Minister told me that. He did not say it to me directly, but he has made several speeches indicating that there was going to be a new order in Canada and that there would be no more confrontation with the provinces. Do you not remember that? There was going to be "new civility". He used nice words like that.

Senator MacEachen: "National reconciliation".

Senator Olson: Yes, "national reconciliation". I do not want to be unkind, but since I started my political career 34 years ago, I cannot remember any time when there was more tension and complete disgust displayed by the people with respect to the way in which the two senior levels of government are carrying on. Now you have a chance to correct some of that. If you have made mistakes in the past, we will forgive you, but only on the basis that you will admit it and start doing things that will correct these mistakes. You can start that process tomorrow afternoon by saying you want to have better relations with the provinces and not get mixed up in this electricity issue with crown corporations that belong to the provinces. That is one step you could take.

Senator Grafstein: Ask Senator Barootes to talk to his caucus tomorrow.

Senator Olson: Another thing you can do is show you are on the side of the people. People out there do not believe that this government cares about them, and that is not good. I think it is very dangerous to continue to demonstrate that you do not care what the people think. That seems to be what is happening. You will not accept any amendments. Some people have heard you say, "No amendments." I have heard Harvie Andre say a number of times, "The Senate has no business in any budgetary matter."

Senator Bosa: He said it yesterday.

Senator Olson: He has said it a dozen times. The other day the Prime Minister stood outside the Commons and said, "The Senate has no business sticking its nose into this." I know that the people of this country believe that, if you are going to bulldoze this bill through, the Senate has not only the right and the power but an obligation to get involved in this situation.

I plead with you. You still have time because we are going to introduce some other good amendments that you can accept. However, here is a typical example of an amendment that you could make that would improve the situation, and I am sure Canadians all across this country would cheer for you if you did.

Some Hon. Senators: Hear, hear!

Hon. Gildas L. Molgat: Honourable senators, earlier in the debate this evening, Senator Molson, in reply to Senator Lucier's appeal on this amendment, said that it was too late. At that time my colleague, Senator Riel said to me, "It is never too late to do the right thing." Indeed, that is what we are dealing with in this amendment: doing the right thing by Canadians.

I was encouraged earlier in the week when I heard Senator Castonguay say on television that senators on the opposite side were prepared to look at reasonable amendments.

Senator Grafstein: I believe Senator Simard said that.

Senator Molgat: Honourable senators, there can be no more reasonable amendment than the one that is now being proposed. I am disappointed that more senators on the other side are not taking part in this debate and explaining how they can defend this particular action. I wonder how Senator Cochrane is going to defend this measure in Newfoundland. How can she explain to Newfoundlanders, who are already the most disadvantaged people in Canada, that they will have to carry this extra burden? Honourable senators, it is not an equal burden but an extra burden over and above what other Canadians will be paying in other parts of the country.

Senator Grafstein: They already pay 12.4 per cent.

Senator Molgat: Last week when we were in the midst of Presentation of Petitions, I heard a number of senators on the opposite side say, "Let us get to the bill. We want to discuss the bill." My neighbour, Senator Sylvain, was making that very point last week. However, we do not hear a defence from the other side except from Senator Barootes.

What remedy did Senator Barootes offer this evening? He said that we have to go ahead with this; we have to have this tax on heating fuel. He said that the way to correct it is through income tax. I think Senator Barootes must be aware that in the past two years the government has attempted to make some amendments to the Income Tax Act with respect to where the boundaries should be drawn for northern allowance; it simply has not worked. It just does not work that way. It is true that in the Yukon and the Northwest Territories costs are higher, but even in my province, and in Senator Barootes' province the situation may vary. Living in Churchill is quite different from living in Winnipeg because costs in Churchill are substantially greater. Certainly the cost of heating fuels is greater and residents there use an awful lot more of it. They have no choice. There is no way out of it. Here we are imposing this extra burden on these people.

The solution cannot be found in the Income Tax Act. Where do you draw your boundaries? Are you going to draw the boundary halfway between Saskatoon and Regina? There is no way you can do that.

Honourable senators, I recently received a copy of a letter written to the Prime Minister and to Senator Lowell Murray.

The letter comes from Winnipeg and it is dated October 17. The writer of the letter says:

> I would appreciate the answer to a few questions concerning the GST. I have an eight room, 1,800 square feet house. My electric bill and my gas heating bill total $22 hundred per year. Seven-per-cent tax will be $154. I have a friend in Richmond, B.C., with the same size house. He pays $900 for electric and gas heat. Seven-per-cent tax equals $63.
>
> Why should I pay $91 more a year? We are both 70 years of age and have the same retirement income.

He then speaks about some other matter not related directly to heating fuel but to air fares for northern regions. That is a separate question so I will not read that part of the letter now.

He carries on to say:

> Why are you penalizing the prairies and the north? This is not New Zealand with an overall moderate climate.

Senator Buckwold: And a defeated government.

Senator Molgat: I think that explains the exact problem we have in Canada. It gets worse the further north you go but it is equally bad when you compare the prairies to Victoria.

Senator Barootes: If you live in Toronto you have to look at the poor areas and the rich areas. You cannot correct them all.

Senator Molgat: It is not a question of poor areas and rich areas: It is a question of geography and climate in this country.

I do not blame honourable senators across the way because they have been conned in this matter. This is a bureaucratic nightmare. This has been imposed on them by bureaucrats and it has not been looked at by people with common sense. In this country the climate varies as the geography varies, and to impose a tax like this on heating fuels is manifestly unfair to certain parts of the country. I repeat: Senator Cochrane's area is going to suffer a great deal more than, say, Windsor. Is that reasonable? Is that a proper way to levy taxes in this country? Bureaucratic systems are in place. This is not a system which deals with the problems of people. That is what we have to look at. You cannot do this by drawing an imaginary line so that someone above that line will get an exemption from income tax. You cannot place that line in a reasonable place. It does not work that way.

Honourable senators, let us follow Senator Castonguay's proposal of yesterday and deal with common sense amendments. Surely, when you look at this you have to recognize that it is an unfair tax to load on certain parts of the country, and that the only solution at this point is to remove the tax on that particular item just as the bill provides for food. You have agreed that food should not be taxed. In Canada heat is an equally essential commodity. There is no question about that.

The impact of this is worse than the impact of the tax on food because the consumption of heating fuels varies very much more than the consumption of food. Northerners, by and large, do not eat more food than southerners. They pay more for it but they do not eat more of it. However, when it comes to heating fuels, they certainly consume a lot more than people in the south. If there is a logic in not taxing food, there is a double logic in not taxing heating fuel. Quite frankly, you are discriminating against my province when you proceed to do that, because my province is a lot colder than central Canada. Honourable senators, it is a lot colder in Manitoba than it is in Ottawa or Toronto and we burn a lot more fuel. Our fuel costs us more. You are going to force my people to pay an extra tax—a tax that they cannot get away from. They have no choice.

Honourable senators, I ask you to reconsider. Do not let the bureaucrats push you into a tax like this one on this particular item. This is one area where we can make a change and we deserve to make that change to equalize the system for Canadians.

Some Hon. Senators: Hear, hear!

Hon. Jack Austin: Honourable senators, earlier this evening in this debate I raised the question of the constitutional application of the GST to electricity and fuels, where they were supplied by crown agencies. Senator Murray invited me to put these questions in writing and submit them to him.

I would now like to put the questions on the record and I look forward to the response from the government side. Question one is: With respect to the tax provisions of Bill C-62 as they relate to electricity and heating fuels, what is the constitutional authority of the federal government to compel provincial crown corporations such as B.C. Hydro, Ontario Hydro or Quebec Hydro or cities and municipalities chartered by provinces which supply electricity and/or heating fuels to collect GST from non-governmental consumers and/or from consumers which are provincially or municipally owned?

Senator Balfour: Are you asking for a legal opinion?

Senator Austin: I am asking for the federal government's constitutional opinion. Perhaps you would let me finish the questions, Senator Balfour.

Question two is: Section 125 of the Constitution provides that "No lands or property belonging to Canada or any province shall be liable to taxation." This provision has received judicial interpretation in the Alberta natural gas tax reference. The Supreme Court gave the provincial agencies immunity from the tax process. Does this immunity apply to the GST? Here the paramount purpose of the GST is to raise revenue. The Privy Council decision in *Attorney General of British Columbia v. The Solicitor General of Canada*, (1924) Appeal Cases, at page 222, would suggest that Bill C-62 is unconstitutional as it purports to apply to crown-owned agencies. What is the position of the federal government and why?

There are raised here constitutional questions and, of course, they are of a legal character, but the most grievous accusation that is made in terms of the inequity of this legislation, Bill C-62, relates to harmonisation. It is simply unworkable legislation. There is no harmonisation with provincial governments. There is no sign, with the exception of Quebec, of any agreement and we may well find ourselves in a situation where the tax is not going to be collected by crown agencies or munici-

palities and the federal government will have an administrative nightmare on its hands.

I am asking Senator Murray to respond to these issues and to assure us that the federal government is satisfied as to its constitutional entitlement. It is a rule of parliamentary practice and convention that parliament will not pass legislation that is palpably unconstitutional and I believe that this legislation has that character. I look forward to Senator Murray's response.

• (2220)

Senator Murray: Honourable senators, Senator Austin points out that section 125 of the Constitution Act provides that lands or property of a province are not subject to tax. There is nothing in Bill C-62 which subjects the provinces to the tax.

At the same time, there is nothing in the Constitution which prohibits the federal parliament from requiring a provincial agency to collect the tax, and that is what we are doing in Bill C-62.

Indeed, in respect of the honourable senator's second question, the bill expressly provides that the taxing provisions of the bill do not apply to Her Majesty in the right of a province—that is, a province or entities which are crown agencies. Municipalities, which the honourable senator mentioned, universities, schools and hospitals are not crown agents.

The short answer is that the bill does apply to provincial agents but only to require them to collect the tax which is imposed on others.

Senator Austin: I appreciate the timely answer, Senator Murray, and I don't intend to enter into a legal quarrel with you. But I will go this far: As you know, three provinces are testing the constitutionality of this legislation and its applicability to those provinces. Litigation has been commenced by the Province of Alberta, which is supported by the Provinces of British Columbia and Ontario.

My own view is that the government should have this issue settled before this legislation proceeds. If the government opinion, as expressed by Senator Murray, is found wanting, there will be an administrative nightmare, and many tens, if not hundreds, of thousands of Canadians will be caught up in it.

MOTION IN AMENDMENT—DIVISION DEFERRED

The Hon. the Speaker: It has been moved by Senator Hays, for Senator MacEachen, seconded by Senator Molgat:

That Bill C-62 be not now read the third time but that the Schedule of the Bill be amended, on page 342, to make provision for electricity and heating fuels by adding to Schedule VI, and numbering accordingly, a new heading and part as follows:

"ELECTRICITY AND HEATING FUELS

1. A supply of electricity and heating fuels."

Is it your pleasure, honourable senators, to adopt the motion?

Some Hon. Senators: Yea.

Some Hon. Senators: Nay.

The Hon. the Speaker: Will those honourable senators in favour of the motion please say "Yea"?

Some Hon. Senators: Yea.

The Hon. the Speaker: Will those honourable senators who are against the motion please say "Nay"?

Some Hon. Senators: Nay.

And two honourable senators having risen:

Hon. William J. Petten: Honourable senators, pursuant to provisional Rule P(3)(a), I request that the division be deferred until 5:45 o'clock p.m. on the next sitting day.

An Hon. Senator: Well done!

Senator Petten: Not necessarily, senator. We can ring the bell for 30 minutes. Ask your whip about it.

The Hon. the Speaker: Pursuant to Rule P(3)(a), Senator Petten is suggesting that we vote on the motion tomorrow at 5:45 p.m.

Is it agreed, honourable senators?

Hon. Senators: Agreed.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, the provisional rule provides that, at the request of one of the whips, the vote may be deferred until 5:45 p.m. the next day.

That having been done, honourable senators, I move that the Senate do now adjourn.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Wednesday, November 7, 1990

The Senate met at 2.00 p.m., the Speaker in the Chair.

Prayers.

ABORTION

REQUEST FOR BALANCED IN-DEPTH STUDY OF BILL C-43 BY LEGAL AND CONSTITUTIONAL AFFAIRS COMMITTEE—QUESTION OF PRIVILEGE—DEBATE ADJOURNED

Hon. Stanley Haidasz: Honourable senators, I rise on a question of privilege. This is the first opportunity I have had to raise this question of privilege.

On October 25, 1990, I gave notice in this chamber that I would like to move an urgent motion having to do with the study of a most important bill, Bill C-43, which deals with abortion. However, the current rules with regard to debate on third reading of Bill C-62 prevent me from now getting to my motion, which is Motion No. 3, the last item of business under Motions.

The work of the Legal and Constitutional Affairs committee has already begun. The way it is unfolding has given me some concern, as well as disappointment and frustration. On June 26 there was final debate on second reading of Bill C-43. The bill's sponsor, Senator Doody, spoke of referring the bill to committee. What he said is recorded in *Hansard* at page 2154. He said:

> I should stress again that this is not the last time honourable senators will have an opportunity to speak on this . . .

and I underline these few words,

> . . . enormously important bill. We simply ask at this time that it be referred to committee for study and for consideration.

Honourable senators, I note that Bill C-43 is acknowledged to be an enormously important bill and that correspondingly it is referred for study and consideration.

Prior to this speech by Senator Doody, I had spoken to second reading of Bill C-43 on the serious flaws and the current wording and design of this important bill. Senator Doody went on to say:

> I am sure that many of the points raised by Senator Haidasz this evening will be reviewed at that time.

He meant in committee. He continued:

> At third reading stage the concerns that many senators have may be addressed again.

Although Senator Doody did not say it, I am sure he allowed for the additional treatment this "enormously important bill" ought to receive also at the committee's report stage.

Immediately following these remarks by Senator Doody, Senator Frith, on the motion to refer the bill to committee, said:

> . . . I think it is worth noting that Senator Haidasz has provided a very detailed critique of the bill, which, if I heard him correctly, contains some 14 flaws. I refer them to the committee for particular study.

Honourable senators, it is the understanding in this house that the work of a permanent standing committee is serious business.

Committees act as an arm of the house, undertaking to study a bill clause by clause or even word by word, identifying any weaknesses and proposing such amendments as may render the bill acceptable to good legislative sense. By third reading of a bill, our rules and practice foresee that we in this house will derive informed debate from the process already achieved in committee, where legislation is supposed to be thoroughly appraised and sometimes, after much effort, proposed for amendment. The debate in this house at third reading of a bill may, of course, reconsider matters dealt with, though incompletely, at second reading. In Appendix 1 of the current *Rules of the Senate* at page 64 we find:

> In general, the same kinds of amendment may be moved on third reading as may be moved on second reading . . .

The text goes on to say:

> . . . the Senate has exercised flexibility in this regard.

Many examples can be taken from the *Journals*, where at third reading a matter was added to the objects of a bill.

It is clear, therefore, that by the time a bill is given third reading a member of the house is sufficiently apprised of the nature and ramifications of the bill so as to debate proposed amendments or knowledgeably propose others.

Knowledgeable preparation of honourable senators can only be the result of the painstaking work at committee stage, rendered to the whole house at report stage. Nothing else lies between the cursory debate at second reading and the commencement of debate at third reading. This reveals the mandated thoroughness that is the responsibility of any select committee. The learned editor, Sir Charles Gordon, in the twentieth edition of Erskine May's treatise on Parliamentary Practice, at page 527, states as follows:

> The various stages through which a bill progresses are intended by the practice of Parliament to provide so many opportunities, not only for consideration, but also for reconsideration.

By third reading, a bill is generally reconsidered in its final form after the shaping it has received in its earlier stages. This is maintained by *Erskine May* in his work at page 528. What is this shaping, to use May's term, that a bill has undergone by the time it is examined at third reading?

Honourable senators, what lies between the first look at second reading and a knowledgeable review at third reading is the work of the committees and their reports. How important, therefore, is a committee's thorough examination of a bill and proposal of various amendments for the consideration of the Senate. The British experience in 1945 is instructive. Sir Gordon records, at pages 536 to 537, that a government witness, speaking to the Select Committee on Procedure about the committal of bills to standing committees, recommended that an exception would have to be made if any bill of first class constitutional importance were introduced. Bill C-43, I maintain, is of first-class constitutional importance.

The British House of Commons has since then regularly committed such bills to a Committee of the Whole house. Bills of prime constitutional significance deserve all the more to be dealt with in a full scale committee, not merely at second reading, as though that were sufficient to appraise the objects, and not left to third reading.

• (1410)

Erskine May, for example, states at page 499 in the twentieth edition of his work, where he is addressing second reading in the Upper House, as follows:

> It is irregular at this stage to examine minutely the details of the clauses, which can be discussed more properly in committee.

By third reading any possible amendments will have taken shape for informed debate, a shape conferred in committee where senators should conduct a thorough study of a bill.

There can be no doubt that a committee given a bill as controversial and far-reaching in its ramifications as this abortion bill is bound to be, and should undertake the serious work of amending its legislative weaknesses. It is possible that a bill flawed as Bill C-43 can be sufficiently amended so as to produce sound law, and a law that can be abided and obeyed by all who respect life in all its stages.

Beauchesne, at paragraph 764.(2), Fifth Edition, states:

> The committee may so change the provisions of the bill that when it is reported to the House it is in substance a bill other than that which was referred. A committee may negative every clause and substitute new clauses, . . .

That is provided if the committee is so instructed, and if the new clauses are at least relevant to the bill as read a second time.

Following British practice cited in *Erskine May, twentieth edition,* page 539, *Beauchesne* also notes at paragraph 764(3) that even with reference to the long title of the bill, which should include its objects, amendments are not necessarily limited to these. He explains further, as pursuant to Standing Order No. 44 in 1854, that all committees were empowered—and here I quote from *Erskine May*:

> . . . to make such amendments therein—

That is, to committed bills—

> as they should think fit, provided that the amendments were *relevant* to the subject matter of the bill;

Beauchesne in paragraph 764(4) clarifies that without instruction from the house—and this concerns my question of privilege and especially the topic of my motion—"an amendment which is outside the scope of the bill cannot be entertained."

With or without an instruction, therefore, it is assuredly in the interests of complete and detailed consideration of a bill, according to parliamentary principles, that there exist abundant measures for committees. These measures in our rules and practices include, among others, first, committal of a bill after second reading to a special or joint committee or Committee of the Whole; second, withdrawal of a bill from one committee and committal to another committee—this can be substantiated by reading *Beauchesne,* on page 755, paragraph 4; third, instruction to the committee to give prior consideration to a portion of the bill and report separately on it. That authority can be found in *Beauchesne,* at page 761, paragraph 4.

The fourth measure is a combination of the latter two with the effect of treating parts or aspects of bills in separate committees, as happens in the British Parliament. That can be found at page 537 of *Erskine May.*

The fifth measure is a mandatory instruction of a committee to go beyond its usual acceptance of the bill's principle for the sake of argument, to the consideration of amendments

> "which extend its provisions to objects not strictly covered by the subject matter of the bill as agreed to on the second reading, provided that these objects are cognate to its general purposes."

That authority is also from *Beauchesne*, page 761, paragraph one.

Honourable senators, there exists a unique Senate rule in our house, rule 78(4), which provides that if, after the expected thoroughgoing assessment of a bill, a committee finds no reason to recommend any amendments at all, which I fear might be done in this case, then its report is tabled without debate, and the third reading commences. Such a rule can only be understood to entail that a committee has made every due consideration of all known legislative weaknesses, and found none worth amending.

Honourable senators most assuredly entrust their privileges to the learned efforts of their colleagues who undertake the thorough business of committee. The streamlining rule 78(4) in our rule book does not mean that a committee is free to dispense with its mandate. Again, to quote *Beauchesne*, this mandate is to "make such amendments . . . as may seem likely to render a bill more generally acceptable." That authority is found at page 763 of *Erskine May.*

The point of my motion, honourable senators, to instruct the Standing Senate Committee on Legal and Constitutional Affairs regarding Bill C-43, is therefore the following. At the

outset of the sittings of that committee I received the impression, from listening to the comments of my colleagues on the committee, that of the various groups and individuals who had been selected as witnesses, the pro-choice representations outnumbered the pro-life side of the issue almost two to one. Reading the summarized briefs of these witnesses revealed that none of the pro-choice advocates were considering amendments to the bill, but instead were recommending that it be dropped with no criminal legislation to replace it. Of prospective witnesses, the ones who offer debatable suggestions for shoring up the deficiencies of the bill are generally pro-life.

Therefore, since the bill was government initiated, it seemed very odd that the number of witnesses who could expertly recommend amendments to keep it afloat in some legitimate sense was overwhelmed by those who seek to negate this and all future criminal legislation on abortion.

Moreover, I have copies of briefs from at least four other pro-life groups who have requested invitation to appear and who have received no invitation. These are: Campaign Life Coalition, Right to Life of Toronto and Area, Action Life, and Alliance for Life of Southwest Ontario.

In reality, it is up to a committee to send out a summons to appear, and this it can do unsolicited. The larger denominations that have a necessarily pro-life stance, Jewish or Christian, have not, to my knowledge, been summoned up to this date.

● (1420)

All these witnesses to the important committee process are able to speak substantially to the legal, constitutional, ethical, sociological, and scientific implications of this bill, than what is presented in the pro-choice briefs that I have read—since the pro-life masses are, like the true mother before Solomon, willing to discuss terms.

As well, society is known to lean more than just half way toward the legal protection of the sanctity of human life. My own 1988-1989 survey of 65,000 persons across Canada obtained a response rate of 16.4 per cent, which is far more than Gallup polls and most of the media polls on the issue for whom 10 per cent is considered excellent. The results of my survey substantially clarify what several media polls had begun to find, in spite of their methodological bias. Seventy-three per cent of the respondents to my survey consider an unborn child at any stage to be a human being. Sixty-nine per cent, more than the two-thirds majority we require for leave of the rules in this house, believe that all human beings have absolute right to life at every stage of development. Disturbing enough that there should be any, those who would have abortion on request were only 14 per cent.

The public support for defence of unborn Canadians is overwhelming. Already, in 1975, some 35 boxes of petitions from over 1.027 million Canadians who sought such protection were presented to Parliament. This is several times more people than filed petitions at any other time in Canadian history. With increasing awareness of post-abortion syndrome and a blood tide of 70,000 killings a year of innocent and helpless preborn children, the public demands for legislation protecting its first interest, human life, is only increasing. It would be only fair, therefore, to try to balance fairly the proportion of pro-life witnesses in a committee studying Bill C-43.

In addition, I noted the conspicuous absence of medical and scientific experts such as the world-renowned geneticist and Nobel Prize laureate, Professor Jérôme LeJeune of Paris, the doctor who established uncontroverted evidence in the Borowski case of 1987-88 that human life begins at conception. Instead, we were to hear from Henry Morgentaler, whose only real expertise I shudder to describe.

At the outset of committee sessions, I was given to believe that the Legal and Constitutional Affairs committee does not anticipate recommending amendments to the house, except perhaps to report an amendment formerly dealt with in the House of Commons Legislative Committee, as brought up for mention by the Minister of Justice. That does not amount to a recommendation for amendment, as she herself did not recommend it.

The preponderance of witnesses already selected by the steering committee do not recommend anything that endorses the principle of criminalizing abortion. I could be tempted to wonder if the committee had decided in advance to let the bill die because of its great unpopularity. It could do this by reporting the nearly unanimous objections of its selected witnesses to criminalizing abortion at all. After all, even the Justice Minister changed her tone to avow that she could just as happily live with no law on abortion.

Upon making these observations, I rose in this chamber on October 25—which was my earliest opportunity—to give notice of my motion now before honourable senators. My motion was that the Standing Senate Committee on Legal and Constitutional Affairs be instructed to act fully as a committee and try amendments, after calling pertinent witnesses from the major fields that Bill C-43 will dramatically affect. Without a law protecting preborn children, the research and experiments on human beings in fertility labs and other clinics have no ethical guidelines for the sanctity of the conceived life itself. All the believers in one God, who live in this great land, could not brook lawlessness; and where there is utter disregard for the innocent and the helpless, the seeds of deepest civil strife are sown.

Honourable senators, as I mentioned upon rising, in my research outlined on June 26 in this chamber, I found in Bill C-43, as presented to us from the other house, some 14 major flaws to which Senator Frith drew our attention. I strenuously argued against its design in the received form. However, I for one have studied amendments that would greatly improve this bill and perhaps render it acceptable to this whole socially-sensitive house and to Canadian society. I fail to see how the government side could object to that, as Canadians far and wide have for some three years besought solid legislation in this field.

The Supreme Court, in the 1988 Morgentaler case, speaking of federal abortion legislation, acknowledged that:

> The primary objective... is the protection of the foetus... a perfectly valid legislative objective.

This statement was made by Madam Justice Wilson. It spoke of the state's interest in the life of the preborn child as "pressing and substantial in a free and democratic society." This was emphasized in the judgments rendered by Justices Beetz and Estey.

The Supreme Court did impugn the administrative procedural design of the 1969 law. It left Parliament to legislate in this field. The court merely required a closer attention to avoiding unwieldiness in the escape clause or exculpatory provision of the law. Most major criminal offences require an escape clause for the absence of *mens rea* or ill will on the part of a defendant. While the escape clause of Bill C-43 is convoluted as part of the offence itself and may be far too destructive of the principle, it remains possible to amend it. At least such amendments are debatable.

The *Daigle* case of 1989 spoke positively of this important need in legislation on abortion. Speaking of policy, which in Morgentaler it was also careful not to adjudicate, that court said:

> "Decisions based on broad social, political, moral and economic choices are more appropriately left to the legislature."

Here is our opportunity. As in Morgentaler, the court did not state that the parlance "everyone" in section 7 of the Charter should not include the preborn child, but rather called the settlement of that question of "normative task." A normative task, honourable senators, is a definitive task, belonging exclusively to legislature in clarifying its own legislative will.

Help in this direction is available in the findings of the learned Quebec Judges Nichols and Bernier. Judge Nichols found that, regardless of their accorded legal status, narrowly understood, the interests of the preborn "have been recognized by custom and implicitly consecrated in our laws." That, I believe, is a beautiful touchstone of French civil code as compared with other common law. Judge Bernier argued that the child "en ventre de sa mère" is entitled to be carried to term. The child, he said, "cannot be deprived of his natural right to life without cause which is just, sufficient, and acceptable in a free and democratic society."

Genuine legislative work on Bill C-43 is possible, given that the committee treating it pursues analysis and substantial amendment, helped by the best of jurisprudent advice and fundamental principles of justice. The power of Parliament to legislate is plenary, and its sensitivity to society should consider in depth the submissions of genuine experts yet to be called.

I believe, therefore, that the Legal and Constitutional Affairs committee stands in need of an instruction to pursue the failures of Bill C-43 at substantial and penetrating depth, as is proper to a committee looking into a bill of such first-class constitutional importance as Bill C-43.

Beauchesne tells us that an instruction may be required to direct a committee to do something which it might otherwise not do. At the present time, the Legal and Constitutional Affairs committee perhaps does not believe that it is within its understood scope to consider amendments which extend the objects of the bill so as to render Bill C-43 more generally acceptable. It is appropriate, therefore, for this house to issue a mandatory instruction to broaden the objects in keeping with the constitutionally-valid intent of a law on abortion to the full extent that the house as a whole or a committee of the whole would entertain. It is suitable to instruct the committee to hear from experts and pro-life groups who have positive suggestions for rendering Bill C-43 a valid criminal law, rather than to hear from a disproportionate number of witnesses who desire to negate the whole principle of Bill C-43. The debate about acceptability, for social policy, of various valid amendments, could then informatively be taken up at the report stage and at third reading.

● (1430)

The abortion of some 1.5 million of Canada's progeny in one generation, added to the fact that many of the killed preborn would now have reached child-bearing age themselves, is immoral. It is national genocide. It is a travesty of the fundamental principle of respect for life from its very beginning. The abortion rate, less measurable since 1988, may have saturated itself at the 70,000 plus per year level reached since the *Morgantaler* decision.

Canada could not sustain the loss of 20,000 soldiers per year in the First World War, the war to end all wars, which we dare to remember at this time of year. Let us also remember for whom those men died and women suffered: for the future of Canada, their children and their children's children. In the face of a full-tilt annihilation rate of 70,000 a year, a bill regarding abortion certainly does have prime constitutional importance, and not only.

If there existed no committee competent to deal with the various profound ramifications of such a bill as C-43, we would most certainly have resolved ourselves into a Committee of the Whole to deal with it, following British practice since the Second World War. Otherwise, we would have assembled a special committee. As it is, we do have a committee which can at least address the most salient constitutional ramifications of Bill C-43, since justice and rights extend to every sphere of human life. The Standing Senate Committee on Legal and Constitutional Affairs is competent to deal with the ethical, sociological and scientific ramifications of Bill C-43 in addition to the manifestly legal and constitutional ones which some members of that committee want to emphasize.

I move, therefore, that an obligatory instruction be given by this house to the Standing Senate Committee on Legal and Constitutional Affairs to give particular study to the individual flaws of Bill C-43 as identified, for instance, in my speech on June 26, and that the committee give full study and call expert witnesses to address all issues that are cognate to the bill, including its legal, constitutional, ethical, sociological and

scientific implications, and to consider appropriate amendments to Bill C-43.

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, the Honourable Senator Haidasz rose on what was purported to be a question of privilege. Perhaps there is, somewhere in that long and lucid address which he gave us, a point of privilege. If so, I did not detect it at the time. I was loath to interrupt him—

Senator Haidasz: I mentioned it at the outset—

Senator Doody: Senator Haidasz, I did not interrupt you for a minute and I would ask you to sit down, please.

Perhaps in the text of that long and interesting document there may be the germ of a question of privilege, honourable senators. After I receive a copy of today's *Debates* I will take a look at it and see if I can comment on it. At this point, of course, I am not in a position to do so. I do not think there is any immediate urgency about this matter, because the bill has gone through the proper procedure. It has received first and second reading and has been referred to the committee, which currently is studying it, calling witnesses, and so forth.

I should like at this point to take the adjournment of the debate, read the transcript of comments of Senator Haidasz and reserve the right to comment on them at a later time.

On motion of Senator Doody, debate adjourned.

BUSINESS OF THE SENATE

Hon. Royce Frith (Deputy Leader of the Opposition): Honourable senators, as we know, Rule 19 provides for the order of business as called by the Chair thus: Presentation of Petitions, Reading of Petitions, Reports of Committees, Notices of Inquiries, Notices of Motions, Question Period, Orders of the Day, Inquiries and Motions. Senator Doody and I have had a discussion about a possible change to that order for today, for which we will therefore need unanimous consent. It is proposed that we proceed to the fourth order on the order paper, the second reading of the Bill C-86, with a view to giving it second reading and referring it to committee today. The committee is poised to deal with it a 4 o'clock.

It is also proposed that, because of some commitments of the Leader of the Government, we then proceed to Question Period and, at the end of Question Period, revert back to Presentation of Petitions. Then, in due course, we will no doubt find our way to the Orders of the Day. Therefore, if there is unanimous consent, I propose that we follow that procedure.

The Hon. the Speaker: It is agreed, honorable senators?

Hon. Senators: Agreed.

INCOME TAX ACT

BILL TO AMEND—SECOND READING

Hon. C. William Doody (Deputy Leader of the Government) moved the second reading of Bill C-86, to amend the Income Tax Act (child tax credit).

[Senator Haidasz.]

He said: Honourable senators, this bill is a fairly simple but important one. I should first like to thank honourable senators for giving me leave to proceed with it at this time. It went through all stages in the House of Commons the day before yesterday and although it received first reading here yesterday I was reluctant to proceed with second reading because, quite frankly, I was not familiar with the contents of the bill. However, I appreciate the opportunity to do so now.

Bill C-86 will raise the income ceiling with respect to prepayment of the refundable child tax credit. The refundable child tax credit was established in 1978 at a maximum rate of $200 per child, and the income ceiling was set at $18,000. The credit was modified in 1982, being set at $383, and the indexing feature was then modified to be 3 per cent lower than the increase in the consumer price index.

An important set of changes was made in 1986. As well as substantial improvements to the amount of the credit and changes to the threshold, the concept of prepayment of a portion of the benefits was introduced. At that time, the amount of prepayment was set at $300 and the threshold for prepayments was set at $15,000.

Finally, in 1988, a number of changes were made, which included a new supplement relating to child care expenses. As well, the law was amended to produce the present arrangement. Under this arrangement, there is prepayment of up to two-thirds of the estimated refundable child tax credit, if the family's income does not exceed two-thirds of the family income ceiling for the credit itself.

This situation, however, does not make adequate allowance for those families with three or more children whose incomes fall in the zone between the two-thirds limit and the income ceiling.

The budget proposal rectifies this situation. By raising the income ceiling for prepayment to 100 per cent of the family income ceiling for those families with three or more children, the government is recognizing the special needs of such families. This is particularly helpful at the normal time the prepayment is received, which is at the beginning of the winter season. It means that families with three or more children, whose income in 1990 falls between $16,513 and $24,769, will qualify for the prepayment of their child tax credit.

● (1440)

It is estimated that close to 70,000 families with an estimated 236,000 children will benefit from this change. After the change is made, some 730,000 families will qualify for the prepayment. After being announced in the February budget, this proposal was incorporated in the package of technical amendments released on July 13. We have now brought it forward in separate legislation so that consideration of the measure can proceed as quickly as possible. This is important, as it will allow the change to be implemented in time for those qualifying under its provisions to receive their prepayment in November.

I urge all honourable senators to move this bill forward as quickly as possible, so that the measure can be implemented in time to benefit those it is intended to help.

I thank Senator Marsden and her committee for preparing themselves to receive the bill so quickly, and I commend it to the Senate for second reading.

Hon. Eymard G. Corbin: On a point of order, Senator Doody, normally when you introduce a piece of legislation on second reading someone on this side adjourns the debate. We then have an opportunity in the interval to study your remarks in the printed *Hansard*. In order to expedite matters, would you be agreeable to providing us with copies of the notes that you have just read? They contain a number of figures, and we should like to be able to quote them accurately. Is there any objection to that?

Senator Doody: I have no problem with that, Senator Corbin. I should be pleased to do so, if the page would now take my notes and have them copied.

Hon. Lorna Marsden: Honourable senators, we welcome Bill C-86. If fact, we wish we had seen it sooner. This bill does everything that Senator Doody has described. The problems faced by families with children all the time, but certainly in this economic climate, are ones that we should like to alleviate as quickly as possible by the rapid passage of this bill through the Senate—I hope today.

The minister has told the public that the cheques that those families will receive can be in the mail by the end of the week. The families who were expecting this money were told that the cheques would be mailed on November 1. We are already a week late. The Standing Senate Committee on Social Affairs, Science and Technology is prepared to meet at 4 o'clock this afternoon. We have a witness coming from the Department of Finance to speak to some of the intricacies of this bill. It is simple, but, at the same time, there are questions that arise concerning it. Certainly from this side of the house we give full and as rapid support to this bill as we can.

Before resuming my seat, I wonder if, with leave of the Senate, I could move that the committee be authorized to meet, even though the Senate may still be sitting.

Senator Doody: Wait until the bill is referred.

Senator Marsden: I make the request to move that motion because we may not reach "Notices of Motions" before 4 o'clock.

Senator Doody: If no other honourable senator wishes to speak on the bill, I move second reading.

Senator Corbin: I should like to say something.

Senator Doody: I am sorry. Does Senator Corbin wish to wait until the notes are here?

Senator Corbin: I am quite agreeable to that. I just want to put on the record that I wished to speak on this, but changes in today's Order of Business were made at the last minute and I am not now in a position to speak. I do not have the honourable Senator's notes. He may do whatever he wishes.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

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

On motion of Senator Marsden, bill referred to the Standing Senate Committee on Social Affairs, Science and Technology.

SOCIAL AFFAIRS, SCIENCE AND TECHNOLOGY

COMMITTEE AUTHORIZED TO MEET DURING SITTING OF THE SENATE

Hon. Lorna Marsden, with leave of the Senate and notwithstanding Rule 45(1)(*a*), moved:

> That the Standing Senate Committee on Social Affairs, Science and Technology have power to sit while the Senate is sitting today, and that Rule 76(4) be suspended in relation thereto.

The Hon. the Speaker: Is leave granted, honourable sentors?

Hon. Senators: Agreed.

Motion agreed to.

QUESTION PERIOD

EXTERNAL AFFAIRS

CANADIAN HOSTAGES IN IRAQ—PROPOSAL TO SEND PARLIAMENTARY NEGOTIATORS—GOVERNMENT POSITION

Hon. M. Lorne Bonnell: Honourable senators, I heard that three members of the other place are going to Iraq to try to bring home some of our Canadian citizens who are held hostage in that country. I should like the Leader of the Government in the Senate to tell me, first, why there has been a change in the stance of the Minister of External Affairs, Mr. Clark?

Secondly, why did he not approve of the change in the first place? Finally, what made the difference? Is the situation in Iraq much improved or much worse? Why did the government change its position?

I have another question on that subject. Will a member of the Government of Canada—not a member of the Conservative Party—be part of the delegation to bring some higher prestige and a higher government profile to the group going to Iraq to intercede on behalf of Canadians held hostage there?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, unless something has happened in the past few minutes, I think I can assure the honourable senator that there has been no change in position on the part of the government with regard to this matter.

Senator Bonnell: It is not going to agree to send someone over?

Senator Murray: If, indeed, some members of the other place intend to go to Baghdad, it would be on an unofficial basis. While our embassy in Baghdad might offer them the usual courtesies granted to members of Parliament visiting foreign countries, they would not have any official status. In other words, they would certainly not be there on behalf of the Government of Canada, nor authorized to enter into any discussion on behalf of the government.

● (1450)

I am not aware that there is any plan on the part of the Progressive Conservative caucus to send one of its members to Baghdad with this delegation, if indeed there is such a delegation.

Senator Bonnell: Honourable senators, I understand that Mr. Bob Corbett, an M.P. from New Brunswick, has received the approval of Mr. Joe Clark, M.P. from High River, to go as a member of the group with Mr. Axworthy of Winnipeg and Mr. Svend Robinson of B.C. in order that the three political parties be represented.

They have the approval of Mr. Clark and the Prime Minister. They are receiving advice from the Department of External Affairs, as well as the Canadian ambassador to Iraq. They have already been in contact with the Canadian ambassador to Iraq to obtain information on how to go about meeting these people over there.

Senator Murray: Honourable senators, if, indeed, my friend Mr. Corbett is going to Iraq with the Hon. Lloyd Axworthy and Mr. Svend Robinson, he will have the same status as Mr. Axworthy and Mr. Robinson—that is to say, an unofficial status. It is an unofficial visit.

As I explained a few moments ago, the Department of External Affairs and our embassy in Baghdad will offer to these people the same courtesies that they offer to my honourable friend during his frequent trips abroad, or to any other senator or Member of Parliament.

Senator Bonnell: Honourable senators, I am not 100 per cent convinced as to that last point. When I have gone abroad, it has not been through the Canadian embassy, and Joe Clark, Secretary of State for External Affairs, arranged nothing for me.

Some Hon. Senators: Oh, oh!

Senator Bonnell: However, on this occasion I understand the trip has been arranged through the Department of External Affairs. These three gentlemen are being briefed by the Department of External Affairs and the Hon. Joe Clark is agreeing to their taking the trip. Is he agreeing to the trip with one eye shut and the other eye open; or does he openly say that he supports it or is against it?

Senator Murray: Honourable senators, the government has declined to send official representatives on this kind of mission. As I explained earlier, they are being briefed, of course, by External Affairs, as my honourable friend would be briefed by External Affairs if he were going to Baghdad and asked for such a briefing. When Messrs. Axworthy, Robinson and Corbett arrive there they will be given the usual courtesies that are extended to parliamentarians by our embassy in Baghdad. That is the end of it.

The honourable senator should not seek to attach an official label to what is essentially an unofficial and, indeed, private visit.

Senator Bonnell: Honourable senators, I do not want to give the impression that I am against this visit. I think it is wonderful that three Members of Parliament are so concerned about Canadians being held hostage that they are trying to get them home. I wish to give them my full support. I think Bob Corbett, Svend Robinson and Lloyd Axworthy deserve a great deal of credit from Canadians. I am surprised that the Government of Canada is not more actively trying to save the lives of those Canadians who are being held hostage. Why does the government not come out and say why it is against this? The Japanese sent over a delegation to bring their people home, as did Germany. There are also other countries which are bringing their citizens home.

I simply want to congratulate those Members of Parliament for taking this initiative on their own. The government does not seem to care about Canadians who are being held hostage abroad. If there is any reason why the government is not doing anything about it, I would like to have the minister tell us.

Senator Murray: Honourable senators, so far it can be said of the government's policy with regard to the Iraqi invasion of Kuwait and the threat that it poses to peace and stability in that area of the world, and in the world at large, that the government's policy is Canada's policy. It has enjoyed, generally speaking, bipartisan support. I think it ill behooves the honourable senator to try to make cheap political points from it.

However, let me tell him that Canada, through our ambassador to Iraq, and through the Iraqi ambassador to Canada, continues to press Iraq to release the 13 Canadians trapped in Kuwait and the 24 who are in Iraq. We have been doing that through the normal official channels.

We also fully support the UN resolutions which condemn the invasion of Kuwait by Iraq and which also condemn the refusal by Iraq to release trapped foreign nationals.

Having said all that, I should state for the record, and in reply to the honourable senator, that Canada and other governments are unwilling to allow Canadians trapped in the Middle East to be used as bargaining chips in Iraq's attempt to wrest concessions from the world that is arrayed against it.

Senator Bonnell: Honourable senators, I do not know anything about bargaining chips. However, I do know that we have Canadian boys and girls over there whom we would love to have back home safe on our Canadian soil. I think the government should do everything it can to protect the lives of those people and to get them home into safe territory.

It seems that countries such as Japan, Germany and others can go over there to negotiate bringing their people home. I am not suggesting that we say that we will give them free wheat or that we will buy all their oil just because they will

agree to send someone home. Certainly, by negotiating and sitting down to talk it might be found that we might be able to save the lives of Canadians if we try. However, when we do not try, I do not see how we can do much about it.

I am not one for electioneering, nor am I interested in making political points, since I am not running for election. Perhaps the Leader of the Government is interested in it and that is what he is trying to bring into this situation. I was giving him credit because Mr. Corbett, who is a Conservative Member of Parliament, is going. I think it is a great thing that he is doing for us.

DISPOSITION OF CANADIAN TROOPS IN MIDDLE EAST

Hon. M. Lorne Bonnell: Is it true that the Secretary of State for External Affairs has said as much that, regardless of the United Nations or the Americans, Canada will be sending our troops over there to solve the crisis in the Middle East. Is he not going to wait for the United Nations to make up a peacekeeping force? Are we going to send our troops over there when we could not stop 12 Indians in Quebec?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, if I may deal with the first part of the honourable senator's intervention, he mentioned other countries and their attitude to their nationals who are trapped in Iraq or Kuwait. I have to tell him that Canada's position, and the position of those other countries that he mentioned are identical. If, in the case of Britain, Mr. Edward Heath, and in the case of Japan, former Prime Minister Nakasone, and in the case of Germany, Mr. Brandt, and, in other cases, other personalities, have gone to the area to meet the Iraqi leadership to discuss the status of their nationals trapped in that country, or in Kuwait, then they have been unofficial and personal initiatives not sanctioned by their governments, as indeed would be the case if Messrs. Axworthy, Robinson and Corbett go to Iraq.

With regard to the second part of the question posed by the honourable senator, the answer is no.

PERSIAN GULF

COMMAND STRUCTURE OF JOINT FORCES—GOVERNMENT POSITION

Hon. Jerahmiel S. Grafstein: Honourable senators, my question deals with further amplification of the government's policy concerning the Gulf crisis. The U.S. Secretary of State, Mr. Baker, is currently on a trip to the Middle East. One of the reports flowing from his trip is that the Americans appear to have agreed with the Saudis that there would be a joint command structure with the Americans taking command for at least the land forces, and probably the air cover forces, in Saudi Arabia. Apparently the Saudis have also agreed to allow offensive actions as opposed to purely defensive actions to be launched from Saudi territory.

What agreement, if any, has been reached with respect to the command structure as it applies to Canadian forces in the Gulf, first with respect to air and then with respect to sea?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): I believe that question was asked some days ago and I undertook to obtain and table a reply. I undertake once again to do so if it has not already been done.

• (1500)

Senator Grafstein: Will you also at that time advise us more fully as to the government's response to the Auditor General's criticism that the Canadian forces do not have sufficient medical logistics in order to support the Canadian forces in that area? Finally, will you outline to us at the earliest possible moment what, if any, plans the Canadian government has, on a contingent basis, to employ additional forces in the Gulf if hostilities break out? What would be the services employed? What number of Canadians in the services would be employed? What would be their mission?

Senator Murray: Honourable senators, with regard to the first part of the question, I will obtain a report from Mr. McKnight, the Minister of National Defence.

I can only tell the honourable senator that the government has committed itself to bring another resolution to Parliament in the event that hostilities break out.

GOODS AND SERVICES TAX

REFUNDABLE TAX CREDIT—PURPOSE OF PAYMENT—GOVERNMENT POSITION

Hon. Sidney L. Buckwold: I have a question for the Leader of the Government. One of the positions taken by the government in proposing the GST and relieving lower-income families of the burden of additional taxation is the refundable GST credit. We know this is to be paid in advance, and December 1 is the date for the first payment of quarterly payments which would bring in for a family some $580 a year. That represents some $140 coming to them on December 1.

My remarks pertain to what happened in the House of Commons yesterday when the Minister of Finance, Mr. Wilson, complaining about the Senate holding up the goods and services tax legislation, indicated that this seriously affected business because the money is not going forward yet. It was proposed to be paid on December 1 to some 6 million to 7 million taxpayers, which represents an enormous amount of money.

During the Senate hearings the question was asked whether it was proper to advance the money before it was spent. By giving the money in advance to people who need it, quite rightly, many witnesses indicated that this might not lead to proper disbursement of the funds when they are needed.

All of this is preamble to a statement made by the minister in the House yesterday that the Senate opposition should be pressured to get this legislation through so the money can go out to "help lower-income Canadians purchase things during the pre-Christmas period". That is contrary to the purpose of subsidizing the cost and effects of the goods and services tax. The credit is there to ease the burden during the period that

the money would be spent, yet the minister is suggesting to spend the money during the pre-Christmas period. If this money is spent during that time, how will that help low-income people for the next several months when they will depend on this extra money to pay additional tax on their kids' clothes, shoes and other necessities? It completely disregards the alleged stated intention of the government—

Senator LeBlanc: It also applies to pens, papers, books—

Senator Buckwold: The government is saying to spend the money in complete disregard for the reason it has given for the credit: To finance the additional cost to families as a result of the goods and services tax.

Will the Leader of the Government reconcile these two statements? If they spend the money for Christmas, which will obviously be part of the problem, it may not always be spent wisely. I am not suggesting that will happen, but where will these people have the funds to take care of their essential needs which will be affected by the goods and services tax?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I thank the honourable Senator Buckwold for his timely reminder of the tax credit which will go to between 6 million and 7 million Canadians once Royal Assent has been received for Bill C-62. I hope I can say without giving personal offence that I am absolutely astonished at the paternalistic attitude he is taking on this matter. He is suggesting that lower-income Canadians cannot really be trusted to handle this amount of money—

Some Hon. Senators: Oh, oh.

Senator Murray: Indeed, I quote his exact words, that "they may not spend the money wisely." Presumably he is making a case out of a guilty conscience or out of a very reactionary policy, he is making a case to justify the delay in the tax credit. Perhaps one of the eight amendments which he will move on behalf of the Leader of the Opposition will be to delay the payment of the tax credit until a later date. He may try that, but I suspect some of his colleagues will be diving under the desks rather than supporting him.

Senator Buckwold: I can assure you that I will not give away any secrets of what the amendments may be. We will keep you guessing.

I was not being paternalistic. I say that there may be some cases in which the money is not spent wisely. I think you might agree with that.

Senator Murray: I used to hear people making that argument about family allowances.

Senator Buckwold: Certainly it was pointed out to us in the committee that this was one of the very obvious forms of bribery the government is using, to pay in advance the extra cost of the tax, putting in the hands of the people in advance a nice little cheque that will come in very handy.

I suggest that the words of the minister are such that they will encourage the money to be spent now rather than used for the benefit of the families who will need the money in the months ahead. Instead, he is urging them to spend it for pre-Christmas purposes.

[Senator Buckwold.]

• (1510)

CANADA-UNITED STATES RELATIONS

MULTIJURISDICTIONAL DISCLOSURE SYSTEM—SALARIES OF EXECUTIVES—ROLE OF CANADIAN GOVERNMENT

Hon. Raymond J. Perrault: Honourable senators, this morning I received a number of calls with respect to wire reports that have been circulated in the country. Apparently, these reports originated in yesterday's *Toronto Star*. The account reads, in part, as follows:

> Million-dollar executives may have found a way to conceal their big pay cheques from Canadians.
>
> Under proposed new regulations, Canadian companies that list their shares on U.S. stock exchanges would be exempted from the requirement that top executives disclose their compensation.

The article goes on to say:

> Canadian executives have tried for years to keep their salary information confidential but failed to gain an exemption from U.S. disclosure requirements.
>
> The move comes at a time when the gap between the pay of top bosses and ordinary workers is growing wider than ever and Canadian executives are winning bigger pay increases than their ordinary employees.

The article further states:

> Companies listed on Canadian exchanges alone must reveal only the compensation of the top five executives in aggregate.

The allegation is that there was government cooperation to assist in having these regulations changed.

The report goes on to say:

> The new proposals, known as the Canada-U.S. Multijurisdictional Disclosure System, are designed to ease cross-border stock issues and takeover bids by eliminating the need for companies to file two sets of documents and meet two sets of regulations.

Arthur Earl is quoted in this report which says:

> "If what we're going to see is even lighter disclosure regulations regarding executive compensation, it's a very retrograde step," said Arthur Earle, a businessman and academic who recently completed a study for the University of Western Ontario recommending more detailed disclosure of salaries in Canada.
>
> "I have been urging that Canadian requirements be brought up to U.S. standards."
>
> Earle said the current requirement that Canadian companies reveal only the aggregate salaries of the top five executives is meaningless.
>
> He said in his report that "it is particularly galling to read an annual report showing falling earnings and rising executive compensation or expensive 'golden parachutes.'"

My question is this: Did the government play any role in negotiating with U.S. regulatory authorities to make it possible for million-dollar executives in this country to conceal their big pay cheques from Canadians? Were any representations made to the U.S. governmental authorities or authorities concerned with the issue in the U.S., expressing the Canadian government's official support for this alleged concealment of Canadian salaries and indemnities?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, what my friend is referring to here is in some ways the extra-territorial application of U.S. law, which is something that successive Canadian governments have always resisted and resisted successfully. I cannot tell the honourable senator today, because I do not know, whether the matter came to the attention of the government or our embassy in Washington, but I shall inquire.

Senator Perrault: If the Leader of the Government would take the question as notice, it would be appreciated.

Senator Murray: If my honourable friend feels that the disclosure requirements in Canada are inadequate and that he does not have sufficient information about the remuneration offered to the executives of publicly-traded Canadian corporations, then he can pursue that in the normal course of events—in debate, by a private member's bill, or in committee—as he wishes.

Senator Perrault: If the Leader of the Government will take the question as notice, that is satisfactory. There are some legitimate concerns out there, and I am sure there are senators in this chamber who are concerned.

I should like to add that in a survey of 244 organizations, it is revealed that executives last year won salary increases averaging 6.6 per cent, compared with 6.1 per cent for clerical and other administrative workers and 5.6 per cent for hourly workers.

Members of the GST committee, while travelling across the country, got the impression that, while Canadians are willing to help wage the battle against the debt and the deficit, they want to feel that they are being treated fairly regardless of the amount of money they make. The people at the lower end of the pay scale especially want to feel that they are being justly treated. Indeed, the only way in which any system of taxation will be successful is if it has public acceptance and if it is reasonably fair.

I know the Leader of the Government may not be interested in my observations, but I urge him to become concerned with this issue, as are many other Canadians.

[*Translation*]

CITIZEN'S FORUM

COMPOSITION OF COMMISSION—REPRESENTATION OF LINGUISTIC GROUPS—GOVERNMENT POSITION

Hon. L. Norbert Thériault: Honourable senators, I should like to return to the issues raised yesterday concerning the Spicer Commission. First of all, I must now accept the fact that, in spite of suggestions made to the Prime Minister to the contrary, that the number of commissioners will not be increased. By raising this issue, I want to object, on behalf of all Francophones outside Quebec, to the fact that a million French-speaking Canadians, excluding Quebecers, are not represented on the Commission. It is a fact that I regret, and so do Francophones outside Quebec and Acadians.

I do not agree with my collegue Senator von Roggen. I praise the government for setting up this commission. Among the qualities which I recognize in my Prime Minister, and there are not many, I think he is thoroughly Canadian. It is probably the last quality he is left with as a Prime Minister, but he certainly has this one.

I should like to ask the Leader of the Government, in view of what is going on in Quebec, the Bélanger-Campeau Commission and what have you, if he does not feel that it would be appropriate for the Prime Minister to ask at least his Quebec ministers who are in favour of Quebec separating from the rest of Canada at least to keep their collective mouths shut for awhile. I do not think I need go any further into this. Over the past few days, ministers as well as backbenchers—I understand it would be near impossible to try and control between 50 and 75 people—have made all sorts of comments. But when they are part of a government and when a country is faced with the difficult problems we know, I am afraid we are quickly nearing the end of Canada as it has existed since Confederation.

Two years ago, I directed questions to the Leader of the Government concerning this. If Canadians outside Quebec, both Anglophones and Francophones, are currently having difficulties with Quebec's demands, it is probably due to the fact that we have had at the federal level a government made up of too many separatists who made proposals and statements which were badly received by the rest of Canadians generally and ethnic groups outside Quebec in particular.

I suggest to the Leader of the Government in the Senate that he tell the Prime Minister to ask his Quebec ministers to keep their mouths shut until the two commissions have made their findings known. As Mr. Bourassa and Mr. Parizeau were both saying yesterday, the Bélanger-Campeau Commission has nothing to do with Canada, it is only Quebec's business. In Canada, a commission will open a so-called dialogue. Would it not be proper for Quebec ministers who are not pro-Canadians to keep their mouths shut for awhile.

Hon. Lowell Murray (Leader of the Government in the Senate and Minister of State (Federal-Provincial Relations)): Honourable senators, my friend has no right to call "separatists" all those he disagrees with.

Senator Thériault: Honourable senators, I may disagree with them, as you say, but when you consider what Canadians are thinking today, you must admit—if you did not, you would be the only one—that there are serious problems in this country.

Whenever I try to open a dialogue with Canadians who are not Quebecers, either Francophones, Anglophones or from any

other ethnic groups, I wonder really if there exists in Canada, outside Quebec, a will to give Quebec what it wants within Canada. You may not agree, but all the polls show that what I have just said is true. I hope the Leader of the Government will recognize it.

Two years ago, Mr. Lucien Bouchard, as a minister, made some statements. What purpose did they serve? Did Mr. Bouchard's statements bring anything positive to the country?

Senator Murray: The honorable senator just mentioned the name of Honorable Lucien Bouchard. If I wanted, I could mention the names of Honorable Jean Lapierre or the other fellow who lives across the river.

Mr. Jacques Hébert: The great Hull gentleman!

Senator Murray: Yes, honourable senators, I mean Mr. Gilles Rocheleau, but what purpose would it serve carrying out such a dialogue in the Senate?

One of the major difficulties in this country is the tendency by some people to make disparaging remarks about those they disagree with. It is not fair to call "separatists" or "ultranationalists" those who support a certain option.

During these proceedings chaired by Mr. Keith Spicer, we hope that all Canadians will use this opportunity to open a dialogue between one and other, express their views on the future of Canada and describe how they feel people could live together in this country in greater harmony.

However, I feel my honorable friend's remarks do not bring anything positive to the debate or dialogue. There is no purpose in ridiculing the positions taken by other Canadians.

Senator Thériault: Honourable senators, I should like to tell the Leader of the Government in the Senate that he can mention the names of Mr. Rocheleau and Mr. Jean Lapierre. As far as I know they are not members of the Canadian government. I did say that I do not see how the Prime Minister or the government can silence all these backbenchers. I am talking about members of the Cabinet. Again I repeat my belief that if the Leader of the Government in the Senate is sincere, and I have no reason to doubt that, if he wants Canadians to learn to live together—and that is what I wish, as he does—then there are times when we should temper our remarks and try to establish a dialogue. Mr. Rocheleau and Mr. Lapierre may say what they want, I have nothing to say about that and I have nothing to do with them. I believe my colleague Senator LeBlanc has a supplementary question.

NATURE OF COMMISSION

Hon. Roméo LeBlanc (Beauséjour): Honourable senators, this is not a supplementary concerning the representation of Acadians or Francophones outside Quebec, although on that point I would say that the myth some people are trying to substantiate to the effect that Mr. Roger Tassé is the representative of Francophones outside Quebec is a figment of someone's imagination.

• (1520)

[*English*]

The question I wanted to ask of the Leader of the Government is based on an article taken from yesterday's *Telegraph-Journal* of Saint John, New Brunswick. Unhappily, articles from that newspaper are not reproduced in the *Quorum*, which tends to be based on papers delivered in Ottawa, as if Ottawa, Montreal and Toronto were the only places where news was ever produced. But that is not my point.

My point, honourable senators, has to do with the Citizens' Forum. I might comment that when I heard that title, "Citizens' Forum", my memory was jarred, especially when Mr. Spicer declared that it would be super high tech. Obviously, they were looking at great futuristic inventions with which to consult Canadians and to take their blood pressure. I suddenly realized that "Citizens' Forum" was a program on the school broadcasting system in the early days of steam radio. If Mr. Spicer is looking to the future, perhaps he should also examine the past.

My question is based on statements made by the panel member from my own province of New Brunswick, Madam Elsie Wayne, who is purported to have stated—this is not a direct quote—that she has been advised by Commission Chairman Keith Spicer that he will likely be the only one travelling. Honourable senators, this is very interesting. I had visions of this great new commission holding meetings all across the country, but obviously it is destined to be a commission of one.

As a result of what Mr. Spicer told her by phone yesterday, according to this newspaper article, Mayor Wayne believes that not all 12 commission members will travel across Canada. And listen to this, honourable senators: She doubts that many of its meetings will be held in public.

Some Hon. Senators: Oh! Oh!

Senator LeBlanc: Where will they be held, in the residence at Meech Lake? Are we back to that again? Is this to be another meeting of 12? They are not premiers this time, but representative citizens.

The article goes on to state:

> Wayne told Common Council last night she has been appointed to the commission "on a regional basis" to gather opinions only in the three Maritime Provinces.

I do not know whether the Leader of the Government in the Senate is the minister responsible in this case—

Senator Perrault: Oh, he is.

Senator LeBlanc: —but I think it would be interesting to know if what we have here is a one-man show with the assistance of a number of people who are defined as "regional panellists", who may not, in fact, meet in public. I think we would all be interested in having that information.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I think Mr. Spicer has made very clear that the dialogue among Canadians that he and the panel is encouraging will be a public one. As for Mayor Wayne, I can state with

certainty that no restriction of the kind mentioned was intended or placed upon her when she was invited by the Prime Minister to join the commission.

Finally, as to whether the 12 commissioners will travel together to every public hearing in the country, that is a matter that really remains to be decided by Mr. Spicer and his colleagues. They will have to decide on their own division of labour, bearing in mind that we have set a deadline of June 30 for them to report their findings.

Senator LeBlanc: The article also states that one of the councillors of the city of Saint John described Mayor Wayne as "the first Mother of Confederation". I would hope that she will not be defined as a "stay at home mother" but, rather, that she will be encouraged to travel across the country. It is also my hope that Mr. Spicer will not be the only one to report to obedient students in private sessions. Perhaps the Government Leader would wish to send to Mayor Wayne the information and the Order in Council, and perhaps we should see the Order in Council, too, if it has not been made public.

Senator Murray: I would be glad to table it, honourable senators.

● (1530)

TERMS OF REMUNERATION OF CHAIRMAN AND COMMISSIONERS—REQUEST FOR TABLING

Hon. George van Roggen: Honourable senators, I have a supplementary question for the Leader of the Government in the Senate concerning the same subject. It is found in *The Citizen* of November 7, as quoted in Quorum. This is an article on the commission. Part of it states:

> Spicer, as chairman, is the only full-time member; he is assisted by an "advisory group" of 11 people who work part time.

As I read more about the commission, it gets "curiouser and curiouser." Here we are to have this great dialogue with 26 million Canadians and it seems to be boiling down to be just Mr. Spicer with some of his rather preconceived notions, if you can believe the quotes that have been attributed to him recently.

If the question has not been already asked, may I ask the Leader of the Government—and if he does not have the answer today, I will understand—to let us know what the terms of remuneration are for Mr. Spicer on a per diem basis or on an annual basis? What will the remuneration be for the other 11 members who apparently are only to be part-time and may be working on a regional basis, or whatever. I assumed that they will all be part of the commission travelling the country, but apparently that is not the case. If that information has not been tabled as yet, I would appreciate that being done.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I can obtain that information. I should tell the honourable senator that Mr. Spicer, in reply to a similar question at his news conference the other day, stated that he would be paid exactly the same rate that he has been paid up to now as chairman of the CRTC. The other members of the panel—

Senator Bonnell: How much is that?

Senator Murray: I do not know, but I am sure the information is available. It is a matter of public record, and I will obtain it. The other members of the panel will be paid a per diem rate.

Senator Perrault: On piece work, are they?

Senator Murray: Again, I want to emphasize that this is not a traditional Royal Commission which necessarily journeys from one community to another across the country to sit at the front of a hall and receive briefs, written and oral, from interested citizens and then present a series of recommendations to the government. The mandate that this Citizens' Forum has been given is not to dialogue with Canadians but to promote and encourage a dialogue among Canadians themselves about the values we hold in common, and the kind of country—

Senator Bonnell: Have a tea party at your house! Quite neighbourly!

Senator Murray: —that we want, what we expect of this country, what we expect of government in general; and some of the other hard questions that I mentioned yesterday in reply to questions from the honourable senator.

Among those questions on which it is necessary to build a consensus in this country, or rebuild one, is the relationship of aboriginal people to the rest of Canadian society and the relationship between English and French-speaking Canadians. Where does multiculturalism fit in vis-à-vis official languages and vis-à-vis national unity? What about the apparent conflict between individual rights and collective rights? What about the influence of regionalism in our country versus national unity? How much centralization or decentralization do people want? How much control over matters at the local level is desirable—

An Hon. Senator: When do they want an election?

Senator Murray: —vis-à-vis central authority? There are many, many questions. Some of them are very hard, but it will be necessary for Canadians to focus on those questions. I am confident that when they have done so, it will be possible to rebuild a consensus, because the answer to the first questions: Do we still want a country? Do we still want to live together? Are we willing to make—

Senator Frith: Or would we rather have an election?

Senator Murray: —the accommodations that are necessary will be answered resoundingly in the affirmative everywhere in Canada.

PLANNED HEARING IN ARCTIC—COMPOSITION OF TRAVELLING PANEL

Hon. Raymond J. Perrault: I have a supplementary question. Will some of the questions asked of Canadians coast-to-

coast involve such questions as: Would you like an early election? Would you like a change in government? Would you like the GST? Will we get into these areas?

Another question relates to the first Citizens' Forum safari of Mr. Spicer. When Canadians heard the first reports of this expedition to the Arctic and the sub-Arctic, they had visions of another Amundsen and a modern-day expedition of discovery to the north. As honorable senators know, Amundsen tok a crew of people along to determine where the North Pole was located. Perhaps the Spicer expedition is designed to find out where the real Canada is located.

But the startling fact is that Mr. Spicer is apparently donning a parka and snowshoes this week and he is heading for the frozen shores of the Beaufort Sea, well above the Arctic Circle, all by himself.

Senator Steuart: No! He will get lost!

Senator Perrault: Is it safe, honourable senators, to send this national treasure to our Arctic climate by himself without any protection of any kind? Surely the RCMP will be there to stand by in case of need.

Senator Bonnell: He is going to university!

Senator Perrault: Can we actually imagine Mr. Spicer on snow-shoes, equipped only with a tape recorder under his arm to solicit opinions from the people, for example, in Tuktoyaktuk?

While it is important that the north be given significant attention by the Citizens' Forum, the idea of sending Mr. Spicer on a one-man expedition boggles the mind.

Senator Lucier: We can hardly wait!

Senator Perrault: Surely there should be more committee members than Mr. Spicer along on this almost twenty-first century Arctic exploration. That is my first question.

COMPOSITION OF COMMISSION—ADDITION OF MINORITIES

Hon. Raymond J. Perrault: My second question concerns this. On the weekend the Prime Minister, at his ingratiating best, told a group of avid television watchers in Ontario, "Of course this government will consider adding minorities to the panel." He said, "We are certainly going to consider adding representatives of ethnic communities." Now it is disturbing to note that in response, Mr. Spicer, in effect, says that the Prime Minister does not know what he is talking about. He said that adding more visible minorities to the forum is "A tempting but resistible trap". He went on to say:

> I am very pleased with the group we already have, (thank you,) and I am convinced that we can do a fine job just as we are.

"Apparently, just as we are" means that only a one-man expedition is heading north this week. Will Mr. Spicer return? That is the question that should be asked. Will he survive the experience of this solo safari?

He has an advisory group of 11 members. Does he really think that Jack Webster of B.C. will accept his role on a "standby basis" with Spicer calling him from time to time saying, "How are things going out there, Jack;" and Jack replying, "Just fine, sir. Contact me any time, sir, as I await your further instructions."

Senator Fairbairn: That is not the Webster I know!

Senator Perrault: That is not the Webster any one of us knows. Yet Mr. Spicer states that "I am assisted by an advisory group of 11 people who work part-time."

When these appointments were first announced by the Prime Minister one would have thought that they were tantamount to appointments to the College of Cardinals, or to some other prestigious body. We now understand that the committee members are only to be employed on a part-time basis. Apparently, they are to do "piece work," perhaps to bring peace to the country at some point. The question was asked earlier, how much they will be paid, and I think that too, is a relevant question.

We should like the Leader of the Government in the Senate to tell us this afternoon—

Senator Bonnell: Be honest!

Senator Perrault: —is Mr. Spicer right or is the Prime Minister correct in his assessment? First, the Prime Minister said, "Yes. We are to consider adding other people to the panel." But Mr. Spicer said that he did not think the Prime Minister knew what he was talking about.

Senator Haidasz: Spicer says that to a lot of people!

Senator Perrault: The Prime Minister said that more members might be added to the advisory group, but Mr. Spicer said that it would create a lot of problems. Apparently, the committee chairman believes that we can have too much democracy. Mr. Spicer said that the advisors were not there as specific representatives of the community. He said, "What we want are good listeners and good communicators."

Senator Fairbairn: Good listeners?

Senator Perrault: Yes, good listeners. We need to know more about this committee.

Senator Haidasz: Are they good looking, too?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I hope my friend does not attend the Citizens' Forum and inflict on them the kind of bombast he inflicts on us. If he does, Jack Webster will make quick work of him.

Senator Perrault: That is no answer.

Senator Haidasz: How many blacks were appointed to that committee? Tell me how many blacks were appointed.

Senator Perrault: The Leader of the Government can trade insults all he wants across this chamber. The matter of this committee and those appointed to the committee could be of extreme importance. Will we have representatives of other ethnic communities on that committee or not? Is the Prime Minister correct when he told the people of Ontario that he will consider appointing new members while Mr. Spicer is

saying that they will not be appointed? That is a serious question. It cannot be dismissed with the snide remarks of the Leader of the Government.

Senator Haidasz: And how many members are from the visible minorities?

Senator Barootes: What about the invisible Liberals?

Senator Perrault: What about the invisible Conservatives?

• (1540)

Senator Murray: Let me say en passant that I am quite struck by the personal animus that I detect among a number of honourable senators toward Mr. Keith Spicer. I had not expected this at all.

So far as adding members to the commission is concerned, what the Prime Minister said is that it would be up to Mr. Spicer. In the light of his experience, if he felt—

Senator Bonnell: Who is running this country?

Senator Murray: —after some experience, that further appointments were necessary or desirable, we would cooperate in that endeavour.

Senator Haidasz: You mean you did not think about it before making the announcement?

COMPOSITION OF COMMISSION—INUIT AND NORTHERN REPRESENTATION

Hon. Willie Adams: Honourable senators, I would like to ask the Leader of the Government in the Senate a question similar to those that have been asked already. I met this morning with an assistant to Mr. Dennis Patterson, the government leader of the Northwest Territories, who has a similar concern about the Citizens' Forum. Those of us from the Territories feel that we are being left out.

Yesterday, Senator Lucier asked a question about that very point concerning representation of the Yukon and others appointed to the commission which is to deal with constitutional reform. I think that many people in our community did not learn very much, the first time around, with regard to the Meech Lake Accord. What we heard had to do with a distinct society in Quebec. Most of us who have lived in the Territories for many years really do not understand what the Constitution is all about. All the members who will serve on the commission have been appointed, and not one is from the Territories. I know there is one from the native community in British Columbia.

My concern is this. How will those appointed to the commission communicate with some of the citizens in our communities who do not understand English? The same translator cannot go to every community, since there are different dialects spoken in different communities. Colleagues of mine in the Senate believe that we should have an Inuk appointed to the committee, something which would help us to feel that we have not been left out of the process. I do not want to see what happened the last time happen again. At the last meeting of First Ministers, decisions were made to talk to the Prime Minister, forgetting about the other leaders of the Northwest Territories and Yukon. I hope that will not happen again.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I hear the honourable senator. I simply repeat that the members of the advisory group are not appointed to act as representatives of any particular group or point of view. The major purpose of the forum is to ensure that Canadians from all regions, backgrounds and walks of life are given full opportunity to participate directly in the forum and to speak for and represent themselves.

Hon. Paul Lucier: Honourable senators, when I rose yesterday to question the minister on this issue, I was rather angry because those of us in the Northwest Territories were again being treated as second-class citizens, something which is not unusual. However, that seems to be consistent with this government. Today I am not sure if the anger has not turned somewhat to fear.

Is the Minister saying that this commission, which has been set up to perform the important task to unite Canadians, is now totally in the hands of Mr. Spicer? If he decides that 11 members are enough, is that what it will be? If he decides that he has too many members, can he then decide to knock off Jack Webster and four or five others? Is the forum being structured whereby Mr. Spicer has a complete say as to the number of appointees and the role of the forum?

Senator Murray: Honourable senators, we have appointed 12. The Prime Minister has made it clear that Mr. Spicer is free to recommend additional appointments after he and his colleagues have assessed the work that is involved here.

Senator Lucier: Honourable senators, that is a very interesting answer. The government leader has just said that after Mr. Spicer consults with his colleagues, he can make a decision on whether or not they wish to add more members to the commission. The Prime Minister made a statement and Mr. Spicer refuted it right off the bat. He has not met with the people involved. The commission has not even come together yet. He has decided that is what the number will be. If he decides that it should be less, does he have the same power? The Prime Minister is saying that he has the power to increase it. Does he have the power to decrease it?

Senator Murray: The Prime Minister has not said that Mr. Spicer has the power to increase it. If Mr. Spicer and his colleagues feel, after they have had an opportunity to assess the work involved, that additional members are required, then additional members will be appointed in the same way that the original 12 have been appointed—that is to say, by order in council.

Surely it must be obvious to the honourable senator that appointments that have been made by order in council could not be unmade by the chairman of the commission or by anyone else.

Senator Lucier: Since Mr. Spicer, who perhaps is bitter because he is not a senator, has said that there will no additional members added to the forum, can Senator Adams

and I go back up north and tell everyone there to relax, that they have been ignored one more time? In a country with ten provinces and two territories, 12 people have been appointed from the ten provinces, and the territories have been forgotten. Can we go there now and tell the people to relax, to forget it, that Mr. Spicer will show up with his snowshoes and parka in Tuktoyaktuk, and if someone wants to come and talk to him, he can? Can we assure the people up there that they do not have to worry about getting all exercised about having someone on this forum, that under any and all circumstances there will not be any northern representation on the forum?

Senator Murray: Honourable senators, I am sorry that Liberal senators have such a hate on for Keith Spicer. I do not quite understand the reason for this.

Having said that, with regard to the question asked by the honourable senator, I answered it several times yesterday and several times again today.

Senator Lucier: Honourable senators, I would like to say that I have never met Mr. Spicer, so I really do not have much time to hate him. I have a hard time hating people I know, let alone the ones I do not know. I have never met him.

Senator Haidasz: You are fortunate.

Senator Lucier: I have never even spoken to him. I do not hate him, and I never have.

I very much detest the position he has been put in. I also detest the fact that the Prime Minister has structured this board so that there is no northern representation. Mr. Spicer did not structure the board; it was the Prime Minister who structured it.

Senator Haidasz: Be glad you never met Spicer.

FITNESS OF CHAIRMAN TO PURSUE OBJECTIVES OF COMMISSION

Hon. Stanley Haidasz: Honourable senators, in view of the fact that Keith Spicer as former editor of the Ottawa *Citizen* wrote many abusive articles about this chamber and its members, to which even Senator Marshall objected and moved a motion, does the Minister think that Keith Spicer is fit to study the objects of the commission which the Prime Minister announced the other week?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, we all have our eccentricities. Surely, we can permit Mr. Spicer that one.

Senator Haidasz: Eccentricities do not have to include abuse.

● (1550)

[*Translation*]

GOODS AND SERVICES TAX

SPEECH BY SENATOR CHAPUT-ROLLAND—POSSIBILITY OF AMENDMENTS TO BILL

Hon. Jacques Hébert: Honourable senators, I have another question for the Leader of the Government in the Senate, on another topic.

[Senator Lucier.]

It is about a rather surprising statement. I will just read a few lines from the impassioned speech made by Senator Chaput-Rolland on October 30. I quote:

> Honourable senators, I do not think I made myself clear.

Perhaps not.

> I explained the position I took as an author, saying . . .

I beg your pardon!

Hon. Jean-Maurice Simard: Honourable senators, on a point of order.

Is this some kind of new initiative, a warning to Canadians that Liberal senators will attack people who are not in this Chamber, including Mr. Keith Spicer and my colleague, Senator Chaput-Rolland?

Why don't you wait until these people are in the Senate or until you meet them outside Ottawa or in committee, to tell them what you have to say?

Is this an indication of your arrogance and despair? Are you crazy or what! This is cowardice!

Senator Hébert: Honourable senators, I want to make it clear that I have no intention of attacking Senator Chaput-Rolland.

Senator Simard: But you are!

Senator Hébert: No, I am not, I am quoting her.

You just assumed that I wanted to attack her. Typically, you always assume other people react the same way you do. I have no intention of attacking Senator Solange Chaput-Rolland, and I said it one last time because I am not sure you were listening.

I simply want to quote a paragraph from the impassioned speech she made yesterday on books, and then I want to put some questions to the Leader of the Government in the Senate. I am referring to a very serious statement that should be of interest to all senators, including yourself.

Senator Simard: Wait until she's here!

Senator Hébert: I don't have to, since my question is directed to the Leader of the Government in the Senate.

Senator Simard: That's the problem . . .

Senator Hébert: Senator Murray, would you ask him to calm down!

So I will continue my quote from Senator Chaput-Rolland's speech. She said:

> I explained the position I took as an author, saying that I was afraid of this tax . . .

The GST, of course.

> . . . and as an author, I hoped with all my heart that the Prime Minister of Canada . . .

And this is where it gets interesting.

> would keep his promise and amend the bill . . .

You see, she is asking the Prime Minister "to amend it, to correct it". The bill must be pretty bad if he has to amend and correct it.

> . . . that he would change it, but out of loyalty to the Prime Minister of Canada, I would vote in favour of this tax, as a general rule . . .

And so forth, and so forth.

I imagine you guessed what I wanted to ask, honourable senators. If the Prime Minister of Canada promised to amend, correct and change the GST bill, I want to know if he made this promise in public or privately, to Senator Solange Chaput-Rolland, or somewhere else.

So what is the exact nature of this promise?

I think it concerns us all.

Hon. Royce Frith (Deputy Leader of the Opposition): That's quite a change!

Senator Hébert: Quite a change indeed! What does he want to amend and what does he want to change?

Hon. Lowell Murray (Leader of the Government in the Senate and Minister of State (Federal-Provincial Relations)): Honourable senators, statements by a colleague like Senator Chaput-Rolland are not part of my ministerial responsibility. It is therefore not up to me to answer on her behalf. I understand, however, that she was alluding to a speech or a reply by the Prime Minister to questions asked the other day by students in a school in Burnaby, British Columbia.

I have already promised to get at least one copy of the article I read in the *Globe and Mail* and lay it on the table. This article contains direct quotes from what the Prime Minister said on the subject, and it was on these quotes that Senator Chaput-Rolland based her statement.

Senator Hébert: I repeat, this is not a question for Senator Chaput-Rolland. I am asking you the question because you are in a better position to know what these promises by the Prime Minister were.

She says that the Prime Minister of Canada made her some promises. That is why she voted against the amendment, with the government, because "her Prime Minister", as she says, had promised and she expected the Prime Minister to keep his promise and amend, correct and change the bill.

These are not loose words. It's all there in black and white. Senator Chaput-Rolland is a writer and journalist. I hardly think she was making this up as she went along.

Senator Simard: Wait until she is here!

Senator Hébert: That isn't the point. I am asking the Leader of the Government in the Senate to find out when the Prime Minister made such promises.

If he doesn't want to do it now, let him come back and give us the facts.

If the Prime Minister did not promise Senator Chaput-Rolland or anyone else that he would do this, do you realize how embarassing it will be for the senator, who voted with you because she believed those promises?

Senator Frith: She was counting on it!

Senator Hébert: Yes, she was counting on it. She said: "I realize that the publishing industry is at risk in Quebec, and so forth. However, I am going to vote just the same with my Prime Minister because he promised to correct, amend and change".

So could you give us some explanations about this promise made by the Prime Minister, since this is quite serious?

Senator Murray: Honourable senators, unfortunately Senator Hébert missed an opportunity the other day to put the same question to Senator Chaput-Rolland.

Senator Simard: He was absent!

Senator Murray: It is up to Senator Chaput-Rolland to explain what she said in her speech.

I would suggest that the senator take advantage of the next opportunity he has to put this question to his colleague.

Honourable senators, I must leave. I have an engagement at 4 o'clock.

SPEECH OF HONOURABLE SENATOR CHAPUT-ROLLAND— PROMISE BY PRIME MINISTER TO AMEND LEGISLATION

Hon. Jerahmiel S. Grafstein: Honourable senators, I have a follow-up to that response. I am curious about Senator Chaput-Rolland's promise. I am reading the English translation of that—

Senator Barootes: It loses a bit in the translation.

Senator Grafstein: Let me read the particular translation. Perhaps Senator Doody and Senator Castonguay might assist in this response. At page 3546 of *Senate Debates* on Tuesday, October 30, 1990, the Monday volume, the English translation states:

> . . . I was afraid of this tax, but I wished very strongly that the Prime Minister of Canada would fulfill his promise to amend or transform it, and that, out of loyalty for him, I would vote in favour of this tax because, generally speaking, Canada needs it.

Then she went on to say:

> I have now said everything I had to say and I certainly cannot be blamed if you do not understand me.

There was then an interjection by Senator Castonguay who said:

> Honourable senators, had Senator Hébert been here when Senator Chaput-Rolland had the floor he might have understood.

Senator Hébert then went on to say:

> Perhaps I understood better than you think, but if you want the floor I will listen.

Senator Castonguay then responded:

> You missed most of the remarks of Senator Chaput-Rolland. No wonder you cannot understand.

The question I would like clarified by the representative of the government is whether a promise was made—

Senator Barootes: Promise?

Senator Grafstein: Promise. The French and English were the same. The word promise is easily translated. The question that I would like to have clarified is this: Was a promise made by the Prime Minister to senators opposite—Senator Chaput-Rolland, Senator Castonguay or any Conservative senator—that the GST would be amended? I believe that is an important question, and I would like to have it answered.

• (1600)

Senator Frith: Amended, corrected and transformed.

Senator Grafstein: The words are "amended" or "transformed". The French translation may be different.

Senator Hébert: The French is the original.

Senator Grafstein: I do not quarrel with that. I am suggesting there might be a change in translation.

The question for the government is this: Were promises made by the Prime Minister to senators opposite that the GST would be amended?

Hon. C. William Doody Deputy Leader of the Government): I can add nothing to what Senator Murray has stated earlier. There was a reference made to comments that the Prime Minister made to students in British Columbia. He has quoted that and that newspaper article is available. Presumably Senator Chaput-Rolland was referring to it, but I do not know anything beyond that. Certainly the Prime Minister made no promise directly to me or to anyone that I know of in terms of the question that the honourable senator asks.

Hon. Royce Frith (Deputy Leader of the Opposition): Honourable senators, why is Senator Murray not here? We received unanimous consent to change the order of business, to put Question Period ahead, and he is not here. What has happened?

Senator Doody: Senator Murray asked us to change the order because he had a cabinet meeting a 4.00 o'clock. You were standing here, Senator Frith, at the time.

Senator Frith: Yes, he told me he had a meeting and that he wanted the order changed.

Senator Grafstein: I take it Senator Doody is now telling us, contrary to what we have heard from Senator Chaput-Rolland, that the Prime Minister has not made any promises to the Conservative caucus or whatever, aside from the promise made to the student in B.C.? We are not talking about the promise to the B.C. student; we are talking about promises made to Conservative senators. I take it Senator Doody is saying that no promises were made by the Prime Minister to amend the GST?

Senator Doody: It is the same answer as the last answer, honourable senators. Senator Grafstein can look at *Hansard* if he wants to, but I find it tedious to say the same thing over and over again.

[Senator Barootes.]

HONOURABLE JACQUES FLYNN, P.C.

PRESENCE ON PARLIAMENT HILL—CAPACITY AND PAYMENT

Hon. Eymard G. Corbin: Honourable senators, many weeks ago we gave a former colleague of ours, the Honourable Jacques Flynn, a great send-off.

Senator Frith: He is back.

Senator Corbin: Many speeches were made outlining his great contribution to Canadian parliamentary life. That was followed by a reception in the Speaker's Chamber, which was the last time I ate the Speaker's chips and pretzels, by the way. I do not intend to set foot in there for some time.

Senator Flynn is now, as I understand it, in the employ of Senator Murray, the Tory caucus, the government or the Privy Council—I do not know which one. He is presently working on the Senate side of the Hill, as I understand it. If I knew exactly his status, I would not be asking these questions.

I would like to know if he is in fact employed, by whom, who is paying his salary, and what the salary or the retainer is.

Hon. C. William Doody (Deputy Leader of the Government): I have no knowledge of any salary or hiring of Senator Flynn by anyone. I do know that he has been here giving us advice, which we welcome very much. As a matter of fact, I regret that he retired so soon.

As for his terms of employment, if any, I have no knowledge of them.

Senator Corbin: That is certainly a mysterious answer. Are you suggesting that he is providing his services—his time away from his beloved Quebec City and his wife—free of charge to anyone? That seems to be your suggestion, but I would warn you about Senator Flynn's advice. When he was in this house and gave the Conservatives advice, you got yourselves in trouble.

GOODS AND SERVICES TAX

COST OF PUBLIC OPINION SURVEYS—GOVERNMENT POSITION

Hon. Raymond J. Perrault: Honourable senators, members of the Standing Senate Committee on Banking, Trade and Commerce have had a busy summer with the GST hearings. The hearings were opposed by a number of Conservative members of that committee. This process of consulting public opinion was described as being very wasteful.

Information has just been tabled in the other place that the Department of Finance has spent $413,700 in the past year on six public opinion surveys that told us that most Canadians hate the proposed goods and services tax and do not trust the government to spend GST revenue wisely.

The members of the Standing Senate Committee on Banking, Trade and Commerce were attacked regularly by certain members, such as Senator Simard, for wasting money. He blasted this expenditure involved in hearing the views of Canadians from coast to coast regarding the GST. We now find out that the government spent almost the same amount of money on six public opinion surveys. I should like to ask the

spokesman for the government what makes it so virtuous for the government to conduct six public opinion surveys and to resist so strenuously the process of consulting Canadians regarding the GST? Do you have more faith in the polling organizations of Canada than you do in the people?

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I must admit that during the course of the hearings I did suffer some pangs of doubt about the objectivity of the committee. It seemed to me from time to time that they were not quite as balanced as one would like.

I have no knowledge of the public opinion polls other than what I have read in the same newspaper article that the honourable senator referred to.

REMEMBRANCE DAY

ABSENCE OF GOVERNOR GENERAL AT CENOTAPH

Hon. Paul Lucier: Honourable senators, I should like to ask a question of Senator Doody. I know that he will not be able to give an answer right now.

The veterans of Canada have been insulted by the fact that for the second time since World War II—the first time was because of illness—a Governor General will not be present for the unveiling of the wreath at the Cenotaph. Has there been any discussion to convince the Governor General that the veterans of this country should not be insulted, that the Governor General should be here and should not be in Japan at this time of the year?

Hon. C. William Doody (Deputy Leader of the Government): I have no information with regard to that, but I shall attempt to get an answer for you.

UNEMPLOYMENT INSURANCE

PRESENT DEFICIT

Hon. Gildas L. Molgat: The Deputy Leader of the Government will need to obtain an answer to my question at a later date because it is a factual answer that I seek.

On Friday, October 26, on "Canada A.M.", a commentator made the statement that the UIC would be $4 billion in the red by 1992. Could that figure be confirmed? Could you obtain for us the amount of the present deficit and whether the projection is, indeed, for a $4 billion deficit in 1992?

Hon. C. William Doody (Deputy Leader of the Government): I will make the inquiry senator.

• (1610)

DELAYED ANSWERS TO ORAL QUESTIONS

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I have twelve delayed answers to questions.

CANADA POST CORPORATION

DECISION TO DISCONTINUE SATURDAY RURAL SERVICE IN P.E.I.

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, the first delayed answer I have is in response to a question raised in the Senate on October 23, 1990, by the Honourable Senator M. Lorne Bonnell, regarding Canada Post Corporation—Decision to Discontinue Saturday Rural Service in P.E.I.

(*The answer follows:*)

I have been informed by the Minister Responsible for Canada Post Corporation that the standardization of rural route mail delivery in Prince Edward Island to five days-a-week was done in order to bring the Island into line with the majority of rural routes in the rest of the country. Moreover, this initiative brings mail delivery into line with what the majority of Island residents receive, i.e. five-days-a-week.

Canada Post is continually reviewing its operations with the objective of improving efficiency of the mail processing and delivery system and has therefore moved to end this long standing anomaly.

The Honourable Senator may also want to know that this initiative has improved for those customers on the Island who were previously receiving rural route delivery less than five days a week.

THE ECONOMY

HIGH INTEREST RATES—RELATION TO INFLATION—EFFECT ON WESTERN CANADA—GOVERNMENT POSITION

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, the second delayed answer I have is in response to a question raised in the Senate on October 23, 1990, by the Honourable H.A. Olson, regarding The Economy—High Interest Rates—Relation to Inflation—Effect on Western Canada—Government Position.

(*The answer follows:*)

Canadian Wheat Board initial payments are set prior to the beginning of each crop year in relation to the best estimates of market returns available at that time, with a view to avoiding deficits in the pool accounts. When the 1990/91 initial payments were announced on May 1, 1990, world wheat and coarse grain crops were forecast to be larger than the 1989/90 crops and were expected to exceed world consumption for the first time in several years. World wheat stocks were forecast to increase by 10 million tonnes in 1990/91. When there is a rebuilding of stocks, this normally leads to a reduction in prices. In addition, the United States and the European Community were expected to have larger exportable supplies of wheat and coarse grains in 1990/91 which could lead to an increase in export subsidies from the 1989/90 levels.

At this time, world wheat production in 1990/91 is estimated at a record 584 million tonnes, an increase of 46 million tonnes from last year. Larger wheat crops have

been harvested in the United States, the European Community (EC) and Canada as well as in the world's two largest wheat importing countries, the Soviet Union and China. World carryover stocks of wheat are expected to increase by 17 per cent, with much of this increase held in exporting countries. A larger world coarse grain crop is also having a negative impact on coarse grain prices despite a further decline in world stocks forecast for 1990/91.

Exporters are, therefore, competing forcefully with larger supplies for a smaller market. The major buyers appear to be holding back on their purchases because of sufficient short-term supplies. At this time, world grain price forecasts for the remainder of 1990/91, in particular for wheat, are not encouraging. The substantial decline in international grain prices over the past several months is of concern. In addition, the use of export subsidies by the United States and the EC, has resulted in a further decline in wheat prices. In recent weeks, export subsidy levels of wheat and barley under the American Export Enhancement Program have reached $60.00 Canadian per tonne, while the export restitutions of European wheat and barley have exceeded $150 Canadian per tonne.

The key to strengthening western agriculture is a successful conclusion to the Uruguay Round in Brussels in December. Canada is committed to establishing a fair, market-oriented agricultural trading system with international rules applying equally to all participants and is forcefully pursuing this objective in the current round of Multilateral Trade Negotiations. Canada is seeking an agreement in which all countries would make significant reductions to their trade-distorting support programs.

EXTERNAL RELATIONS

REFUSAL OF PRIME MINISTER TO MEET WITH DALAI LAMA

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, the third delayed answer I have is in response to a question raised in the Senate on October 23, 1990, by the Honourable Jerahmiel S. Grafstein, regarding Dalai Lama—Refusal of Prime Minister to Meet.

(*The answer follows:*)

The Dalai Lama made a pivately organized, unofficial visit to Canada which had a religious and human rights focus. The Dalai Lama, in his capacity as a spiritual leadere, met with the Secretary of State, the Honourable Gerry Weiner, during this visit to discuss religious and human rights issues. He also addressed a joint meeting of the Standing Committee on External Affairs and International Trade and of the Sub-Committee on International Human Rights. This is in accordance with the reception given to the Dalai Lama in many other Western nations which he has visisted unofficially, where the Dalai Lama has not met the most senior leaders.

The Canadian Government recognizes and respects His Holiness the Dalai Lama for his unquestioned contributions to human rights and the pursuit of peaceful international relations.

The Dalai Lama is, of course, also a political figure who leads a Tibetan "government-in-exile", with which Canada does not maintain any official relations.

PERSIAN GULF

DEPLOYMENT OF CANADIAN FORCES—POSSIBILITY OF WAR—ARRANGEMENTS FOR COMMAND

Hon. C. Willima Doody (Deputy Leader of the Government): Honourable senators, the fourth delayed answer I have is in response to a question raised in the Senate on October 25, 1990, by the Honourable John B. Stewart, regarding Escalation to War by Allies.

(*The answer follows:*)

The Rules of Engagement now being followed are appropriate to the role currently assigned to the Canadian Forces in the region and deal exclusively with self defence and the enforcement of the Un sanctions.

The objective of this ongoing multinational effort to enforce UN Security Council resolutions in the Gulf is to bring about the withdrawal of Iraqi forces and to restore the sovereignty of Kuwait.

If the situation should change and military conflict be initiated by any party, the Canadian government would carefully review its options and make its decision in light of the prevailing circumstances.

Canada will not, under any circumstances, "automatically" become involved in a war initiated by other countries. Canadian Forces deployed to the Gulf, are, and will remain, under Canadian command and control.

AGRICULTURE

GATT NEGOTIATIONS—REQUEST FOR TABLING OF GOVERNMENT LIST OF FARM SUBSIDIES

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I have a delayed answer in response to a question raised in the Senate on October 19, 1990, by the Honourable H. A. Olson, regarding Agriculture—GATT Negotiations—Request for Tabling of Government List of Farm Subsidies.

(*The answer follows:*)

As agreed, Canada tabled on October 1st, 1990, in Geneva ita baseline data on agriculture. They were prepared following guidelines defined by the Chairman of the negotiating committee on agriculture, Mr. Aaxt de Zeeuw. Canada has expressed, in the covering note accompanying the data (The attached copy will now be tabled with the Clerk), some reservations on the methodology proposed by the Chairman.

The total support to Canadian agriculture, as measured by an Aggregate Measure of Support (AMS), was estimated to be $8.8 billion. This value does not represent

any specific year since due to the severe drought in 1988 numbers from 1987 were also used. It includes not only expenditures by government, both federal and provincial, but also the estimated effect of support provided by other measures, including internal support, border protection and export competition measures. Of this $8.8 billion estimate of total support, $2.8 billion resulted from direct government payments, $3.3 billion came from reductions of input costs (e.g., credit concessions, transportation subsidies, etc.) and general government services, (e.g., Inspection Services, research, etc.). The remaining $2.7 billion was accounted for by market price support resulting largely from import controls in support of the supply management system.

Canada submitted this data in accordance with the Chairman's report and without prejudice to our negotiating position.

In accordance with the Chairman's report, all measures in use in the base period were included to provide the best possible "snapshot" of the situations in all countries. Participants will receive credit in the negotiations for programs eliminated or changed since then.

NATIONAL HOCKEY LEAGUE

PROPOSED LOCATIONS OF EXPANSION TEAMS—GOVERNMENT POSITION

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I have a delayed answer in response to a question raised in the Senate on October 23, 1990, by the Honourable Keith Davey, regarding National Hockey League-Proposed Locations of Expansion Teams—Government Position.

(*The answer follows:*)

To support an earlier response I gave to Senator Davey regarding expansion of the National Hockey League, I wish to table the following letter by the Minister of State, Marcel Danis, to the President of the National Hockey League, John A. Ziegler, Jr., as follows:

I understand that the NHL Board of Governors will be called upon to make a preliminary selection of three cities from among the candidates for franchises within the framework of a planned major NHL expansion as early as the 1992-93 season.

Several Canadian cities have indicated their interest in securing an NHL franchise, should expansion occur. Various media accounts have suggested, however, that a first phase expansion would consider applications from U.S. cities only.

Canadians have always had a passion for the game of hockey, and you are doubtless aware of the enormous contribution Canada has made to the development of hockey and of the NHL, not only in Canada but throughout the world. For many Canadians, hockey and the NHL are rooted solidly in Canadian history, a history which is close to their heart, I would therefore ask you to ensure that this contribution is recognized so that the NHL Governors may be encouraged to give equal consideration to the Canadian cities which are candidates for expansion franchises.

Thank you for your consideration of this matter.

PERSIAN GULF

INDEPENDENCE OF FRENCH FORCES—RULES OF ENGAGEMENT—UNITED NATIONS SECURITY COUNCIL RESOLUTIONS—REQUEST FOR TABLING

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I have a delayed answer to a question raised in the Senate on October 24, 1990, by the Honourable Allan J. MacEachen, regarding Independence of French Forces—Rules of Engagement—United Nations Security Council Resolutions—Request for Tabling.

(*The answer follows:*)

As requested by the Honourable Allan J. MacEachen the following are the Resolutions adopted from the United Nations Security Council. The full text of each resolution will now be tabled with the Clerk.

Resolution 660 (1990)

Adopted by the SC at its 2932nd meeting, on 2 August, 1990—Determined that a breach of international peace and security had taken place (i.e. that it was a legitimate issue for the Security Council); condemned the Iraqi invasion; demanded its withdrawal from Kuwait; and called upon Iraq and Kuwait to negotiate.

Resolution 661 (1990)

Adopted by the SC at its 2933rd meeting, on 6 August, 1990—Determined that Iraq had not complied with 660; affirmed the right of individual or collective self-defence; under UN Charter Chapter 7 called upon all states to impose strict economic sanctions on Iraq until it complied with 660 "but not including supplies intended strictly for medical purposes, and, in humanitarian circumstances, foodstuffs"; set up the 661 Committee (all UNSC members) to gather/provide information and advice on sanctions.

Resolution 662 (1990)

Adopted by the SC at its 2934th meeting, on 9 August, 1990—Decided that the annexation of Kuwait by Iraq is null and void and demand that Iraq rescind its declaration of annexation.

Resolution 664 (1990)

Adopted by the SC at its 2937th meeting, on 18 August, 1990—Demanded that Iraq permit the immediate departure from Kuwait and Iraq of third-country nationals and that Iraq take no action to jeopardize the safety, security, or health of such nationals; demanded that Iraq rescind its orders for the closure of diplomatic missions in Kuwait.

Resolution 665 (1990)

Adopted by the SC at its 2938th meeting, on 25 August, 1990—Called upon states deploying maritime forces to use such measures as may be necessary to halt all maritime shipping in order to inspect cargo and ensure strict implementation of UNSCR 661; coordinate actions using "as appropriate" the Military Staff Committee.

Resolution 666 (1990)

Adopted by the SC at its 2939th meeting, on 13 September, 1990—Established a framework for determination of "humanitarian circumstances" and distribution of foodstuffs in Iraq and Kuwait as per UNSCR 661; 661 Committee must report and recommend; food should be provided and the distribution supervised "through the UN in cooperation with the International Committee of the Red Cross or other appropriate humanitarian agency".

Resolution 667 (1990)

Adopted by the SC at its 2940th meeting, on 16 September, 1990—Strongly condemned the Iraqi actions against diplomatic premises and personnel in Kuwait and demanded the immediate release of foreign nationals.

Resolution 669 (1990)

Adopted by the SC at its 2942nd meeting, on 24 September, 1990—Entrusts the 661 Committee of the Council with the task of examining requests for assistance under the provisions of article 50 of the UN Charter. Under this article, states can consult the Council for a solution to economic problems arising from carrying out sanctions imposed by the Council.

Resolution 670 (1990)

Adopted by the SC at its 2943rd meeting, on 25 September, 1990—Extended maritime embargo to air traffic by "taking such measures as may be necessary, consistent with international law, including the Chicago Convention"; affirmed that UN specialized agencies must comply with sanctions; decided to consider measures against sanctions-busters; and reaffirmed that Iraq is liable under the Fourth Geneva Convention (war crimes).

GOODS AND SERVICES TAX

COST OF GOVERNMENT ADVERTISING

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I have a response to a question raised in the Senate on October 25, 1990, by the Honourable Azellus Denis, regarding Cost of Government Advertising.

(*The answer follows:*)

Recently, my honourable friend, Senator Denis, inquired about the advertising costs related to the GST. Today, I am pleased to be able to supply him with that information.

The reform of the Canadian Sales Tax System is a major fiscal initiative. It involves the coordination of different departments from the development of policy to final implementation. It also requires the cooperation and participation of the business community and the Canadian public. To ensure a smooth transition from the outmoded and damaging FST to the modern and efficient GST, the Government must actively inform businesses about how the GST will operate. Moreover, the Government has an obligation and a responsibility to explain to the Canadian public the need for sales tax reform as well as its impact on the Canadian Economy and their everyday lives.

The importance of public understanding is a key lesson learned from other countries where similar tax systems have been introduced. Where business people and consumers have been well informed, implementation has gone smoothly.

To this end, the Department of Finance, Revenue Canada, and the GST consumer information office have allocated funds to advertise the proposed sales tax reform.

For the fiscal year 1989-90, the Department of Finance spent $9.3 million on advertising and related communications activities, including the publication and distribution of the booklet, GST: INFORMATION FOR SMALL BUSINESS. For the fiscal year 1990-91, $8.7 million has been budgeted for advertising and related communications activities to provide Canadians with factual information on the GST.

In June 1990, the Minister of Consumer and Corporate Affairs, the Honourable Pierre Blais, announced the establishment of the GST consumer information office, an independent agency responsible for looking after the interests of consumers prior to, and during, the implementation of the GST. For the fiscal year 1990-91, the consumer information office has budgeted $7.4 million to advertise its existence, its objectives and its toll-free information line for consumers, as well as to provide consumers with factual information on the price impacts of the GST.

For the fiscal year 1990-91, Revenue Canada, Customs and Excise, has budgeted $8.9 million for advertising in print and on radio and television to encourage businesses to pre-register for the GST as well as to announce the business information seminars and office openings.

DE HAVILLAND AIRCRAFT

PROPOSED SALE BY BOEING—EFFECT ON EMPLOYMENT AS GOVERNMENT POLICY

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I have a delayed answer to a question raised in the Senate on October 26, 1990 by the Honourable Jack Austin regarding De Havilland Aircraft—Proposed Sale by Boeing—Effect on Employment as Government Policy.

(*The answer follows:*)

A&A are currently negotiating with Boeing, having spent August and September performing a due diligence analysis of the de Havilland operation. As of October 31, 1990, the companies had not reached a buy/sell agreement. Consequently, Investment Canada has not yet received an application for review of the potential acquisition and none of the details of a proposed transaction are known. The implications of possible A&A ownership on employment, sales, product development, engineering design and technological development cannot be assessed until A&A's plans are known. Informal discussions between government officials and the companies concerned are taking place.

The Investment Canada Act requires that an application be rigorously scrutinized to ensure that the transaction yields net benefit to Canada. In a case of this magnitude, it would be necessary to examine all the direct and indirect impacts so that a comprehensive analysis is available to the government so that a decision can be made.

BRITISH COLUMBIA

ALL-PARTY LEGAL CHALLENGE TO APPOINTMENT OF ADDITIONAL SENATORS

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, this delayed answer is in response to a question raised in the Senate on May 24, 1990, by Senator Perrault, regarding British Columbia—All Party Legal Challenge to Appointment of Additional Senators.

(*The answer follows:*)

The Government of Canada is seized with the B.C. court challenge and the Prime Minister has been informed of this action.

The Government does not doubt its Senate appointments are valid.

We have the advice and counsel of the most senior law officers of the Government that our position is the right one. Not exclusive. The most recent judgment from the Ontario Court of Justice (General Division).

The Senator is attempting to muddy the waters by mixing the issue of the popularity of the GST with a false constitutional issue.

ENERGY

SCOTIA SYNFUELS PROJECT

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I have a response to a question raised in the Senate on September 25, 1990, by the Honourable Allan J. MacEachen, regarding the Tax Credit for the Scotia Synfuels.

(*The answer follows:*)

Honourable senators, the proposed Scotia Synfuels project is a very large project with capital costs of about $500 million. The tax credit for the project under the Cape Breton Investment Tax Credit Program would exceed $200 million. While the benefit of this program is delivered through the tax system, that have been approved by the Minister of Industry, Science and Technology (DIST). Consequently, officials from that Department and of Energy, Mines and Resources and the Atlantic Canada Opportunities Agency have worked very closely with Scotia Synfuels to evaluate this project carefully. The review process is close to completion and a decision by the Minister of DIST on Scotia Synfuels' application for the Cape Breton Investment Tax Credit is expected in the near future.

SENATE REFORM

PROCESS OF FUTURE APPOINTMENTS—REQUEST FOR CLARIFICATION

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, the final delayed answer is in response to a question raised in the Senate on June 13, 1990, by the Honourable Joyce Fairbairn regarding Process of Future Appointments—Request for Clarification.

(*The answer follows:*)

The Constitution Amendment, 1987 provided that, pending Senate reform, Senate vacancies be filled by persons proposed by the Government of the Province concerned and who were acceptable to the Government of Canada.

Under the Constitutional Accord of June 3, 1987, it was agreed the Senate nominations provision would apply until the proposed amendment came into force.

With the failure of the Accord, the interim nominations procedure no longer applies.

[*Translation*]

THE GOODS AND SERVICES TAX

PRESENTATION OF PETITIONS ON BILL C-62

Hon. Jacques Hébert: Honourable senators, I have the honour to present a petition on behalf of 40 citizens from the area of St-Polycarpe, in Quebec, who ask the Senate to reject the GST bill. I would wish to read their petition verbatim because it is using very old English and it always makes for interesting reading.

Petition to the honourable Senate in Parliament assembled. The undersigned citizens of the Dominion of Canada, now avail themselves of their ancient and undoubted right (except by senator Simard, of course) to present a grievance common to your petitioners, in the certain assurance that your honourable House will therefor provide a remedy. They humbly sheweth whereas the 7 per cent goods and services tax, the univesal federal tax brought in by the Conservative Government, will cause serious, unfair and inhuman hardship for Canadians.

Whereas such a tax will constitute the worst ever grab on the already low income of Canadians, not only because of higher taxes but also because of the higher cost of living due to the higher inflation, interest rates and unemployment brought about by this new tax.

Wherefore, your petitioners humbly pray and call upon Parliament to reject the proposed goods and services tax and in duty bound, your petitioners will ever pray.

Don't worry, I will not read it all, but I will read a few names of the good people from St-Polycarpe.

(*Names of signatories read*)

Hon. Michel Cogger: Honourable senators, can you tell me why it is you have reverted to this tedious and time-consuming process of reading names and addresses? Yesterday at least it seemed just as boring to use a procedure more in line with our rules. Yet, it was more cursory.

Senator Hébert: In any case, you just said that that process was as tedious. If that is the case, I do not see what you are complaining about?

Senator Cogger: It was also tedious but at least we always had new players speaking then.

Senator Hébert: I will hand over to someone else in a few minutes.

Hon. Philippe Deane Gigantès: Honourable senators, if you prefer the sound of my voice to his, I am prepared to take over right now.

Senator Hébert: I will not be long, I will leave you the floor in a few minutes. It all depends if I am inspired or not, senator.

(*Names of signatories read*)

Well, it seems as if all of Trémollière Street is opposed to the TPS.

Senator Cogger: Are you sure the whole street is against it?

Senator Hébert: That is a tiny street, you see. You know that street of course since you have been to St-Polycarpe, I am sure.

Senator Cogger: What about you? Did you ever go there?

Senator Hébert: Of course.

(*Names of signatories read*)

In other words, each and every member of the Poirier family opposes the TPS, including the children who could not add their name, unfortunately, because it would have been illegal.

(*Names of signatories read*)

I will read another petition and then, to accommodate Senator Cogger, I will ask someone else to take over. We have tens of thousands of them anyhow.

So, honourable senators, I have the honour to present another petition signed by citizens of L'Avenir, Quebec.

(*Names of signatories read*)

• (1620)

I still have tens of thousands of them left, but maybe a senator from another region—

[*English*]

Perhaps someone from another region—for example, my friend in front of me—would read further petitions.

Hon. Richard J. Stanbury: Honourable senators, I have a group of petitions from Ontario. It is my honour to present them today. They are worded in a way which indicates the petitioners are greatly annoyed and unhappy about the GST and are asking us to do our best to see that it does not pass. The first group of signatories are from the Ottawa area. There are nearly 250 signatories in the one group of petitions and nearly all of them are from the Ottawa area—that is, from Ottawa, Kanata, Nepean and Aylmer. I have a group of 25 signatories on this particular page.

(*Names of signatories read*)

• (1630)

I am assuming that members opposite will recognize some of these names as people who have supported the Conservative Party in the past but who are making it very clear that they are now opposed to what the Conservative Party is doing in trying to ram the GST down our throats.

(*Names of signatories read*)

Here is the name of a Ray Hnatyshyn.

Senator Haidasz: Is it Ramon?

Senator Stanbury: It just says "Ray Hnatyshyn." Is that not marvellous? It's a dandy!

Senator Fairbairn: That is a heart-stopper. We must report it to the Prime Minister.

Senator Stanbury: I cannot guarantee which Ray Hnatyshyn it is.

Senator Fairbairn: I would like a Xerox copy of that petition.

Senator Stanbury: We should Xerox it and then start sending him Liberal policy material.

The next petition I wish to read has 25 names on it. The people who have signed the petition are mainly from the Ottawa, Kanata and Nepean areas.

(*Names of signatories read*)

I have here another petition containing 25 signatures from the Ottawa area.

(*Names of signatories read*)

I have another petition containing 25 names from people who are generally from the Ottawa area. The Ottawa people seem to be particularly interested in this piece of legislation and seem to have signed unanimously. It is important that honourable senators opposite hear their names, because they may be people they know. In this way, senators opposite can understand how important it is to hear their point of view.

Senator Frith: For them to go to all that trouble.

Senator Stanbury: They have gone to a great deal of trouble. It is up to us to recognize the trouble to which they have gone in making themselves heard, and to give them an

opportunity to have their names recorded as having objected to the GST here in the Senate.

(*Names of signatories read*)

• (1640)

I have another petition containing the signatures of 25 residents of Ottawa, Cochrane, Nepean, Kars and Woodlawn.

(*Names of signatories read*)

I want to file another petition containing 25 names of people from Ottawa, Nepean, Aylmer, Kanata and Osgoode.

(*Names of signatories read*)

Hon. P. Derek Lewis: Honorable senators, I have the honour to present a petition from the residents of central Newfoundland on the subject of the goods and services tax. These petitioners, along with others, are praying that the Senate will do something to stop the introduction of this tax.

I have been waiting for some time to present this petition, because I believe it will have some significance for Senator Kelly. He raised a matter some weeks ago on this topic, and I will come back to that in a minute. These petitioners are from Grand Falls, Lewisporte and Botwood.

(*Names of signatories read*)

Hon. William M. Kelly: May I ask a question? Is that Kelly spelled with an "ey" or "y"?

Senator Lewis: It is k-e-l-l-y.

Senator Kelly: Oh dear.

Senator Lewis: Perhaps we can find another one.

• (1650)

I come now to a point raised by Senator Kelly a few weeks ago. There is a Roy K. Parsons of Grand Falls. The next name is Tim Parsons of Lahr, West Germany. I recall that when we were reading petitions earlier Senator Kelly was quite irate and raised a question about a petition being signed by someone who gave an address which was not in Canada. This is probably a father and son, or brothers. Tim Parsons is probably with the Canadian Forces in Lahr. He was in Grand Falls and signed the petition.

If Senator Kelly has any question about this, perhaps we should recess for a few days and investigate it.

Senator Kelly: I would think it would take until at least next Wednesday, honourable senators.

BUSINESS OF THE SENATE

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, Senator Marsden has a committee report to present on a bill that passed second reading this afternoon. If Senator Lewis will allow us to revert back to Reports of Committees, we will do that now and then continue with petitions afterwards.

INCOME TAX ACT

BILL TO AMEND—REPORT OF SOCIAL AFFAIRS, SCIENCE AND TECHNOLOGY COMMITTEE ON BILL C-86

Hon. Lorna Marsden, Chairman of the Standing Senate Committee on Social Affairs, Science and Technology, presented the following report:

Wednesday, November 7, 1990

The Standing Committee on Social Affairs, Science and Technology has the honour to present its

SEVENTEENTH REPORT

Your Committee to which was referred Bill C-86, An Act to amend the Income Tax Act (Child Tax Credit), has in obedience to the Order of Reference of Wednesday, November 7, 1990, examined the said Bill and now reports the same without amendment.

Respectfully submitted,

LORNA MARSDEN
Chair

THIRD READING

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

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(*b*), I move that the bill be read the third time now.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Motion agreed to and bill read third time and passed.

GOODS AND SERVICES TAX

PRESENTATION OF PETITIONS ON BILL C-62

Hon. P. Derek Lewis: Honourable senators, I have pleasure in presenting a petition from 27 residents of the south coast of Newfoundland on the subject of the goods and services tax, praying that we will provide some way to remedy the situation.

(*Names of signatories read*)

It is too bad that Senator Cochrane is not in the chamber, because these are names of people in her area. She told me earlier that she had not received any petitions.

(*Names of signatories read*)

Hon. C. William Doody (Deputy Leader of the Government): These people are well scattered. That must have been quite a canvass.

Senator Frith: It sounds like the title of a sea shanty from Newfoundland.

Senator Lewis: It is like a 12-gauge shotgun in full choke.

(*Names of signatories read*)

• (1700)

Honourable senators, I have another petition on the same matter signed by 24 residents of Newfoundland. These residents, for the most part, are from communities along the south coast.

(*Names of signatories read*)

I should like to table that petition, honourable senators, and hope that their prayers will be answered.

Hon. Eymard G. Corbin: Honourable senators, I have petitions from various localities in New Brunswick. These petitions are signed by people who oppose the proposed goods and services tax. The first petition contains six names.

(*Names of signatories read*)

Honourable senators, I have another petition from the great province of New Brunswick, signed by Canadian citizens opposed to the proposed goods and services tax. This petition contains 16 names.

(*Names of signatories read*)

Honourable senators, I have yet another petition containing 26 names of citizens of New Brunswick who oppose the proposed goods and services tax.

(*Names of signatories read*)

• (1710)

THE HONOURABLE PHILIPPE DEANE GIGANTÈS

A QUESTION OF FRAUD—QUESTION OF PRIVILEGE—CLARIFICATION OF SENATE RECORDS

Hon. Philippe Dean Gigantès: Honourable senators, on a point of privilege, yesterday the Leader of the Government said in the Senate—and I have the blues—that I particularly objected to the use of the word "fraud" or "fraudulent" in the course of the interviews he gave to the press. He went on to say—and I quote:

> I want to make it completely clear that I did not,—

That is, the Leader of the Government did not—

> —and do not, impute fraudulent intent to Senator Gigantès or to anyone else taking part in this debate.

The Canadian Press has an interview on tape. In the article they distributed, CP1916ET01 11, 1990, it states:

> All speeches in Parliament are transcribed and translated and are available in the official record of *Hansard*. The Tories said, "That is why Gigantès read it, his book, to get the translation done for free so that it could be published in French. Conservative Senate Leader Lowell Murray levelled the accusation saying it constituted fraud."

I should like to ask the Honourable Leader of the Government in the Senate a question. I accept his apology of yesterday and I ask him to tell me if he is telling the truth, and, if so, whether the Canadian press has a trick tape, or what?

[Senator Lewis.]

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I had thought that my statement yesterday would have sufficed. I said yesterday that whatever the interviews or the tapes may show, I did not, and I do not, impute to the honourable senator, or anyone else, a fraudulent intent. I think I went on to say that my concern was, and is, with the process and with the expense of that process.

But, in any case, I said for the record yesterday—and I repeat it today in reply to the honourable senator—that I accept completely the statement that he made in this chamber about the books in question and about their publication and translation. I do not know what more I can say.

Senator Gigantès: If one reads this freely, it sounds as if the Honourable Leader of the Government, by his statement yesterday, implied at least that he had not used the word "fraud;" but the tape from the Canadian press shows that he did.

Senator Murray: I saw the Canadian press report. It does not have the word "fraud" in quotation marks. But certainly I may well have used the word "fraud." What I said yesterday, and repeat again today, is that, first, I did not impute fraudulent intent to the honourable senator or anyone else; secondly, that I accept completely the explanation that he gave about the books; and, thirdly, I withdraw completely anything there that the Honourable Senator Gigantès, or anyone else, finds personally offensive. I do not think I can do any more than that.

Senator Gigantès: Honourable senators, I insist on this, because "fraud" is a fairly heavy word. Senator Murray used it and I want the record to show that he used it. By his statement in the house and his apology, which I accept, he implied that he did not. I want the record to show that.

Senator Murray: I implied no such thing. I told the honourable senator that I did not impute fraudulent intent to him or anyone else; that I accepted his explanation on the matter; and that I withdrew, and had no hesitation in withdrawing, any reference that he or anyone else found personally offensive.

GOODS AND SERVICES TAX

PRESENTATION OF PETITIONS ON BILL C-62

Senator Corbin: Honourable senators, I will continue with the reading of the petition containing 27 names from citizens for New Brunswick who live in the Hartland, Bristol, Woodstock and Stikney area.

(*Names of signatories read*)

I would ask a page to lay on the table these precious petitions. I yield the floor to my colleague, Senator Fairbairn.

Hon. Joyce Fairbairn: Honourable senators, it gives me great pleasure to introduce some names of petitioners from Southern Alberta who have sent along their petitions in many numbers.

The first one here is from a well known school teacher and member of the police commission in Lethbridge, Barbara Nault. She is very concerned about the GST as it applies to printed material and books. Next is Tyler Hahn of Lethbridge. Another petitioner who is concerned about the effect of the GST on his restaurant is Tony Rose, who manages one of the best Italian restaurants, Trevis, that I have been in anywhere in this country.

(*Names of signatories read*)

● (1720)

I now wish to read names of people who come from my particular area of the province of Alberta. These people will be most disappointed at the outcome of the vote in this chamber yesterday since they are very concerned about the tax on books. No doubt they hope, in the final analysis, that the bill, which we have failed to have amended, will be defeated, so that books and printed material in Canada can remain tax free as they have been since Confederation.

(*Names of signatories read*)

I have another petition from the University of Lethbridge area signed by people who are very concerned about the tax on books.

(*Names of signatories read*)

● (1735)

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE ACT
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMEND—THIRD READING—MOTION IN AMENDMENT NEGATIVED

The Hon. the Speaker: Pursuant to provisional order P-3(a), the Senate will now proceed to the vote on the motion in amendment of Senator Hays for Senator MacEachen to Bill C-62.

Honourable senators, it was moved by the Honourable Senator Kelly, seconded by the Honourable Senator Beaudoin, that Bill C-62 be now read the third time.

In amendment, it was moved by the Honourable Senator Hays for Senator MacEachen, P.C., seconded by the Honourable Senator Molgat:

> That Bill C-62 be not now read the third time but that the Schedule of the Bill be amended, on page 342, to make provision for electricity and heating fuels by adding to Schedule VI, and numbering accordingly, a new heading and Part as follows:
>
> "ELECTRICITY AND HEATING FUELS
>
> 1. A supply of electricity and heating fuels."

Please call in the senators.

The Hon. the Speaker: Let the doors to the chamber be locked.

Motion in amendment negatived on the following division.

YEAS

THE HONOURABLE SENATORS

Adams
Austin
Bonnell
Bosa
Buckwold
Cools
Corbin
Davey
De Bané
Denis
Fairbairn
Frith
Gigantès
Grafstein
Graham
Haidasz
Hastings
Hays
Hébert
Kenny
Kolber
Lang
Lawson
LeBlanc (*Beauséjour*)
Leblanc (*Saurel*)
Lefebvre
Lewis
Lucier
MacEachen
Marchand
Marsden
Molgat
Neiman
Olson
Perrault
Petten
Riel
Rizzuto
Robichaud
Stanbury
Steuart (*Prince Albert-Duke Lake*)
Stewart (*Antigonish-Guysborough*)
Stollery
Thériault
Turner
van Roggen
Waters
Wood—48

NAYS

THE HONOURABLE SENATORS

Atkins
Balfour
Barootes
Beaudoin
Beaulieu
Bélisle
Berntson
Bolduc
Buchanan
Keon
Kinsella
Lavoie-Roux
Lynch-Staunton
Macdonald (*Cape Breton*)
MacDonald (*Halifax*)
Macquarrie

NAYS

THE HONOURABLE SENATORS

Carney	Marshall
Castonguay	Molson
Chaput-Rolland	Muir
Charbonneau	Murray
Cochrane	Nurgitz
Cogger	Oliver
Comeau	Ottenheimer
David	Phillips
DeWare	Poitras
Di Nino	Robertson
Doody	Roblin
Doyle	Ross
Eyton	Rossiter
Forrestall	Simard
Grimard	Spivak
Hatfield	Sylvain
Johnson	Teed
Kelleher	Tremblay
Kelly	Twin—54

ABSTENTIONS

THE HONOURABLE SENATORS

Nil

The Hon. the Speaker: I declare the motion in amendment negative.

Hon. Royce Frith (Deputy Leader of the Opposition): Honourable senators, your groans are music to my ears, because, as you know, the most recent poll shows that some 70 per cent of Canadians oppose the appointment of the eight additional senators. If they had not voted or had been disqualified from voting, and if the Speaker had not voted, rather than 48 to 54 votes, the vote would have been 48 to 45 votes in favour of the amendment.

[*Translation*]

Hon. Normand Grimard: Honourable senators, I have something to add to the remarks made by Senator Frith concerning the vote of eight senators.

This being my first intervention in this chamber, naturally I would have much preferred a more serene and favourable climate, but of course I have no choice.

Ever since we were sworn in on September 27, 1990, we eight senators have been the subject of disparaging remarks, to put it mildly.

This may indeed be my first intervention, but I have pleaded court cases before, I have a good voice, so I intend to speak and say everything I have to say.

[The Hon. the Speaker.]

I will not refer to the remarks made about us—I am speaking on behalf of the other seven members of the team—by Senator MacEachen who has been calling us the "British" senators. Senator MacEachen, I wish you would look at the proclamation you must have received when you were appointed to the Senate. I got mine a few days ago. I looked at it and saw that I was "summoned by the Queen". You too, Senator MacEachen, were summoned by the Queen.

Senator Frith: Not under section 26, he wasn't!

Senator Grimard: And Senator Grimard is no more British than Senator MacEachen is.

I will not say anything about the remarks of Senator Hébert who has been calling us senators, quote, unquote. I prefer to ignore these remarks from Senator Hébert. But the purpose of my intervention is to comment on the sophism of Senator Frith. Let me explain.

Hon. Peter Stollery: It is not a sophism.

Senator Grimard: First, a small digression. Contrary to what you may think, I want to congratulate you, Senator Frith.

[*English*]

Senator Frith: Talk about a sophist! One thing you guys have a lot of is brass!

[*Translation*]

Senator Grimard: First, I want to congratulate you. Do you object to my congratulating you? I want to congratulate you for your three interventions in the debate on Senator Buckwold's report and in the debate on the last two amendments. You rose and said: If the eight senators had not voted, the results would be as follows. Continue to do just that.

[*English*]

Senator Frith: Just a minute, get it right. I said if they had not voted or if they had been disqualified from voting, which they ought to have been. Get it straight!

[*Translation*]

Senator Grimard: As far as I know, we have not been disqualified. You say: If the eight senators had not voted the results would be as follows. Do you realize that when you say that you are the best lawyer for our cause? Do you realize that you are saying the Prime Minister of Canada was right to invoke constitutional section 26? Do you realize that I need you, that we need you, that you are our best lawyer and that your services are free? I thank you for this service, but I have something else to tell you.

Senator Frith: You are welcome!

Senator Grimard: This is where your sophistry comes in. You know, I have been pleading before the courts for 41 years, so you people are not going to scare me. I am referring to your sophism when you say that we should not vote until the courts have ruled on our case. That is a sophism which does not rest on any legal basis. Let me explain, and I choose my words very carefully. You want to enforce immediately against us a ruling

which has yet to be made. That is a sophism. You would like to make binding a decision which the courts have not yet reached. If we listened to you, Senator Frith, and if we accepted your theory, Canada would end up in a state of anarchy, and I will explain to you why. I will use a very simple example to help you understand better.

I live in Rouyn-Noranda. Last Sunday, in my hometown, people had to go to the polls to choose a new mayor and six new aldermen. If we were to apply your theory to the effect that as soon as legal proceedings are instituted, the people against whom—

Senator Frith: You might continue after eight o'clock, for it is now a quarter past six.

Senator Grimard: Apparently, honourable senators, you do not like what I am saying since you are trying to cut me off. However, if we followed your theory, this would mean that a Rouyn-Noranda citizen could institute proceedings to disqualify the mayor, as well as four or five aldermen, so that these people could not sit as long as a court has not ruled on their status. This would be anarchy. This example could apply not only to municipal corporations, but also to school boards, public and private corporations, as well non-profit charitable organizations. To claim that the eight of us could not vote as long as the courts have not ruled on our status is absurd. Listen carefully, I am about to conclude. Senator Frith, my other seven colleagues and I—

Senator Frith: So-called colleagues.

Senator Grimard: —have the same privileges and rights as you, Senator Frith. We are here as full-fledged senators, you understand? We have every intention to take part in all debates, to be involved in all committee meetings and especially to vote on all bills, all amendments and all questions of privilege.

To conclude, let me say this: We have the same rights and privileges as you—listen to this, because you are a lawyer—and as long as the Supreme Court of Canada has not ruled on our status as senators, we will stay here, the eight of us. We will stay, whether you and your friends opposite like it or not.

The Hon. the Speaker: Honourable senators, it is now 6 p.m. Pursuant to our rules, I must now leave the Chair to return at 8 p.m.

The sitting of the Senate was suspended.

[*Editor's Note: For continuation of proceedings see Issue No. 107B.*]

THE SENATE

Wednesday, November 7, 1990

[*Editor's Note: Continuation of Proceedings from Issue No. 107A.*]

The sitting of the Senate was resumed at 8:06 p.m., November 7, 1990, the Speaker in the Chair.

THE CONSTITUTION

QUALIFICATION OF EIGHT SENATORS APPOINTED UNDER SECTION 26—QUESTION OF PRIVILEGE

Hon. Royce Frith (Deputy Leader of the Opposition): Honourable senators, I want to give notice to honourable senators that I will raise a question of privilege on my own behalf and perhaps that of others who were not appointed under Section 26, arising out of the remarks made by Senator Grimard just before adjournment. However, I do not want to proceed before I have an opportunity to study the remarks when we get the *Debates of the Senate* in due course.

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE ACT
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMEND—THIRD READING—MOTION IN AMENDMENT

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I yield to the Leader of the Opposition.

Hon. Allan MacEachen (Leader of the Opposition): Honourable senators, I wish to discuss the impact of Bill C-62 on the co-operative movement in Canada and propose an amendment that will remove at least a number of the discriminatory features in this bill as it affects co-operatives in this country.

Perhaps I should begin by reading a letter which I received from James Murray, 13 Dobson Lane, Rothesay, New Brunswick, a member of the Ken Val Co-Operative Ltd. I also received all these letters from members of the same co-operative in New Brunswick indicating their dissatisfaction with the proposed GST legislation. So may I read the letter in question, because it gives me the opportunity to introduce a number of the items I would like to discuss in more detail? It reads:

> As a member/owner of Ken Val Co-Op Ltd. I wish to express my dissatisfaction with the proposed GST legislation in that it discriminates against the co-operative movement.
>
> A Direct Charge Co-op such as mine uses the weekly service fees to help recover overhead costs in a way that is both shared and visible among Co-op members.
>
> Because fees generally are subject to tax under the proposed legislation, this weekly service fee is treated as if it were the same as a fee for a golf course, as an example, and does not recognize non-taxable food items on the shelf.
>
> Additionally, the taxing of share capital as proposed is a direct tax on the capital formation of my Co-op, as opposed to a consumption tax as was intended.
>
> Why not the same recognition of the legitimate difference of a consumer co-operative as that already provided to the Canadian Credit Union System through Bill C-62, Section 140?
>
> I ask that you support my co-operative's stand in its endeavour to be treated justly and fairly.
>
> Yours sincerely,
>
> James Murray,
> 13 Dobson Lane,
> Rothesay,
> New Brunswick.

James Murray, in his brief letter, raises two of the three issues which have been underlined by representatives of the co-operative movement in their testimony before the Standing Committee of Banking, Trade and Commerce. These three issues are, first, the impact of the GST on direct charge co-operatives; second, the unnecessary administrative costs which are imposed on co-operatives as a result of the GST; third, the taxing of the share capital in co-operatives. I would like to discuss each of these in turn.

As is pointed out in the submissions by the co-operative movement, the fastest growing co-operative in the retail sector is described as the direct charge co-operative. It is different from the conventional consumer co-operative in that the merchandise is sold almost at cost, and the overhead of the co-operative is met by a weekly direct charge which varies from co-operative to co-operative but which amounts to several dollars a week. I understand that this form of co-operative organization is growing rapidly because it is regarded as fair and the method of doing business is transparent and visible to the consumer.

In my own area of Nova Scotia there are a number of direct charge co-operatives. For example, at the Straight of Canso there is the Straight Co-Operative. In Sydney there is a co-operative called the Modern Co-Operative. Outside North

Sydney there is the Bras d'Or Co-Operative. All of these are direct charge co-operatives.

Not only do they operate in this way in meeting the overhead charges through weekly payment, but they also build up their capital through a weekly share purchase. Apparently it is a satisfactory system.

The brief of Co-Op Atlantic explains quite clearly how the GST treats this direct charge co-operative. Stores which are not direct charge co-operatives recover their overhead completely through shelf markups. If they sell a $10 non-taxable item there will be no tax on the markup. If the direct charge store sells the same item, consumers will pay GST on that part of the overhead which was collected by the direct overhead charge. This would amount to a significant level of unfair tax.

In 1989 direct overhead charges amounted to $5.6 million. This is in the system that is serviced through Co-Op Atlantic, which is the wholesale owned by the consumer co-operatives which are distributed throughout the Atlantic Provinces. In 1990 those direct overhead charges will amount to $6.3 million, and in 1991, $7 million. A review of direct charge store sales shows that in 1989, 56 per cent of the goods they sold would not be taxable under the GST. This means in effect that if the GST had been in place in 1989, direct charge consumers would have paid $222,000 more in tax than if they had purchased their products elsewhere. Assuming that the percentage of taxable goods does not change and past sales growth continues, the additional and unfair tax paid by direct charge co-op consumers would grow to $246,000 in 1990, and $274,000 in 1991.

The simplicity of the injustice is very clear. The direct charge which is paid by members of direct charge co-operatives does not take into account that portion of the overhead charge which relates to non-taxable merchandise in which they deal. So that in a conventional co-operative, and any other consumer operation, the consumer escapes that portion of the tax which is imposed upon the customer at the direct charge co-operative.

• (2010)

I believe that the case made by the co-operatives is unanswerable. The case could be dealt with easily by the proper tax changes. It amounts, certainly in Co-op Atlantic, to several hundred thousand dollars a year. The same argument was made by other co-operative submissions, including the Canadian Co-operative Association, which speaks for all English-speaking co-operatives in Canada, and also by the Federated Co-operatives Limited in Saskatoon, Saskatchewan. The same point is made and clearly requires some correction. That is the first problem with the GST with respect to co-operatives.

The second problem has to do with the unnecessary administrative burden displaced on the co-operative system in Atlantic Canada. Co-op Atlantic is the wholesaler which is owned by the member co-operatives located throughout the Atlantic provinces. The GST is levied upon Co-op Atlantic when it purchases merchandise for distribution throughout its network of retail outlets. Of course, the tax is paid, and there is a rebate or an input tax credit, whichever is the correct designation. Then the merchandise is delivered to the local co-operative, let us say the Brador Co-operative just outside Senator MacDonald's city. At that point the GST is charged to the local co-operative which then seeks a rebate. The final product is sold to the consumer who bears the tax as it is intended, because it is a consumption tax. There is a two-stage tax charge and a two-stage tax rebate or tax credit. That is the situation in Co-op Atlantic.

Let us take one of the co-op's main competitors in Atlantic Canada, Sobey's. Sobey's operates as a wholesaler with retail outlets throughout the communities of Atlantic Canada, but its tax treatment is different. Sobey's will pay the GST on the original merchandise which it purchases, and a rebate is then granted. Then the product is delivered to the retail outlet, but no tax is charged, and no rebate is granted. Naturally the consumer will pay the tax. Why is there a two-stage tax collection system for the co-operative family and a single-stage system for the competitors like Sobey's? I believe it is because the Department of Finance officials still don't understand the nature of the co-operative movement in Canada.

Senator Simard: I think the Prime Minister will know. He went to see Levesque.

Senator MacEachen: If they do know, then the injustice is even more indefensible.

Senator Simard: No, your system will be more complicated.

Senator MacEachen: The interesting point is that the system which is supplied to the co-operative movement does not yield any more revenue for the government. All that happens is in addition to the administrative burden, both of the co-operative movement and of the government itself, because in tracking this two-stage collection and tax rebate system the additional tax burden or the additional administrative expense is about $300,000 for the co-operative system in Atlantic Canada.

That is manifestly unfair. It is manifestly unnecessary, because there is no reason why Co-Op Atlantic, for example, or a co-operative wholesaler, is not given the same treatment and the same opportunities or the same system as big business, or Loblaws, or Sobey's—all the more because the government does not collect any more revenue. All the government does is impose additional administrative costs on itself and on the government itself, because the paper trail, the transaction trail, has to be followed by the government and by the co-operative wholesaler. It is mystifying that such a system is proposed in this particular bill.

I believe it would be interesting for honourable senators who are concerned about the impact of the tax, and whether it is just or unjust, to read the briefs which have been submitted to the committee. Do not take my analysis; make your own analysis. Read the briefs and conclude for yourselves whether there is not a case crying out for corrective action.

Honourable senators, there is another aspect to which I should draw your attention. The Co-op Atlantic, which is a wholesaler—and no doubt other co-operative wholesalers

would find themselves in the same position—provide business goods and services to their member units, such as management assistance, advertising material, or a variety of services. Those services are taxed by the GST. The cost of administering these taxes or recovering these taxes to the Co-op Atlantic is about $100,000 a year.

● (2020)

The retail competitor—the Sobeys, for example, escapes that administrative cost. In this second set of problems, the objection, I should make clear, is not the tax itself; it is the administrative burden caused by the system that is applied. Surely that is unjust.

Finally, I turn to the taxing of share capital. It is interesting and appalling that the bill treats the share capital in a co-operative in precisely the same way as it would the membership of a golf club. We know that consumer co-operatives, for example, must have capital for investment, and that capital is provided through the membership in the form of either an initial purchase of capital through a single payment or through a commitment on becoming a member to accumulate a level of capital over a period of years. Now, these are not huge sums. For example, in Shediac, New Brunswick, I think the share capital required for a member is $400, or so I am told. A member who wished to join the Shediac Co-operative, and paid his share capital payment would pay a 7 per cent tax on it. If that same person bought a private share in a commercial corporation, there would be no tax. That is what is so objectionable to the treatment of the co-operatives under the GST.

I should point out that that is the situation in Shediac, as I understand it. A new member would have to pay $400 as the required capital subscription in order to become a member and pay 7 per cent tax. The same would be true of a co-operative like the Brador Co-operative when the minimum share capital per member is $400, and that tax would have to be paid on that initial contribution.

A number of us in the Senate know about consumer co-operatives. We know that individuals in local communities have joined a co-operative. They accumulate their share capital through the rebate on what is known as the patronage refund, but, at the end of each year in the co-operative, a surplus is declared which is distributed among the membership in accordance with the business done in the co-operative, and that amount is payable each year; and often in the old days—maybe it has changed—because of the poor circumstances of many of the members served by the co-operatives, they built up their share capital and their membership over the years by dedicating their patronage refunds to the capital of the co-operative.

That is the situation, and the GST treats the share capital of a co-operative similar to membership of a golf club—overlooking the history of the co-operative movement in Canada, and overlooking the way, for example, that credit unions are treated in Bill C-62, because the share capital of a credit union is not taxable, but the share capital of a consumer co-operative is. Why is that?

[Senator MacEachen.]

Senator Olson: Good question.

Senator MacEachen: Nobody who knows anything about the co-operative movement can understand why one form of co-operative organization, namely its operations in the financial field, are not taxable and those in the consumer field are taxable.

I believe this to be a rather serious question, because there is considerable growth potential in Canada at the present time for worker co-operatives. I was told today, for example, that there are, in a vast region of Spain, about 122 industrial worker-owned co-operatives with about 25,000 employees, and I asked how many there were in Canada. I am told that in Canada at the present time the worker co-operatives number about 446, with considerable potential for the future. Quebec has 323, Manitoba 32, Saskatchewan 9, British Columbia 20, Newfoundland 4, New Brunswick 12, Nova Scotia 39, and, I believe, Prince Edward Island, 12.

The share capital in these worker co-operatives will vary greatly depending upon the capital intensity of the operation, and what interests me is why there has been no representation from the province of Quebec, keeping in mind that there are 323 worker co-operatives in that province. Do they understand that now the share capital of those worker co-operatives will be taxed 7 per cent? I am told that the co-ops in the Atlantic provinces discovered this by looking at the bill that an exemption had been granted to the consumer, to the credit unions, the financial co-operatives but not to the consumer co-operatives. It may be that that has been unnoticed by others, but it will have considerable repercussions if the share capital, as it may be, amounts to $5,000 per individual in a worker-owned consumer co-operative.

● (2030)

What is asked for is not a benefit or gift, but the same treatment that is now granted to the capital of ordinary corporations, which is non-taxable. These points are carefully reasoned in the documents that were tabled in the committee. As honourable senators know, there are a lot of consumer co-operatives in Nova Scotia. The newest and apparently fastest growing are the direct-charge co-operatives, but there are many conventional co-operatives operating from the capital that is contributed by the members in the way that I have described. There are many in my part of Cape Breton: Chéticamp, Inverness, Port Hood, Mabou, Victoria Farmer's Co-operative in Baddeck, the Whycocomagh Co-operative, the co-operative in Petit-de-Grat, and so on. This reaches into the grass roots. It is not a matter that affects the elite. It affects many ordinary people. That is why we have had representations in great abundance.

Having the case on that ground, what is disappointing to me is that the GST does not understand, as it were, the social and developmental role of the co-operative movement in this country. The co-operatives are not businesses like other businesses. They have the same characteristics. They have to be efficient and have good management, but they have a different philosophy and structure. Their capital comes from a different source and follows a different regime than that of an ordinary corpo-

ration. I am disappointed that this tax law ignores the history of our country of the last 40 or 50 years and treats these organizations as golf clubs.

When I went to St Francis Xavier University in the early 1940s, it was alive with talk and action with respect to the co-operative movement. The Antigonish movement was instrumental in providing the impetus to the organization of the co-operative movement in many parts of Atlantic Canada. It was regarded as business, but business with a social purpose. A few years before I went to the university—and Senator MacDonald was there at the same time—Dr. M.M. Coady published a book in 1939 entitled *Masters of Their Own Destiny, The Story of the Antigonish Movement of Adult Education Through Economic Cooperation.* It was prescribed in one of my courses at the university, and in those days I knew it virtually word by word. I sent for it today to re-enlighten myself on what was promulgated as the purpose of the co-operative Antigonish movement in the 1930s and 1940s, and which still has a place in the life of the Atlantic provinces and of Canada. At the university where Senator MacDonald (Halifax), Senator Macdonald (Cape Breton), Senator Graham, Senator Theriault, Senator Murray and Senator—have I missed anyone?

Senator Stanbury: They are all here.

The Hon. the Speaker: Honourable Senators, I am informed that there is a small fire in the Library, which is the reason for the alarm you are now hearing, but apparently it is nothing serious. We will recess for a few minutes.

Upon resuming:

The Hon. the Speaker: Honourable Senators, the sitting is resumed. Senator MacEachen has the floor.

Senator MacEachen: Honourable Senators, as I said, I sent for Dr. Coady's book, *Masters of Their Own Destiny*, because I wanted to refresh my memory on the social and developmental impulse of the co-operative movement. I will refer to only a few chapters listed in the Table of Contents and then draw one or two conclusions from them. Chapter 4 is entitled, "The Spread of Adult Education". In Atlantic Canada then education was an integral part of the co-operative philosophy, as it is even today. As honourable senators may know, there is an institute in operation Antigonish called the Coady International Institute which trains students from underdeveloped countries—if we can call any country underdeveloped—in the techniques of adult education and the development of co-operatives that are particularly relevant to the stage of their economies.

Chapter 5 is entitled, "Development of Good Co-operatives," with a good historic reference to the origin of the co-operative movement in Nova Scotia through the establishment of the British-Canadian Co-operative, which predated any co-operative that had been established by the Antigonish group. It was economically successful and had a strong membership base.

The next chapter deals with the significance of credit unions. That leads me to the conclusion, which is self-evident, that the credit union movement and consumer co-operative movement are part of a single whole because they operate under the same philosophies and principles. So it is unusual that this new tax be applied to one wing of the co-operative movement and not to the other. Therefore, I would include in my amendment the change that would put consumer co-operatives on the same basis as the credit unions or the caisse populaires.

What is basic to my position is my disappointment that tax changes do not recognize the special significance of the co-operative movement in Canada and place—the way the GST is to be implemented—extra administrative burdens on the co-operative for the collection of the tax. That means extra burdens for a certain class of consumer co-operatives, which are not applied to their competitors in the so-called private sector. I am also disappointed by the fact that the shared capital of the co-operative member is taxable, while capital of other corporations is not. Why this discrimination? It does not make sense. More disappointing than all of that is the fact that the tax itself seems to fail in any recognition of the history and social significance of what the co-operative movement has been in Canada, especially in Atlantic Canada. I hope it will be possible to do something about it in my amendment.

MOTION IN AMENDMENT

Hon. Allan J. MacEachen (Leader of the Opposition): I move:

That Bill C-62 be not now read a third time but that the Bill be amended to make membership in a co-operative a zero-rated supply and to make provision for that portion of direct charge service fees of co-operative corporations that finances the overhead for the supply of goods and services listed in Schedule VI,

(a) by striking out line 28 on page 44 and substituting the following:

"share in a credit union or co-operative corporation as defined in the *Income Tax Act* issued by a person"; and

(b) by adding to Schedule VI on page 342, and numbering accordingly, a new heading and Part as follows:

"DIRECT CHARGE SERVICE FEE OF A CO-OPERATIVE CORPORATION

1. That portion of a direct charge service fee levied in a period by a co-operative that bears to

(a) the total direct charge service fees levied in the period

the ratio that

(b) the total value of zero-rated supplies (other than those under this Part) made by the co-operative corporation in the period

bears to

(c) the total value of supplies (other than direct charge service fees) made by the co-operative corporation in the period."

I regret the use of the term "co-operative corporation" because it tends to obscure the difference between a co-operative organization and a corporation, but it is used in the Income Tax Act to define a co-operative organization; therefore, it seemed appropriate to include it in this amendment for the sake of uniformity. I should add that this amendment addresses two problems I outlined in my speech. I did not deal with my third problem. Perhaps it will be possible to deal with it later if a suitable amendment can be constructed.

Some Hon. Senators: Hear, hear!

THE CONSTITUTION

QUALIFICATION OF EIGHT SENATORS APPOINTED UNDER SECTION 26—QUESTION OF PRIVILEGE

Senator Hon. Royce Frith (Deputy Leader of the Opposition): Honourable Senators, Senator Graham has agreed to yield to me. I am not speaking to the amendment. I want to make an explanatory addendum to the question of privilege I gave notice of when we resumed at 8 o'clock. With reference to my motion on the qualifications of Senator Forrestall, the point of privilege I am raising and the points I am going to make are purely political, not personal. I feel no animosity toward the eight senators, who, as far as I know, are all fine Canadians. That applies to every one of them—to Madame Lavoie-Roux and to Senator Grimard, who made his points from the quick look at the "blues" on a professional basis.

Senator Molgat: He has disappeared.

Senator Frith: Yes, and I will take him on on the same basis. I say that about Mr. Meighen, certainly about my friend Dr. Keon, about Mrs. Johnson, Mr. Berntson, Mr. Ross and Mr. Forrestall, who have all had distinguished careers as Canadians. My motivation is purely political and professional. I think they are not qualified for constitutional reasons only, and I am not making a personal attack on them. I understand that someone opposite objects to my explaining that this is not personal.

• (2040)

I explained, had you been listening, that I had said it once with reference to Senator Forrestall on another point—which was not related to the point raised here—pursuant to section 26. I said that I was repeating it so that it would apply to this question of privilege, not just on the motion I made in respect to Senator Forrestall.

[Senator MacEachen.]

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE ACT
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMEND—THIRD READING—MOTION IN AMENDMENT

The Hon. the Speaker: Honourable senators, it was moved by the Honourable Senator Kelly, seconded by the Honourable Senator Beaudoin, that Bill C-62 be now read the third time.

In amendment, it has been moved by Senator MacEachen, seconded by Senator Fairbairn:

> That Bill C-62 be not now read the third time but that the bill be amended to make membership in a co-operative a zero-rated supply and to make provision for that portion of direct charge service fees of co-operative corporations that finances the overhead for the supply of goods and services listed in Schedule VI,
>
> (a) by striking out line 28 on page 14 and substituting the following:
>
> "share in a credit union—

Hon. Senators: Dispense.

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

Some Hon. Senators: No.

Hon. Hartland de M. Molson: Honourable senators, I will be very brief. I wish to deal with the matter of amendments.

Let me say at the outset that repentance is a very precious thing. I have been hoping that it might occur around here to change the nature of the very partisan struggle for power in this Parliament.

Yesterday there was a sign that the Senate would return to its traditional responsibility of amending and improving legislation, making it possible for the government to govern, which would permit me to vote in favour of yesterday's amendment proposed to Bill C-62. Unfortunately, before we reached that point, I read the article in the *Globe and Mail* quoting Senator MacEachen as stating:

> If you expect this thing will be over in 96 hours, just wait. You're going to be surprised.

A little later, it is stated:

> The clear strategy now is to kill the GST, Mr. MacEachen said, and not just so that the Liberals can replace it with a different form of a similar tax. Asked whether there is a Liberal form of GST waiting in the wings, the Liberal Senate leader stated: "I hope not. That's no my intention."

This means that the proposed eight amendments may be used only to delay the bill until it is too late to make it effective. If the amendments being proposed had been studied, prepared and recommended by our Banking, Trade and Com-

merce Committee at an earlier date, they would have been a successful and a correct answer to an extremely complex fiscal and financial problem facing Canada.

At this late eleventh or twelfth hour, the process of returning a series of amended bills to the House of Commons will only mean that all concerned—government, business, small business and the public—would find themselves in a quagmire from which there would be little hope of escape. The taxpayers, small and large, and our ability to manage our affairs would be completely frustrated.

As I said before, I am not enamoured of the tax as it now exists, but the alternative now is worse, and perhaps disastrous.

Had the Senate committee chosen to make use of the eight months possibly available to make amendments, I would probably have supported these amendments. However, I now find myself compelled to act in a way which I would not have chosen. I can only vote against these late amendments, however much they might have appealed to me if they had been offered some months earlier.

Some Hon. Senators: Hear, hear.

Hon. Sidney L. Buckwold: Honourable senators, I have a question for Senator Molson.

I respect everything you have to say, as you would expect. However, when you talk about bringing in amendments, I presume that you are aware that many of the amendments which have been proposed in this chamber, and which will be proposed, had already been proposed in the House of Commons and rejected by the government as unacceptable.

How do you relate that to your position that these same amendments should have been made again, in view of the fact that they had already been rejected?

Senator Molson: I believe I made that point earlier; perhaps I did not.

What happens in the House of Commons and what happens in the Senate must be treated separately if we are going to maintain the bicameral system of government. I believe that we in the Senate have a perfect right to amend or to reject bills—although I do separate money bills, I must admit, and I have said so.

I do not believe that the fact that these weaknesses and suggested amendments had occurred much earlier in the House of commons and had been turned down by them, in any way prevents the Senate from dealing in this chamber with similar amendments, or even with amendments of the same nature.

We are supposed to have experience and so-called sober second thought, and I believe that we have every right to consider the weaknesses of this bill and to try to bring forth amendments which would help the process of governing this country.

When the committee set out determined to axe the tax from the word go, that was where the mistake was made. Had we not in this chamber decided to forgo our prestudy, Senator Buckwold and his committee would have had eight months to consider doing a job on this bill.

Since we do not have prestudy, which has been eliminated thanks to the decision made some time ago by the other side, it had only three months and the month it took to write the report. Certainly, if one is travelling, one cannot possibly be doing the job of studying and getting expert advice in the same way that one normally would in studying any of these complex undertakings.

In this case, the eight months would have given us a wonderful chance to do a really good job of dealing with all the inequities which have been pointed out. I agree that there are problems with this bill. As I have said all along, I do not like the bill. But that is not the point.

As I have said from the beginning, it is not our role to set out to axe the tax. Our role is to try to improve the legislation of this country, to try to help the people of this country, and to try to further government, not to try to block government from this house.

Some Hon. Senators: Hear, hear.

Senator Buckwold: For the record, more than to respond to Senator Molson, whom I am not going to impress, it should be very clearly stated that the committee did not start out with the idea of axing the tax. Absolutely wrong! Absolutely wrong! And some friends on the other side are well-aware of this.

The intention of the committee was to review the legislation; hopefully to come in with some amendments; if necessary, to suggest improvements; and to go through the normal procedures. I am not talking now about the principle of pre-study. We have gone through that many, many times and it has been discarded. That is the way the Senate has been operating for the past several years.

• (2050)

Senator Molson: By whom?

Senator Buckwold: By our decision, and I respect that. However, Senator Molson, with the greatest of respect, I think you are dreaming in technicolour. You are not in the real world. You know that we were told time and time again, quietly, that the government was not going to accept any amendments, any more than it will do so today. No way! It was not prepared in any way to have it go back to the House of Commons. Let's be realistic.

Senator Molson: What are you doing now about sending it back to the House of Commons?

Senator Buckwold: If people across the way would vote their conscience rather than the dictates of their party, amendments would be made now. I do not think anyone honestly wants to tax books or see an inequitable tax applied to electric power and heating bills. You have said yourself that you do not support that.

The fact is, the instructions are that there will be no amendments, period. Even if they were the best amendments in the world, demanded by 99.99 per cent of the people instead of 85 per cent, they would not be accepted. The government is

not going to send these amendments back to the House of Commons and start a fiasco that will make the confusion in this chamber look like a kindergarten party. We know what the instructions are, so, please, let us not mislead anyone by saying that the committee started out to axe the tax.

Let me tell you that if you had been with us when we moved across the country you would have been slowly but surely influenced by what you heard. No one came and said, "Axe the tax." I think one day several weeks into the process some of us sat down and said that this bill could not really be amended.

Senator David: Who said that?

Senator Buckwold: You fellows.

Senator Barootes: If it can't be amended why are you trying to amend it?

Senator Buckwold: You have asked that before. Keep quiet!

Senator Barootes: You can't repair a car that is a total wreck.

Senator Buckwold: That is what you say.

Senator Barootes: Now all of a sudden you want to amend it. That is very interesting.

Senator Cools: Senator Barootes, you agreed with that. The day the committee brought back the report we had four recommendations and one of those—

Senator Barootes: Senator Frith got up and told us what you were going to do.

Senator Cools: You did not care to discuss it. You filibustered. You did not care to amend it.

Senator Barootes: I apologize for interrupting you, Senator Buckwold.

Senator Buckwold: That is fine because I am glad to hear you say the bill is comparable to an absolutely wrecked car that is impossible to repair. That is what you just said. The fact is, we have to get something done to get the old wrecked car off the street because it is blocking traffic. As the second best thing, we are bringing in some amendments.

Senator Molson: Senator Buckwold, you asked me if I would accept a question. Would you like to put your question?

Senator Buckwold: I asked the question earlier. You responded and I was responding to your response and you were quite welcome to respond to my response before we were so rudely interrupted.

All I am saying to my friend Senator Molson is do not try to give the impression that our committee was out, as you said, to axe the tax. This is absolutely wrong. I want it on the record that as we moved across the country the committee had to respond to the wishes of the people. That is how we brought in our report and we meant it. But amendments were out of the question.

Senator Molson: I congratulated you on the speech when you explained that. I still congratulate you on a splendid speech but I was simply trying now to accept your question.

[Senator Buckwold.]

Hon. Alasdair B. Graham: I thank honourable senators for allowing me to participate in this debate. It is very difficult to cover the same road or follow in the tracks of someone so experienced and who speaks on this subject so eloquently as one of my former professors, Senator MacEachen. Perhaps at the outset I should, as I did at the hearings in Halifax, declare a conflict, as did Senator Robertson at the time. She is a member of a co-operative in her own area, as I am, obviously, in Sydney.

If Canada possesses some of the attributes of an economic democracy today, it does so partly because of the strength of our co-operative institutions. Today, a vast profusion of local co-ops enhance our national social fabric, making Canada a very special community indeed. Grain handling co-ops serve farmers; consumer co-operatives dispense goods and services from coast to coast; credit unions and marketing co-ops exist in even the most remote areas. The principle of democratic control, ensured by the principle of one vote per member regardless of the number of shares owned, anchors the day-to-day activities of daycare co-ops and housing co-ops and fishery co-ops. As of 1989, our top five non-financial co-operatives had sales and service revenues of $7,004,200,000.

So the movement has grown and ordinary Canadians have benefited and we have become a pretty good neighbourhood through the power of community association. We owe much of our present inheritance to people like Robert Owen, the 19th century British philanthropist and industrialist who argued that the evils of the industrial revolution and unchecked individualism were due to reckless competition and the greed which had debased the living standards of the working classes of that country. The objective of workers must not be to destroy industrialism, but rather to control it, he argued. This meant the transformation of society by voluntary co-operation. And Canada became a laboratory for social change as waves of immigrants washed through the peaceable kingdom from sea to sea leaving much of the landscape irrevocably changed. The prairies, for example, were dotted with the re-assuring and familiar presence of grain-handling co-ops.

In my own province, Father Moses Michael Coady, the "Humble Giant," as he was known affectionately—the man from North East Margaree in Cape Breton—became synonymous with the movement for economic self help. Coady witnessed at first hand the semi-famine conditions that haunted the fishing villages, as well as some of the coal and steel towns of Eastern Nova Scotia. He saw the wretched housing and sanitary conditions of these catastrophic times which worsened as the Great Depression began to take its toll. He saw the appalling abuses by company stores, the low wages, the unfair and irregular shift work. In short, conditions not unlike those of Owen's 19th century England.

• (2100)

It was Coady who believed you had to give ordinary people hope and that you did that through practical adult education, and through programs of economic self-help. His Antigonish movement has been emulated throughout this country. Indeed it has been emulated throughout a host of third world coun-

tries. The Coady International Institute was set up in his honour at St. Francis Xavier University and remains a day-to-day tribute to his wisdom and fundamental common sense. If we have some of the attributes of an economic democracy in our country today it is because of the inheritance of men like Robert Owen and Moses Coady. They understood that if you give people ideas, they will put them to work. They believed in self-help. They had faith in the fact that uneducated men and women could learn and educate themselves.

The co-op movement was then founded on three basic values: mutual self-help, equality and equity. As Father Jimmy Tompkins, one of Father Coady's associates once pointed out, ". . . the little people together is a giant. You've got to give them ideas, then they'll blow the roof off."

In Atlantic Canada, the people have blown the roof off. Co-op Atlantic is owned by 174 co-operatives. These 174 co-ops are, in turn, controlled by one third of the population of Atlantic Canada, being 169,000 families. The total annual sales for a Co-op Atlantic network are in excess of $1 billion. They employ 3,550 full-time employees and over 1,700 part-time employees.

There is a philosophy behind this spectacular illustration of human self-help and it is a philosophy which has aided in shaping Canada's national soul. Hopefully Canada still has one, even though it has been sadly neglected, I believe, by the present government. That philosophy was outlined in Coady's, *The Common Man is Capable*, which was also written in 1939.

Monseigneur Coady said, "If we are seriously interested in raising the cultural level of the masses of men, we will help in solving the economic problem first so that they may cease to worry about bread and begin to enjoy their Brahms . . ." He went on to say, "From the people, raised to new levels, will arise poets, painters and musicians to give expression to the new and eternal truths that beat within their breasts. As in nature, so in man, the lofty mountain peaks shall rise not from the level plain but from the foothills."

We must remember one basic truth about the government we are dealing with. This, I submit, is a government of merchants. As John Adams so astutely observed, "merchants have no country. The mere spot they stand on does not constitute so strong an attachment as that from which they draw their gains." As illustrated in our vote last night on the amendment concerning reading material, this is not a government that cares about books and education, about our novelists, playwrights and poets, and certainly, in this instance, about our co-operative institutions. This government does not see virtue in the greatness of economic co-operation or, "in the greatness of littleness" as Father Coady once observed. He said, "We have no desire to create a nation of shopkeepers whose only thoughts run to groceries and to dividends." Senator Finlay MacDonald will remember that quote very well. Father Coady went on to say, "We want our people to look into the sun, and into the depths of the sea." Senator MacDonald has quoted that to me on a number of occasions.

Hon. Finlay MacDonald: I said "spinach" before "spinose".

Senator Graham: I am afraid, honourable senators, that we are dealing with a government of merchants which is not interested in raising the cultural level of the people. This is a government which neglects, indeed imperils, our social fabric, our so-called "good neighbourhood." This is a government which is discriminating against co-ops, and indeed, as Senator MacEachen mentioned earlier, looks upon membership in a co-op much like membership in a golf club.

Co-ops are owned by the people. We have to understand clearly that the people are our social fabric. The people have share capital invested in co-operatives. Co-op Atlantic discovered last March that the GST legislation had written them off as a legitimate business enterprise. The legislation was designed to require payment of a 7 per cent tax on co-operative share capital. Co-ops in the Maritimes have to compete with firms such as Loblaws who will not have to pay that tax. So much for economic democracy; so much for the encouragement of democratic institutions.

As I mentioned, if a person joins a golf club, he pays the 7 per cent. If he joins a co-op, he pays the 7 per cent. The tax on share capital is treated then as a membership fee. The playing field tilts towards big business. The 7 per cent on co-operative shared capital, it has been estimated, will cost the co-op system at least $600,000 in the first year alone. The whole philosophy of the progressive co-op movement in this country will be savaged by the antediluvian antics of this government of merchants. A tax on shared capital means an attack on the fundamental assumptions which anchor our national experiment with voluntary associations. The President of Co-op Atlantic alluded to this in his recent presentation before the Standing Senate Committee on Banking, Trade and Commerce.

Mr. Pobihushchy has this to say, "I think it would seriously jeopardize our idea of co-operation, the co-operative enterprise. How can you have a co-operative enterprise without capital? How can you have a business enterprise without capital? This law requires our co-op capital to be taxed. I do not know how we can change that so it would not be taxed. I am not sure that any Government of Canada, any political party, any politician, any parliament should require the people, who have together decided to pursue the satisfaction of their needs within the law, to be penalized by another law. I do not think that is fair; I do not think that is right. I do not think that Canadians would agree that that is right."

The Prime Minister recently sent best wishes to the members of Canadian co-operatives during Co-op Week, held October 14th-20th of this year. In his note to the Canadian co-operatives the Prime Minister had this to say:

> Canada's credit unions and co-operatives have made a significant contribution to our country's economic growth. They are part of communities across Canada and have contributed in a meaningful way to the social fabric of our nation.

It appears, honourable senators, that the Prime Minister has no understanding of what that social fabric is.

• (2110)

I am reminded of the old expression about being nice to the people on the way up because you are certainly going to meet them on the way down.

In 1959, while a senior Arts student at St. Francis Xavier University, our Prime Minister won first prize in the Nova Scotia Co-operative Union public speaking contest held at St. Mary's University. In the March 1959 edition of the Halifax Chronical Herald, Mr. Mulroney is shown accepting a cheque for $100 from one Mr. Alex (Tando) MacIsaac, Managing Director of the Nova Scotia Co-Op Union. Honourable senators from Nova Scotia would certainly know that the late Mr. MacIsaac was at one time a Conservative member of the Legislative Assembly in Nova Scotia representing Guysborough County, and was, indeed, a member of the Stanfield Cabinet of that day. I wonder what Tando would be thinking now. I wonder what he would say, Senator MacDonald, if he were in this chamber. He certainly would be voting against the GST and supporting Senator MacEachen's amendment.

I suppose in my historic references, I could go back four years earlier and refer to an article in the *Cape Breton Post* of March 24, 1955. The headline reads, "Lowell Murray, New President, College Society." The article says, "Lowell Murray, a St. Francis Xavier junior arts student from New Waterford has been elected President of the Students' Co-Op Society at the Annual Meeting of the Association." It goes on to say that Mr. Murray will guide a twelve man board of directors, and the Co-Op Enterprises, including a book store, a canteen, a barber shop, a laundry and dry cleaning services, and even a skate sharpening service. I am sure Senator Murray will want to make use of that last service during the course of this particular debate.

Senator Corbin: He has been skating ever since.

Senator Graham: How quickly we forget; but the people of Atlantic Canada will certainly not forget, and indeed the people of Canada will not forget.

I have here the latest Gallup poll with respect to the GST, which says that more than three quarters of Canadians oppose the proposed goods and services tax, according to a Gallup Poll released today. This is from the *Toronto Star* of November 1. I looked quickly to find out what they were saying in Atlantic Canada, and I found that three per cent are in favour of the GST and 92 per cent are opposed.

It is clear, honourable senators, that this is a government that has broken its social contract with the Canadian people, and they are certainly not going to forget. If Canada's co-operatives have made—as the Prime Minister said in a statement during Co-Op Week—such a significant contribution, then why, in heaven's name, does the Prime Minister so significantly debase them with this regressive and unfair tax? This is particularly so in Atlantic Canada, a region which has experienced the visible helplessness of economic dependency on large corporations whose ownership is often external to the region—a region where the vigorous application of principles

[Senator Graham.]

of voluntary association and cooperation provide the only real relief from a kind of neo-Colonialism.

So why this regressive tax—a tax that will be paid by our direct charge co-ops—co-ops in which there is no profit orientation; co-ops which sell groceries and housewares to their owner-members. The GST will be paid by these same owner-members on direct charges levied for overhead. So why is it, honourable senators, that Loblaws, across the street, will not have to pay such a tax? This tax will cost those co-ops approximately $275,000 in the first year of the GST. This is a penalty for economic democracy. It is an outrageous tax on a good neighbourhood, a neighbourhood which through self-help has struggled to overcome the disabilities of dependency, a region which has struggled to overcome the debilitating impact of regional disparities.

I shall read another article to illustrate what I am talking about, namely, regional disparities and the difficulties of the GST. This is from the *Chronicle Herald of Halifax*, Tuesday, October the 23rd, under the headline "GST Already Damaging Nova Scotia's Economy-Streatch". The article says:

> The Mulroney government's imposition of a Goods and Services Tax against the will of the people is dead wrong and Nova Scotia's economy is already being damaged by it, the provinces minister of small business development said Monday.
>
> Ken Stretch said the planned GST "is already contributing to a downturn in consumer confidence."
>
> "It is creating fear and uncertainty in the small business community which will only result in confusion among business people and confusion among consumers."
>
> The consequences of this uncertainty include lagging sales, dwindling profits and a rising jobless rate, he said.
>
> Mr. Stretch said Ottawa "should forget about the GST."

There are other ways the playing field has been unfairly tilted against the people. Co-op Atlantic will have to pay the tax on all products it buys; then a rebate will be claimed, except for food items which are, of course, zero-rated. Co-op Atlantic will then distribute the goods to local co-ops, and they, as well, will have to pay the GST. These, in turn, will claim a rebate. The products will be sold to the members, and the owner-members will pay the GST.

There is a heavy burden of administration implicit in such complex-multiple chains of GST payment. There is no equity in this. The direction of the present government's tax policy is inequitable because Loblaws, for example, will pay the tax, claim the rebate, and, in so doing, halve its administration costs.

• (2120)

There is no doubt that there is no fair or level playing field anticipated under the present legislation. The GST hits the co-ops harder than the competition. The GST hits the ordinary guy harder than the large corporation. It is estimated that the co-op system will pay over $1.3 million more each year than

would the similarly sized chain store. So much for the social contract.

Honourable senators, I have always believed that Canada was one of the few countries in the world where the truth would out as a result of logical arguments among the members of an informed electorate. Before this debate, I did not view this as a polite fiction. I think Mr. Pobihushchy, President of Co-op Atlantic, believed this when he argued his brief in front of our Banking, Trade and Commerce Committee in Halifax last July. Senator Poitras, vice-chairman of the committee, asked Mr. Pobihushchy on July 12 in Halifax — and he was trying to be helpful, accommodating and courteous at the time:

> Do you have documents or copies of correspondence so that we know where we are going in looking into this? Could we have a copy of the letters you have sent? I understand some senators have been aware of this for the past two months. Personally, I was not made aware of it, but if we can, we will try to help you.

Senator Corbin: That is exactly what he said.

Senator Graham: You were there, Senator Corbin. Mr. Pobihushchy replied:

> We can provide that information.

Then Mr. Tom Webb said:

> I would just like to add that the remedies are there. In every single issue in the brief, we have identified remedies. We have looked at those remedies closely. There are no great problems that flow out of those remedies. So each of the three problems can easily be solved. The remedies that would be open to the Senate may be more difficult because you are limited to dealing with the legislation but, nevertheless, that does not make the remedies impossible from the point of view of the Senate either.

Senator Poitras interjected and said:

> Perhaps the Minister of Finance or Revenue Canada could help. Have you been in touch with Revenue Canada?

Mr. Webb said:

> No, we contacted the Minister of Finance.

Senator Poitras replied:

> You have not contacted the Minister of Revenue?

Mr. Webb said:

> When we met with officials in Mr. Wilson's office, they offered to deal with Revenue Canada on the matter. We are waiting for that process.

Senator Poitras replied:

> I thank you for your brief. We will do everything we can.

At the time I thought that was a reasonable statement. I think it is safe to say that other honourable senators present expressed similar sentiments.

What has been the response from government? In my hand I have a communiqué addressed to all members of Parliament and senators from Co-op Atlantic. I will not read the entire communiqué, but it says in part:

> In March of last year, after having the opportunity to examine the GST legislation, Co-op Atlantic discovered to its dismay that the legislation had been written as if co-operatives were not a legitimate form of business. The legislation discriminates against co-operatives and tilts the "playing field" in favour of capital based business. The impact of the tax was assessed for the Co-op Atlantic system. It amounts to a competitive disadvantage of more than $1 million dollars in the first year alone which increases yearly.
>
> Co-op Atlantic wrote to the Minister of Finance and contacted officials through the Canadian Co-operative Association. A meeting with officials and a meeting with Minister's Office were held in June. Officials were indifferent to the problems. The Minister's Office expressed sympathy and undertook to co-ordinate responses on all points by the end of July.
>
> July stretched into August and August into September with no reply. Finally on September 7 another meeting was arranged with Finance. There were no answers. Officials raised the same questions they raised in June. They suggested that we should really be talking to Revenue Canada and hastily set up a meeting. Revenue Canada told us that for the changes we were seeking we really should talk to Finance. Subsequent contact with officials has proven fruitless and frustrating. It seems clear that the Government has no intention of finding solutions to any of the problems which this tax imposes on co-operatives.

To me, that is an incredible catalogue of events. It is obviously clear that the government has not responded to any of the reasonable and serious representations made to it by Co-op Atlantic, which I believe is nothing more than contempt for the people.

At the Banking, Trade and Commerce Committee hearings in Halifax, I talked about the options open to the committee—indeed to the Senate. I said that we had several options with respect to the legislation. We could pass it as is, we could kill it, we could amend it, or we could delay it. I asked Mr. Pobihushchy if he thought it would be legitimate for the Senate to kill the bill. I want to quote his response:

> I wanted to preface my response with a reminder that the delegates at the last annual general meeting of Co-op Atlantic overwhelmingly—

Remember the membership is over 500,000

> —mandated the leadership to express the view to the government that they did not want the GST. They do not want this kind of taxation system, they want it killed. That is what they said, and I agree with them.

He went on:

> With respect to whether or not the death of the GST should come by the action of the Senate, there has been a lot of talk in the recent past about Senate reform. Some of the talk has been interesting; most of it has been irrelevant, but at the apex of the Canadian democracy sits Parliament. Parliament is charged with a particular mandate by the Constitution—that is, to provide peace, order and good government. We are talking here about good government. That charge in the Canadian Constitution is not merely a charge to the House of Commons or to the Senate, but to Parliament. The House of Commons, as we know, is an intergal part of Parliament, as is the Senate. The House of Commons has rules under which it operates, as does the Senate. Sometimes it happens that the two houses of Parliament have less than a consensus or an agreement between them, and then they have to rely on the rules, which, by the way, define, in large measure, the nature of Canadian democracy.

He concluded:

> We know that in the present case we have a government in place that was elected by something in the order of 43 per cent of the electorate. It is a powerful government. It has a healthy, handsome majority in the House of Commons, a majority that is not a function of the people's choice, but a majority as a function of the rules. Those rules also give the Senate an authority to act on behalf of the pursuit of good government, and it uses those rules, whatever they are, however they are designed, in that pursuit; and if the rules permit it, and it is required to stand opposed to a particular piece of legislation, action, or policy, it is duty-bound to do that. That is part and parcel of the Canadian democracy. I do not think we have any real serious difficulty with the Senate doing its job. We have difficulty with a Parliament that does not do its job, whether it is the House of Commons, the Senate, or both.

Honourable Senators, for co-operatives, for all those institutions involved in practical community education, the task is virtually unending. Indeed, co-ops are agents of community development. This is an unending process. The road is long. The task is never completed. If justice is the best word in the English language, as June Callwood once so well point out, we had best exercise it over and over again and keep faith with our co-operative inheritance. We must nourish our national soul, exercise it and give it sunshine. We must not neglect our good neighbourhood because our society is well worth preserving.

● (2130)

Honourable senators, if politics is the art of the possible, it must be recognized that statesmanship is the art of making things possible, as Kenneth McNaught pointed out in *A Prophet in Politics*. Statesmanship is all about raising the social and cultural levels of the masses of men and women in this, our peaceable Northern Kingdom. It is, indeed, about preserving our good neighbourhood.

[Senator Graham.]

We see no statesmanship being exercised here. Indeed, there is malice aforethought in the Conservative government's fiscal strategy. We might argue that the social contract between the government and its citizens has been broken beyond repair. Hopefully, that is not so. But that would not be the fault of the citizenry, honourable senators; that would be the fault of a government which never understood the Canadian social contract to begin with.

That is the fault of a government which neglects and humiliates our national soul. That is the fault of a government which does not understand that greatness is littleness.

Our good neighbourhood has been battered. "Justice" is no longer the best word in the English language. The masses of our workers and primary producers find no place in the Mulroney millennium. It is certainly not a millenium where the righteous would find sanctuary.

I urge all honourable senators to support this amendment.

Some Hon. Senators: Hear, hear.

Hon. Eymard G. Corbin: Senator Graham, you mentioned Senator Poitras' comments, and you then alluded to the Co-op Atlantic memo which was circulated to all members of Parliament, in which they tell us about the run-around they were given between the Department of Finance and Revenue Canada.

Are you also aware that during that meeting, Senator Simard, who will enlighten us with some appropriate comments, I am sure, stated at page 53:101 of the proceedings of the committee, when he was responding to Mr. Webb—and I will not go into all of the comments which Mr. Webb or Mr. Pobihushchy made at the time

> You have said that your membership told you to tell the Senate to kill the bill. Is that mainly because of the three points you have raised? We will see what the minister has to say, because we know that the co-op movement is important.

Senator Simard added:

> You are with a friendly crowd here.

Senator Graham, how would you interpret Senator Simard's comments? Would you take that as a commitment to the effect that he and his colleagues—Senator Poitras and Senator Robertson, who did not go that far but who almost slipped into the same commitment to the witnesses—would indeed have spoken to the Minister of Finance or to the Minister of Revenue to explain the conundrum of the Atlantic Co-op?

How in the world can one understand that following these commitments absolutely nothing happened in either the Department of Finance or Revenue Canada? I am totally amazed.

Senator Graham: I am sure that Senator Simard will want to answer that question when he speaks, and I understand that he is going to speak next.

I can say that it was a very interesting two days in Halifax. I honestly came away with the feeling that, indeed, the Conservative members of the committee were going to make very

strong, forceful and powerful recommendations to the Minister of Finance and, indeed, to the Government of Canada, to ensure in this particular instance that the concerns which were being addressed by the spokesman for Co-op Atlantic would indeed be addressed and that they would find room for an appropriate amendment.

I am sure that Senator Simard will want to address that.

Senator Corbin: I look forward to his response because, once again, he has not delivered.

Hon. Gildas L. Molgat: Honourable senators, I have a question for Senator Graham.

I want to understand clearly, Senator Graham, what you are asking. Is it simply that the co-operatives be treated equally with corporations? Is that the simple, short answer to what you are asking?

Senator Graham: Yes, exactly.

[*Translation*]

Hon. Jean-Maurice Simard: Honourable senators, I welcome the opportunity to take part in this debate today. It will be the first time that I speak to Bill C-62 and, more specifically, to the amendment of Senator MacEachen.

Before discussing the merits of the amendments and my own position, in this respect, I would like to add a few opening paragraphs, for the record, and say that as far as I am concerned, what is at stake in this debate is fiscal accountability—in other words, the government's responsibility for taxation.

[*English*]

We were reminded of this responsibility by John Murphy, Mayor of St. John's, Newfoundland, when he appeared before the Banking, Trade and Commerce Committee in July. He stated:

> For 20 years politicians have not faced up to the financial reality, and the result is that we are now borrowing to pay the interest on money we have previously borrowed. The present situation is financial madness. Irresponsible people will attack the GST, as it is popular to be against any tax. We can only hope that common sense, reason and a sense of responsibility for the future will prevail.

[*Translation*]

Senator Simard: Honourable senators, ever since the government came to power in 1984, it has been committed to putting the country's financial house in order, as was pointed out by the mayor of St. John's, Newfoundland.

The government promised to introduce a set of policies to review and control government spending and create a favourable climate for developing the potential of Canadian businesses and Canadian workers, in order to generate sustained economic growth and new jobs for Canadians.

I wanted to start my speech this evening with this preamble because I believe that is the background of this legislation. We can discuss individual amendments but we must never forget the broader objectives of this bill.

However, I am afraid I will let myself be tempted to respond to certain comments made by Senator Corbin.

Hon. Eymard Corbin: It wasn't my comment, it was yours, Senator Simard.

Senator Simard: Senator Corbin asked me what I meant in my reply to one of the witnesses that appeared before us, and I am referring to a Mr. Pobihushchy who spoke for Co-op Atlantic. His name appears at page 53:93 of the committee proceedings of July 12, 1990.

Senator Corbin, you asked me a moment ago what had happened since that day that could possibly have made me change my mind. I agree that at the time, I had an open mind, like all my other colleagues. We travelled across Canada. We had no preconceived ideas. We felt that listening to the people was a matter to be taken seriously.

Senator Hébert: As seriously as on our trips for Bill C-21.

Senator Simard: That was the spirit in which we made the trip and listened to the co-op people, for instance. A number of unpleasant surprises as a result of unexpected and I would say deplorable decisions by the chairman, Senator Buckwold, and by his colleagues, led to some equally unpleasant developments. In fact, after spending one month travelling to listen to Canadians, I, like the witnesses and my colleagues, expected to have a report that could be discussed, considered and analysed, in consultation with the Department of Finance and the minister, and we expected to be able to consider possible amendments. However, that was not the case, because after three or four more public hearings in Ottawa, at the end of August, nothing more was done until noon on September 24, when we were handed a report that, the Liberal senators said, had to be adopted at six o'clock.

This means, Senator Corbin, that although we were well disposed all summer long and were acting in good faith, we did not have enough time. What has occurred in this House since September 25 was not conducive either to an exercise in reflection or an attempt to bring in amendments which could have been considered differently; that is what happened, Senator Corbin.

Senator Corbin: If I may, I should like to make just a brief comment, because I know that you are going to abandon this argument or difference of opinion, and we might as well settle this matter right away. You said: We shall see what the minister will reply, because we know that the co-op movement is important. You are here among friends.

All through the hearings, Senator Simard, there were I do not know how many people from Senator Murray's office and many hired students who were there to pass notes on to you. Whenever something important occurred, one or two of these people would rush to the phone to call someone in Ottawa. I have no idea whether they were calling Senator Murray's office, Minister Wilson's office or the Minister of National Revenue's office. I admit that you did your work. You followed the committee all summer long, you were honestly and profoundly involved in the process. Therefore I cannot accept what you have said in view of the fact that you had all these

people at your service—at times, they were as many as six or seven, at least in the Maritimes, elsewhere, there were sometimes more, sometimes fewer. How is it that these comments were never brought to the minister's attention? Why did the people at your service not do so? They were paid for that. I suggest you have no excuse for not having brought right away this issue of major significance for Maritimers to the attention of the ministers concerned.

Moreover, when co-op representatives came to see the Minister of Finance, a meeting was hastily arranged with the Minister of National Revenue, but nobody wanted to make any commitment. You had them running around. The government had them running around.

Senator Simard: Who organized a meeting with co-op representatives?

Senator Corbin: For your information, I can quote part of the memo which was sent to you, to me, to every senator and Member of the House of Commons:

> July stretched into August and August into September with no reply.

The Atlantic Co-op people wrote to us. They had received no reply to their own initiative and we had received even less of a reply concerning the commitment Senator Poitras and you haf made to convey their grievances to the ministers concerned.

> There were no answers. Officials raised the same questions they raised in June. They suggested that we should really be talking to Revenue Canada.

From one thing to the next, they kept running in circles. In September, they had not yet received any reply. The inequity is maintained in the bill we have before us tonight. I find this altogether unacceptable. I have known you for quite some time, Senator Simard, and I am surprised that the government has failed to respond to their grievances. I am sure you have had an opportunity, even if you were quite busy, to convey this grievance to the ministers concerned. Yet, nothing was done. We find this quite distressing.

Senator Simard: I beg to differ as to the sequence of events.

Almost daily, either verbally or in writing, or even through a third party, the Minister of Finance was informed of our concerns. Moreover, early in August, we were provided with a very preliminary and incomplete report from the clerk, dated August 14 (I thought that this practice would continue) under the signature of Senator Buckwold indicating that some points had been brought to our attention. So I started to put together a list of possible changes in the hope to be able to discuss them with the minister and his staff. Honourable senators, I can tell you that the events which I described a while ago to you, Senator Corbin, and to the other hon. senators, discouraged us from pursuing the discussions in a friendly fashion. We were running out of time. The situation was already serious on September 24. We would have liked to receive the report 15 days earlier. We could have saved two weeks. You can imagine what could have been achieved since September 25 if we had not lost nearly five weeks. All that contributed to the present situation.

I think you will agree, Senator Corbin, that before making a final decision on the co-operative's request and all those submitted by other witnesses who had asked for changes, the minister had to have the complete list of amendments. In fact, I do not expect that the minister would decide, piecemeal, to allow this or that. I suggest it would have been wise to wait. It is understandable that he would want to have before him all the amendments originating from the committee or from senators of either side. But that was not possible.

• (2140)

[*English*]

You were quoting what I said before the committee. Yes, I think those co-op people were in friendly territory. We would have liked to have had a reasonable debate and further discussions with them. The co-op movement is very strong in the Maritimes, especially on the Acadian side of New Brunswick. Not only are they involved in the savings sector but also in the manufacturing and service sectors, and so on. That is what I meant. We know what the co-op movement has done for New Brunswick. It was with that situation in mind that I made the comment. However, honourable senators, you will realize that my 25 minutes have not started because I was just answering Senator Corbin. I hope I can carry on uninterrupted.

Senator Lewis: Senator Simard, just before you go on, I would like to draw your attention to one thing. Earlier you spoke of the hearings in St. John's, Newfoundland. You made mention of Mr. John Murphy, who happened to be the Mayor of St. John's. I would just like to make it clear, and I think you will agree, that Mr. Murphy, who happens to be a businessman, was at the committee in his own capacity. He was not there as the Mayor of St. John's.

Senator Murray: What are his politics?

Senator Lewis: I don't know what his politics are. He has been many things as far as that is concerned.

Senator Simard: You are probably right. I take your word for it. I have no problem with that. I have always found it difficult to accept that a person who is holding public office can present himself solely as a private citizen. Whatever he says is repeated and published. It definitely has an effect on his career, on his mandate even though he doesn't have a mandate from city hall to speak on behalf of the citizenry. Surely he doesn't do th is kind of thing lightly. Usually he has to weigh both things. I don't think that the people of St. John's will hold it against him because he went there and might have spoken more as a private person. I think he quoted the sentiments of a large category of taxpayers in St. John's.

• (2150)

If I may be allowed to continue here.

Senator Petten: If I may be permitted one small comment here?

Senator Simard: I would like to give my speech.

Senator Petten: I apologize, but I would just like to say that John Murphy won't have that problem any more because he is not going to run again for mayor. He is a businessman now.

Senator Simard: He bragged for many years, as many people in Atlantic Canada and elsewhere do, that he voted Liberal. It is easy for him to speak as mayor of that city when he was Liberal. I hope you will not hold it against him. He might be considering voting Conservative.

[*Translation*]

I just read a quote from the the mayor of St. John's. I should like to read now another one, very short, which appeared in the November 6 issue of the *Financial Post*. It is from another very important person in the Maritimes, namely, Premier McKenna of New Brunswick, who stated—

[*English*]

"In the big league of world globalization, if you are not part of a team, you will be sitting on the bench."

I guess what Premier McKenna is referring to is the measures, the need for Canada to update, improve its policies, whether you are talking about free trade or GST or whatever. He said this is what Bill C-62 is all about, getting Canada ready to compete internationally with competitors from abroad. That should convince you that there is something in the legislation that you have not seen. Surely you don't want Canada to be "sitting on the bench."

These comments are of a general nature as an opener, but I think it is important to situate the debate here and the amendments to Bill C-62. We know that economists don't always agree. That's fine. Some people say that it is the worst possible time to introduce a goods and services tax. This is what the Liberals opposite say. They keep quoting economists to support their thesis, their opposition to GST. They say it is the worst of times, that we are close to a total recession, that it is going to be inflationary, and all that. We know the GST will be inflationary, one shot, in the first year, but not for three or four per cent but maybe one to one and a quarter per cent. Senators opposite, of course, have quoted the president and spokesmen for the Canadian Federation of Independent Businesses. We know they are the harshest critics of the GST. We know that. That's their ball game. Mrs. Catherine Swift, speaking for that organization, said—and this quote was used by people opposite, "There is never going to be a good time for a new tax, but why pick the worst possible time? You don't introduce it in the middle of a recession."

Another economist, Todd Rutley, chief economist at the Canadian Manufacturers' Association, a chief supporter of the tax says, "The inflationary impact of the GST is less significant when the economy is in a recession than during the period of rapid economic growth." So we have professionals on both sides.

We have not heard senators opposite trying to have a fair debate, balanced debate, so I am using my few minutes here to balance the record.

The manufacturers say that they want the tax because it will treat imported and domestic products equally and remove the existing disadvantage under the federal sales tax. I will come back to that. People made the same comment on the same subject a few years ago in a previous career. I will get to that in a minute.

Senator Olson: Why don't you talk about the amendment?

Senator Simard: You want to isolate yourself. I will show you a wider perspective.

Mr. Rutley says:

> . . . manufacturers are concerned any decision to delay the unpopular tax until the economy improves could prove fatal for the GST. While the GST is expected to make life better for manufacturing companies, it could delay any relief from high interest rates and prolong the recession, some economists believe."

Here is what Lloyd Atkinson, the well-known, respected chief economist at the Bank of Montreal said just recently in his latest appraisal of the system. He pointed out, "The GST is expected to raise the federal tax take by more than $3.5 billion, but most of the extra money will be paid back to low- and middle-income earners through GST credits. At the end of the day, by the second or third quarter, it is going to be basically construed as having been not a big deal."

I would invite Senator MacEachen, who knows this organization, to get together with Mr. Atkinson. After all, Mr. MacEachen is a professional politician and Mr. Atkinson is a professional economist working for a renowned organization, the Bank of Montreal. They both work, I am told, for the same organization. But let's not spend too much time on that.

I am putting this on the record because two weeks is a long time. We will get another crack at it. It will be seen that so far all the amendments of honourable senators opposite have been hand picked. They took the book this week because they knew they could possibly embarrass our friend Chaput-Rolland and a few others from Quebec. Yesterday they were on the oil business. We know why they picked that one. Now they are on the subject of co-ops, and because Simard, Robertson and Finlay MacDonald come from Atlantic Canada, they think they are going to try to embarrass us. And throughout they continue to present themselves as the only defenders of the poor, people on welfare or with low incomes. But here is what the Director of the National Council of Welfare for Ontario, Mr. Ken Battle, said recently: "The main thing that we like about the sales tax, from the point of view of its impact on poor Canadians, is that the government is proposing to substantially increase the credit." We haven't seen that in the Buckwold Report. They were very selective.

Mr. Battle continues, "That is nothing to sneeze at; it is something we have been pushing for some years, and we welcome it. The sales tax credit is going to be increased substantially beyond where it would have reached by 1991 under the old manufacturers' sales tax."

● (2200)

Of course, they would have preferred to have this sales tax indexed, but that will be for another day, and we have already discussed that previously. Then, it goes on, "This is going to be

an additional $140 for adults, including single parents, in recognition of the fact that it is harder for them to run a household than a household with two adults. That is a welcome credit" Mr.Battle concludes with. That is pretty good. I am going to skip the other one. I will save that. That is a pearl. I will save that for the next time. We don't want to give all the ammunition tonight.

Senator Stanbury: We haven't heard anything yet.

Senator Simard: Do you want to see it? You are going to have to wait. I talked generally about the need to have the director, the Mayor of St. John, and other people.

Senator Stanbury: What about the Minister of Finance of New Brunswick? What did he say to the committee?

Senator Simard: He said, "Too bad." he said, "He is going to cost his government $20 million." Well, I don't have much sympathy for his government, to start with. What I am more interested in is the people of New Brunswick; and if they are going to be relieved of $20 million dollars, I will support that. If I were you, senator, I wouldn't stick my neck out too far, because I will say that in a couple of months he will have harmonized his tax with the GST; and he had better do it too, because manufacturers in New Brunswick will want to be similar to people in Quebec and in Maine and with the retailers in Madawaska on the borderline. They do not want to be penalized. They do not need further hesitation. The clients do not need more incentive to go and buy in the States or in Quebec. So they will put pressure on these people. It has already started. So do you want to talk about Mr. Mayor any more? I have other things I could say about him, because he is just waiting. I think he is waiting for the December 10 election to be behind him. We will have a good debate, I am sure, next week.

So, here is the time. People say "Let's wait. That is another study." Well, for the record, there have been all kinds of work on these things.

[*Translation*]

I believe the time has come to get to work, because for the past 50 years governments have been looking into ways to get rid of the manufacturers' sales tax. Enough is enough. In 1940, there was the Rowell-Sirois Commission; in 1956, there was the sales tax committee set up by the then Minister of Finance; in 1966, there was the Royal Commission of Inquiry into the tax system, also known as the Carter Commission; in 1975, those who drafted the Department of Finance's working document on the Federal sales and excise tax recommended to review the tax structure and suggested alternate solutions; in 1977, officials of the Department of Finance, again, and National Revenue Canada were part of a tax force on goods taxation which after consideration of the working paper suggested a TVA at the retail level; in 1983, those who drafted the report of the Federal sales tax review committee, also known as the Goodman committee and Mr. Goodman appeared before our committee and supported the idea of a GST. I will stop in 1983 to return to that topic in a few moments.

[Senator Simard.]

As a matter of fact, I should like to quote at this time what the Minister of Finance First, I would like to quote what the newly appointed Minister of Finance was telling us in 1978. His name was Jean Chrétien.

Senator Corbin: You are living in the past.

Senator Simard: He said:

> Mr. Speaker, members of the Committee, the House has delegated upon you the important responsibility and great challenge of considering the report on consumption tax. I support this referral wholeheartedly. You now have an opportunity to contribute to the improvement of our tax system, which generates more than six billion dollars every year. You will also have the opportunity of promoting public participation to the development of a tax policy, which I suggest is desirable. My understanding of the report is that the burden might be spread quite inequitably and that there might be disparities between the tax imposed on imported and domestic goods for instance, because of the deficiencies of the existing tax structure.

That is what Mr. Chrétien said in 1978. Now, let us see what Mr. MacEachen had to say about the sales tax in a former life, when he tabled his complete expenditure plan before the House of Commons on November 12, 1981:

> "The present manufacturers federal sales tax has a number of structural flaws. These were examined extensively. The most serious consequence of these flaws is that it puts the domestic manufacturers at a disadvantage by comparison to competing importers."

He believed that the effective rate of the federal sales tax on a variety of products manufactured in Canada was approximately twice the rate imposed on similar products that were imported. That is what senator MacEachen said and he advocated setting up a committee a few months later. On November 12, he also said this:

> After a thorough examination of the available options, the government came to the conclusion that imposing the tax at the stage immediately preceeding retail, e.i. on wholesale, is the most direct solution to the flaws of the present system. The necessary legislation will be introduced at the beginning of 1982. In order to give businesses the time to adjust, the new system will not be implemented until July 1, 1982.

It was not a radical reform, but one that he believed could correct the problem by removing the tax on products manufactured in the country. Note that he gave only six months to businesses to prepare for that change.

He formed a committee, and Mr. Lalonde listened to its recommendations. At the time, in May 1983, Mr. Lalonde announced, when he became Minister of Finance, that the committee created to correct certain structural problems resulting from the manufacturers' sales tax had tabled its report.

The committee, and I suppose the government as well, had reached the conclusion that the slight improvement that might

be obtained by shifting sales tax to the wholesale level would not justify the resulting upheaval in a system that was already in place.

He therefore recommended a number of measures which I call stopgap measures. They did not dare go any further.

The following year, in February 1984, he announced more stopgap measures. I could read a whole list. My point is that at the time, those people, the same people who are now in the Senate, many of whom used to be in the other place—starting with Senator MacEachen—had identified a number of problems. They wanted to correct them but they held back. They were not the first to do so. I mentioned this because it goes back to 1940.

Before proceeding with the amendments—I know you are anxious to get to the amendments—I would like to point out to this Chamber the many changes that have taken place in the attitude of the present Leader of the Liberal Party of Canada to the GST.

In March 1990, when he was running for the Liberal leadership . . . I think he is worth a few moments of my time since after all, the Liberal senators are working for someone! The real boss is Jean Chrétien. Senator MacEachen is the straw boss.

In other words, Mr. Chrétien is responsible for guiding his caucus and indicating to Canadians what they would do if they won the next election.

In March 1990, when he was running for the leadership, and at this point I would like to mention what was said in the *Toronto Star* in a news bulletin from Vancouver, which said, quoting Mr. Chrétien:

● (2210)

[*English*]

He said that it would be irresponsible for Liberals to promise to scrap Ottawa's proposed goods and services tax without offering an alternative. He also said that it would be irresponsible at this moment to say that we will cut it without offering any alternatives to it. This is the candidate speaking.

A month after that statement, Mr. Chretien, still a candidate, said:

> It would be irresponsible, however, to say now, a Liberal government would scrap the GST. That is $28 billion. At this point I won't say that I will abolish the GST and I won't say I will keep it.

[*Translation*]

On October 21, Mr. Chrétien became the leader of the Liberal Party. According to *La Presse*, quoting a statement made by the Liberal leader in Halifax:

> "I am already setting up a committee within the party that will start looking at other alternatives", said the former Liberal minister after a speech before a Liberal audience in Halifax, Nova Scotia. "We could simply get rid of it."

A few hours after he arrived in Montreal, he said, probably to cover up a number of problems he was having with his Montreal delegates:

[*English*]

> I am opposed to the GST. I have always been opposed to it and I will oppose it always.

You will see that he did not always oppose it. Anyway, it suited his purpose at the time. I have another quote, but I will keep it for next week. I will now turn to the amendments.

[*Translation*]

With regard to the co-operative movement, honourable senators, the important point to remember is that when they developed the GST, the government tried to balance two major concerns: first, to make sure that businesses selling identical goods and services be treated equitably. In other words, on the same basis.

Second, to make sure that businesses of a different kind, such as co-operatives, are not put at a disadvantage by comparison with others. I suggest that, generally speaking, the operation was 90 per cent successful.

Businesses, co-ops as well as others, selling the same taxable or non-taxable goods will be treated on the same basis. This basic characteristic results from the reimbursement mechanism of the total tax on the purchases of these businesses selling taxable goods and services.

So, as provided in Bill C-62, the GST does not create any incentive for businesses to modify their structures, including co-ops with their particular and unique structures.

I insist on the word "structure". I shall return to it later. I suggest co-ops will find there solutions to a great many problems which they brought to the attention of the committee and which Senator MacEachen would like to correct through amendments which, unfortunately, would create other problems and other exemptions. I suggest that is not what really matters. What really matters is hopefully to eliminate most of the problems which the co-ops have identified. It would be by changing their way of doing things without modifying their basic structure. But to that later.

I mentioned a reimbursement mechanism. For instance, when a co-op purchases something from another co-op, the GST will apply to this sale, but, generally speaking, the purchasing co-op will be completely reimbursed for the GST it paid. This applies to other non-credit co-ops.

As to the credit co-ops, one of my friends who is involved in the movement told me the other day: these people are as happy as larks. At first, they felt threatened believing that the co-op movement would be put at a disadvantage in comparison with other banking and financial institutions whose services had been tax exempted.

The government has treated co-operatives equitably by exempting all financial transactions affecting them. Consequently, credit co-ops and "caisses populaires" will continue to provide financial services which will be entirely GST exempt.

I think that Senator MacEachen has recognized that the government did the right thing; so, that is that.

Senator MacEachen has told us that there was a problem with the purchase of shares. Apparently, there is a problem.

There is indeed a problem, but I am not sure it is as enormous or expensive as the co-ops have indicated. As I said earlier, I think the co-operative movement could deal with the problem by changing its way of doing things.

I said before that all companies in all sectors should be treated the same, on the same basis. I have not changed my mind.

The parallel drawn by Senator MacEachen a number of times between the purchase of co-op shares and buying a golf club membership is not very convincing. I cannot take that seriously.

I realize he wants to label us by saying that, but I don't mind. I don't have a problem with that.

I think that if every local co-operative decided to identify and isolate amounts paid for shares from membership fees, it could be done.

If you sell a share for $100 but decide to keep your membership in the credit union for that year, the amount will be $5. The shares will be sold for the difference and will be tax exempt, the same as when you buy shares in Canadian Tire, Alcan or any other company.

As you know, all shares in all companies are tax exempt. There is no reason why shares in co-ops should be taxed. That is one solution.

Senator MacEachen said earlier that he wasn't sure about some co-operatives. He told us that was the procedure in his time and that dividends were paid at the end of the year, so-called patronage dividends. That is common knowledge.

Today, more specifically with respect to the GST, clause 233(2) of the Bill will allow co-operatives, when they decide to pay patrongage dividends at the end of the year because they have made a profit . . . they will be able to prepare a form, advise the co-op member and identify the total share of the dividend that may be applied directly to taxable goods purchased during the year.

Credit union members will receive a refund for the GST on that part of the patronage dividend that applies to puchases made in the previous year, and this refers to taxable goods.

Senator MacEachen mentioned $5,000 as an example. At $5,000, if they purchased goods for a total of $3,000, which is then pro-rated, they will receive a refund for 3/5 at 7 per cent. I don't think the amendment to exempt these transactions was accepted.

As for direct charge service fees, Senator MacEachen called, and I am aware of this practice, that some co-operatives charge their members $3 or $5 weekly, whether they purchase anything or not.

For them it is a way to recover a portion of cost overhead by charging fees to persons they consider as members. Since some members are bigger buyers then others, I suppose that as a general policy, co-ops have decided that a minimum amount of purchases was required and a fee charged.

[Senator Simard.]

We must understand why those $3 or $5 a week should be zero-rated before moving any amendment to that effect. I have said earlier that we were talking about the co-ops overhead.

As Senator MacEachen said before, that practice also exists with Loblaws or Sobey's.

When Sobey's passes on its overhead to its customers, they are the ones who foot the bill. Now, when that portion of overhead is included in taxable goods sold by Sobey's, it is also taxable under the GST.

I fail to see why things should be any different with the credit union or caisses populaires. If everybody is to be treated equally . . . and I believe that is what the honourable senators want first and foremost, equal and fair treatment for everyone.

But there is another alternative. The government will not change its policy on that because it is a matter of membership or participation fees. Although I do sympathize with the co-operative movement, I do not see why the government should provide a tax exemption for them and not for other sectors. The alternative is to provide a tax exemption for those who are most likely to muster up some political support for you or for those with whom you have a special affinity. We know that the bill already provides for 22,000 administrative measures, tax exemptions and what hve you. We would not want to add to it, I suppose.

If co-ops ever decide to abolish the $3 or $5 charge spread over all taxable and non taxable items, consumers will pick up the difference as they do at Loblaws.

The third point raised by Senator MacEachen deals with purchases made at the wholesale level.

● (2220)

[*English*]

It is said that the wholesale branch of a co-op group which buys goods and sells them to the local co-op, because of the nature of the organization, will have one more transaction, one more cycle: to pay the GST and get a reimbursement.

First, as far as I am concerned, the co-op movement has failed to convince me that it will cost $275,000. It has failed to convince me of that. These people are well-equipped, and they can do this operation within their own business.

I am not sad or happy that he did not propose an amendment. He did not. He made the argument and then left it up in the air. Perhaps he feels that he is not on solid ground. Perhaps he feels, as I do, that the cost is not that important.

If we were to accept that amendment, co-operatives would have to have another set of books, and I am sympathetic to that. They would have to open another account to segregate all those goods they buy from the wholesale branch of the co-op group. They would have these taxable goods and all the other taxable purchases made from other sources. That would cost money, too, so I don't believe the government should make an exception for that. That would just be creating another exemption.

For all these reasons, let me say that the amendment dealing with the zero-rating of the share cost is not acceptable. It is not needed. The co-op movement, by changing the way in which it allows its members to invest in capital, can be accommodated in another way, for example, by changing the way it has been doing it for the last 25 years.

With regard to the $3 and $5 direct charges, I believe that also can be accommodated by a change within the organization. However, I have not checked lately the importance of the preferable tax treatment which the co-op movement has enjoyed over the years. There is still some special treatment given to the co-op movement. I am not criticizing it. Maybe they should have more. But it is not true that the GST legislation should be amended.

If there is some minor additional cost because of the GST, double counting or whatever, I think that is more than compensated by the measures in the Income Tax Act, and so on. That is something we should look at another day.

● (2230)

I am inviting my colleagues to say no to these amendments and to please get on with approving this legislation.

[*Translation*]

Hon. Gildas L. Molgat: Would Senator Simard allow me to ask a question?

Senator Simard: Yes, Senator Molgat.

Senator Molgat: I really enjoyed Senator Simard's outstanding speech which dealt with a number of points. I was very glad indeed because I hope that on future occasions it will enable us to speak to issues wider than the particular matter we are now considering.

To get back to the subject under study, the specific amendment, do I understand correctly that Senator Simard agrees that co-operatives ought not to be treated the same way as corporations are?

Senator Simard: No, Senator Molgat. My whole argument was based on the need to treat everybody equally and equitably even if the structures are different. I would suggest that both sides of the chamber endorse that principle.

If the bill before us . . . given the procedures, the past policies, the distribution and sale of shares by co-operatives or the way they recoup the overhead through the direct fees to which Senator MacEachen referred and which are the subject of the amendment, if that creates a problem I would urge the management of co-operatives to change the way they operate. This is where I relate to your question, just so the customers of Loblaws are treated the same way as the customers of co-operatives. In the final analysis, the overhead of co-operatives must be paid by their clients, much the same way as Sobey's or Loblaws customers do. If the overhead is spread out over the whole range of taxable and non-taxable products, people buying taxable goods will pay the GST, while others who buy food or incur expenses for medical care will not. This is how people would be taxed equitably and on the same basis, Senator Molgat.

Senator Molgat: So, Senator Simard, you are not in favour of the propositions made by the co-operatives of your region in particular. These propositions did come from the Atlantic region. Their requests were categorical, yet you say they are mistaken.Is that what you are saying?

Senator Simard: I said that their problems can be solved in a way other than by adopting the amendments they proposed.

Senator Molgat: You tell that to the co-operatives, Senator Simard.

Senator Simard: I will indeed, Senator Molgat. They know I speak my mind and I see no problem there.

[*English*]

Senator Graham: May I ask Senator Simard a question? In answer to a question from Senator Corbin following completion of my remarks, I mentioned that I left the hearings in Halifax with what I thought was a good feeling after the submission made by the representatives of Co-Op Atlantic. I honestly felt that our representatives on the Conservative side were indeed going to make representations to the government in order to accommodate the representations that had been made. I wonder what happened between July 12 and today; or, July 12 and August 31; or, July 12 and September 30; or, July 12 and the time the report was concluded. Did members on your side make any representation to the Minister of Finance? If so, what were those representations?

Senator Simard: I have answered that and I will try to answer it again. I said that as early as August, upon our return, some of us started drawing up a list of possible areas of concern. We relayed those concerns to the minister verbally or through third parties. Do not ask me for a compilation of this list. Even if it existed, I consider it to be caucus material and you are not going to get it.

However, true to our word, we did make a list and we were hoping to pursue it further. We got the preliminary report dated August 14 from the Clerk, I suppose with the benediction of Senator Buckwold, and the next one we received on September 24. But your chairman played politics. He allowed the staff to send us a second report, possibly at the end of August, with a more final indication to come early in September, as we had been promised.

With good spirit, and all that, we would have pursued these things. With the final report from Senator Buckwold we would at least have had some idea as to the magnitude of what was involved, so that we could have made plans to meet with Mr. Wilson. But after August 14, that was it. We were informed that we would not get anything more. We were inclined to this in working together with members on the other side.

But the spirit changed completely in early September. Senator Buckwold decided that he was going to report to Senator MacEachen or Senator Kirby, and that was it. Never mind Senator Poitras. It then became evident that we were running out of time. The Liberal Party made its own bed on September 24. After that, that was it.

This is what changed. We have been here while you people have been filibustering since September 25. So we are definitely out of time. You have scored in your own net. You are not going to make Canadians believe that you are serious today. You are not going to make Canadians believe that you were serious on Monday when you introduced the amendment dealing with books. You are too late. You have wasted time. You have cost taxpayers money. You have reduced the time we would normally have for the bill to go back to the House and return. You scored in your own net.

We used to have a liberal leader in New Brunswick whom we called "Wrong-way Joe." He thought he was going that way, and he was going this way, with the result that he was scoring in his own net. You remember "Wrong-way Joe"? You did that. You deprived yourself, and you have deprived us, of the time needed to consult with Michael Wilson and the Prime Minister and consider some possible amendments. You said "No; axe the tax." We will tell people you have scored in your own net. It is too late; get on with the business of the house.

Senator Graham: Senator Simard, we are talking about July 12. That is when these concerns were raised.

• (2240)

I answered that I don't want to belabour the point, I want to go home sometime. I expect most of you want to go home tonight.

Do you really expect the Minister of Finance to make a piecemeal decision every time one of his caucus members comes with a possible amendment, or what have you? We had a first answer on July 8th, because somebody had raised the point in Halifax, and another answer on July 9th, another on August 1st, another on August 15th. That is not the way to run a country, I would hope. We never got the whole list, because you failed to do your work. You only had one question throughout. You were there, Finlay, you were there, senator, for many meetings. There was only one question that came back all the time.

Senator Stewart: Kill the GST.

Senator Simard: The question was, "Here we are, we are going to cost the Canadians a million dollars, but you tell us what you want to do." I think that was a leading question.

The next most famous was Senator Olsen here. You were not far behind too. Senator Stewart, for the few times he was there, raised, "Well witness, what do you think we should do? Do you think we should kill the tax?" So the question came, "to kill or not to kill?" You were not interested in amendments.

Hon. John B. Stewart: Senator Simard, on a point of privilege—

Senator Simard: You are not interested in amendments tonight, Or the amendment on July 8th or the following days.

Senator Stewart: On a question of privilege. Senator Simard just referred to my attendance at the meetings of the Banking, Trade and Commerce Committee. Let me say, honourable senators, that I hope that some of the things that he said here this evening are truer than what he just said now about my attendance at that committee.

Senator Simard: You were not there?

Senator Stewart: Exactly. I did not attend one meeting of that committee.

Senator Simard: Your ghost was there. While we travelled your province your ghost was there throughout.

Senator Stewart: Honourable senators, I rest my case.

Senator Graham: Senator Simard, you have made an admission that startles me, and that is that all of the weight on that committee from that side of the house, could not have any kind of influence on the Minister of Finance. You should have stayed home.

Senator Barootes: Did the chairman try to communicate with the department on this?

An Hon. Senator: No, sir. He did what he wanted to, but not on this.

Senator Davey: He worked for the Senate, not the department.

Senator Simard: I apologize, Senator Stewart, I thought you were there. That person looked very much like you.

[Editor's Note: For continuation of proceedings see Issue No. 107C.]

THE SENATE

Wednesday, November 7, 1990

[*Editor's Note: Continuation of proceedings from Issue No. 107B.*]

• (2250)

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE ACT
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMEND—THIRD READING—MOTION IN AMENDMENT—DEBATE CONTINUED

Hon. Richard Stanbury: Honourable Senators, I am confident that no one will be surprised if I say that I speak in favour of the amendment put by Senator MacEachen.

I am confident that no one will be surprised if I say that Senator Simard did not manage to convince me of very much, except that the reason that the other side is not willing to take amendments now is because they are mad about something that they think happened to them in connection with the committee. If pique is the excuse that is going to be given to the Canadian people, I am not sure if it is going to wash very well.

Having had conversations with the co-operative people—and I mean the people from the co-operatives—that may be different from "Cooperative people"—but the people from the co-operatives today and yesterday, I really look forward to getting the Hansard report of Senator Simard's speech because they are going to eat it up. It is going to be wonderful.

Honourable senators, my feeling is that if the government isn't willing to withdraw this terrible bill, then at least it should make the necessary changes to make it at least a more sensible and just law.

One area where an amendment is clearly in order is in the field of co-operatives. Senator Simard has even said he agrees, but that the government should not have to change, it should be the co-operatives that change. The co-operatives have had a major beneficial impact on commercial and social activity in Canada over the years. They are an essential element of Canadian society. Not only will this new tax make life harder for the members of co-ops and their administrators by raising their costs, but co-ops themselves will be denied the same sort of beneficial tax breaks, that their competitors will receive. That should not be permitted to happen. I can't imagine why people on that side of the house are going to allow it to happen.

As many of you know, if you have any experience with co-op societies at all, a co-op is a business, voluntarily owned and controlled by its member patrons, operated for them and by them on a non-profit or cost basis. Co-ops are owned by the people who use them. They are organized and incorporated to engage in economic activities. They have ideals of democracy, social consciousness, and human relations. I realize that none of those characteristics is particularly well known to the Tory party. Otherwise there would be no necessity for this particular current debate.

A co-operative provides services and benefits for its members in proportion to the use they make of the organization, rather than earning profits for the shareholders of the commercial corporation as an investor. While some members opposite may therefore think of co-ops as anathema to their conservative philosophy, they should remember that co-ops are part of our free enterprise system and our competitive system, and are not welfare agencies or charitable societies.

To meet their expenses, co-ops depend upon income earned from rendering services rather than on donations or government hand-outs.

The primary objective of co-ops is to meet their members' needs in an economical and efficient manner, unlike investor-oriented businesses whose main concern is the bottom line—to generate profits and capital gains for their shareholders.

Today the co-operative movement consists of organizations with significant influence in agriculture, finance, insurance, oil refining, fishing, retail and housing industries. The grain and dairy marketing co-operatives dominate their industries. The retail co-operatives play significant roles on the prairies, where it is probably the largest industry, and in Atlantic Canada. They are particularly strong in the regions where equalization payments are needed. To apply the GST to disable co-ops is a disservice to the people who need co-ops most.

In 1988 the total assets of Canadian co-ops was reported to be $68 billion with total membership of approximately 14 million people. Co-operatives are worthwhile organizations that deserve a fair deal, but they are another people-oriented organization, which this government loves to kick around. Co-operatives share a number of principles that set them apart from other organizations as adopted by the International Co-operative Alliance in 1966. Their six basic principles are, 1) Open and voluntary membership, 2) Democratic control, 3) Limited return on shares, 4) Return of surplus to members, 5) Co-operative education, and 6) Co-operation among co-operatives. While not all co-ops subscribe to each of these principles, most Canadian co-ops do.

For a history of co-ops, I refer you to a very good publication, *A Co-operative Development Strategy for Canada,* which was the report of the National Task Force on Co-operative Development in May of 1984 set up by the Government of Canada. I would also refer you to *Co-operatives, Principles and Practices* by Marvin A. Shaars, and that was a project of the Co-operative Extension Programs of the University of Wisconsin. The co-operative principles first enunciated in England during the 1840s had an impact in British North America when immigrant British labourers attempted, by the mid part of the last century, to start stores similar to those which were common in Britain. These were early attempts at co-operative marketing organizations. Since then, co-operative principles have been applied in many experiments in an ever-growing number of industries. Although many efforts soon collapsed as a result of depression, recession, poor management or membership indifference, others grew.

Farmers were the first Canadian group which successfully developed co-operatives. Between 1860 and 1900 farmers in Ontario, Quebec and Atlantic Canada developed over 1200 co-operative creameries and cheese factories to meet the needs of the rapidly growing dairy industry.

Mutual insurance companies were then organized to provide inexpensive protection against the ravages of fire, hail and early frost.

During World War I, co-operative organizations flourished as more farmers became concerned about marketing, as consumers sought cheaper food in an inflationary period, and as hard-pressed Canadians explored alternative means to save and borrow money. While many co-operatives folded during the depression, others found it to be a period of increased interest and new strength.

During the 1940s, the war and post-war prosperity allowed the movement to gain more power and influence. Since then, they have grown in every region of the country.

Despite these successes, however, co-operatives have faced many problems since the mid-1980s. Their strengths lie largely in rural areas where declining populations will ultimately result in reduced total support. The sad plight of our farmer and our "Made-in-Canada" recession only exacerbate their problems.

There has also been lately a decrease in the number of larger co-operative organizations. This may not be such a bad thing since it is difficult to maintain a sense of ownership in a large corporation and the degree of commitment normally found among the smaller operations. The fact that they form a multiplicity of smaller organizations now makes it even more important not to discriminate against them.

The Standing Senate Committee on Baking, Trade and Commerce heard from three major co-operative groups: The Canadian Co-operative Association, Co-op Atlantic and The Federated Co-operatives Limited. None of these groups is a small-time organization with a fly-by-night operation. All are umbrella groups for many co-op organizations. They raised a number of significant and alarming issues in their submissions and testimony before the Standing Senate Committee on Baking, Trade and Commerce. Those issues deserve our attention. The most important among them can easily be cured by the Senate accepting this proposed amendment.

The Co-op Atlantic is a sixty-three year old co-operative which is owned by 175 co-operatives throughout Atlantic Canada and the Magdalen Islands. The 175 co-ops are themselves owned by 160 thousand families in Atlantic Canada. That huge number of families comprised half a million individuals, a substantial proportion of the 14 million co-op members across Canada.

Co-op Atlantic is reportedly the seventh largest enterprise in Atlantic Canada owned by Atlantic Canadians. Over the years Atlantic Canada has been one of the more depressed regions of the country for whom economic stimulation is of vital importance. During the past six years the record of the Tory government in this field has been dismal and the current recession will obviously make matters worse. The Co-op Atlantic is therefore a boon to many Atlantic Canadians. It allows them to lower the cost of living, while, at the same time, employing thousands of Canadians in a high unemployment area.

The Canadian Co-operative Association represents 35 central, regional and national co-operatives across Canada. These co-operatives currently have a reported 14 million members, eighty-six billion dollars in assets and employ 70 thousand people across the country. Now, that 14 million is three-fifths of the population of Canada. The top five co-ops in the country had sales in 1989 in excess of seven billion dollars.

The Federated Co-operatives Limited is owned by 329 independent retail co-ops which form what is known as the co-operative retailing system in Western Canada. These retail co-ops operate branches providing services to more than 500 communities from Manitoba to British Columbia. Retail co-ops are owned by the people they serve, an estimated 750 thousand people, with total sales in 1988 of more than two billion dollars.

In their submissions and testimony before the committee, the three co-operative groups identified a number of significant problems with the proposed GST which must be addressed. The three of them included—and these have already been indicated—

(1) The taxation of fees called "direct charge" which co-ops must levy on their members to recover a portion of their overhead costs,

(2) the taxation of shared capital, and

(3) the additional accounting step, and therefore administrative cost, required for co-ops because of their structure, which their competitor supermarket chains will not be subjected to.

Concerning the first problem, direct charges are the fees that co-op members have to pay in order to pay for the overhead of their co-ops. Direct charge co-ops sell goods to their members at cost and must therefore charge a weekly or a monthly service fee in order to remain in operation.

The direct charge co-op is the fastest growing form of retail co-op in the Atlantic region. The fee is charged instead of a higher price markup under the proposed GST. This direct charge would be subject to tax.

Normal supermarkets recover their operating costs through the price markup. Under the GST, the total price of most goods will be taxed, but some items such as food and prescription drugs will not be. Neither will be the hidden overhead markup component of the final retail price. In other words, normal grocery stores will not have their prices of basic foods go up by this new tax. But the co-op members will find that the direct charge will increase their costs because of the GST, simply because the taxes are not allocated and included in the price of each individual item.

Some co-ops have reported direct charge fees of about seven million dollars, so the increased tax will be significant.

● (2300)

The witnesses before the committee testified that the co-op members will have to pay out an estimated $275,000 more in the first year of the GST. That will be neither fair nor equitable. It will even defeat the purpose of having co-ops in the first place. It will make co-ops less competitive and less attractive to their members. That is where Senator Simard's solution of asking the co-ops to change their way of doing business makes no sense at all. It means that co-ops will become useless.

The manner in which a business is structured should have no bearing on the GST. Common sense would dictate that the service fee charged should be taxable only to the extent of the ratio of the co-op's taxable sales to its total sales. This part of the GST legislation needs to be amended, and I hope it will be.

The next way in which the GST would tilt the playing field against co-ops and in favour of corporations, with whom they must compete, is in the area of taxation of share capital. Each co-operative is owned by its members who have share capital in their co-op. For GST purposes, these investments will be regarded in the same manner as a membership fee at a golf club, as stated by Co-op Atlantic, and will be taxed. On the other hand, shares in profit-oriented corporations will not be taxed. However, the money invested in share capital in a co-operative serves the same financial function as money invested in competing companies. It is interesting to note that financial services are exempt from the GST, yet financial services are defined as including the issue, allotment or repayment of a financial instrument. A financial instrument is then defined as, among other things, equity security. The ironic part is that, as the Banking, Trade and Commerce Committee report on the GST showed, co-operative shares have consistently been regarded as equity.

First, for income tax purposes, co-operative capital is treated like any other corporate capital. Second, in accounting practice, co-operative capital is indistinguishable from the capital of other businesses in the equity section of a balance sheet. Third, a statute of Canada, the Canada Co-operative Associations Act, defines a co-op share as a financial instrument. Therefore, from an accounting and income tax perspective, along with the special legislation dealing with co-operatives, co-op shares are an equity security.

What are some of the practical results if there is no amendment? Let us use the example of a housing co-op. Housing is supposedly preferentially treated under GST, although I have had many representations from house builders to the contrary. You cannot be a member of a housing co-op without buying shares in the co-op. Of course you have to pay 7 per cent on the value of the shares, but not if you buy shares in a commercial company.

Suppose the employees of a company that is going out of business—and there are a lot of those these days—form a workers' co-op to buy the business. Each worker would have to pay 7 per cent on the shares he buys to participate in the co-operative.

I have one last example. Suppose a co-op, which is non-profit, wishes to distribute its patronage surplus without destroying its cash reserves. It therefore distributes that surplus in the form of equity shares. The receiver of those shares, being a member of a co-op, has to pay 7 per cent goods and services tax on the value of those shares. Why should co-ops be treated differently from credit unions, which are exempt?

I agree with the Canadian Co-operative Association when it says it would be inequitable to tax equity investments in this sector while exempting investments in competing corporations and similar industries. The GST bill should be amended to add co-operatives to the exclusion already given to credit unions.

Another way in which the tax is tilted against the co-operatives concerns the administrative burden. Consider the example of Co-op Atlantic. The tax will have to be paid by Co-op Atlantic on all the products it buys, at which time it can claim a rebate, with the exception of food items which are zero-rated. Then Co-op Atlantic will distribute those products to the local co-ops, which own Co-op Atlantic, and they will have to pay the GST. Those local co-ops will then claim a rebate and sell those products to their members, who will pay the GST. Co-op Atlantic and the local co-ops will have to bear a heavy burden of administration, while the competitors of Co-op Atlantic will bear only half the burden of that administration. Other large chains will pay the tax, claim the rebate, and that will be the end of it. Local franchisees will not have to pay and, hence, will not have to claim the rebate. So the administration cost will be only half of what is required of co-ops. There is a doubling of administrative costs to co-ops because the GST will have to be collected twice.

Then there is a sillier example. Co-op Atlantic also provides business goods and services to local co-ops, which are its owners, just as Loblaws provides business goods and services to its retail outlets. Co-op Atlantic will have to charge local co-ops the 7 per cent GST. The local co-ops will then be able to claim a rebate. In both cases the government will have to incur an administrative cost, yet it is not earning any revenue.

As Co-op Atlantic pointed out, it is an investment in nothing with no return. The system will burden the taxpayers and the co-ops, yet see nothing in return.

As I have demonstrated, the impact of the GST on co-ops will be severe and harmful. Increased costs and a less competitive position will undoubtably have a negative effect on Canadian co-ops at a time when Canadians need them the most. Although the GST, in its entirety, should be scrapped, the government would be doing Canadians a great service by adopting Senator MacEachen's proposed amendment. The GST legislation should provide that memberships in co-ops would be treated the same as memberships in a credit union.

Having read the evidence of the parties that would be affected by the GST and having spoken to a number of them recently, I can only conclude that this amendment is a common sense approach to removing one of the inequities that infect this legislation at the present time. I urge members opposite to vote for this amendment. It will simply remove some of the inequities being imposed on the co-ops by Bill C-62. The government should be trying to promote co-operatives instead of sowing the seeds of their destruction. They serve three-fifths of the population and are one of the mainstays of our society.

Some Hon. Senators: Hear, hear!

Senator H. A. Olson: Honourable Senators, Senator Stanbury's speech provided a clear explanation of the problems, and, as a result, I have shortened my speech considerably. At the outset, I want to decare that I am a member of several co-operatives. But one point has not been covered in the debate so far. By way of background, Calgary probably has the largest consumer co-operative in Canada. Last year it did nearly $800 million of business, and I think it is fair to say that the Calgary Consumer Co-operative commands a larger share of the grocery market in that city than any co-operative in any other city in Canada. It is an enormous organization. It is well run and is supported by thousands of people because of the way it is run.

● (2310)

I simply cannot believe that the government understands what it is doing. I cannot believe that it would run up against the problems which it will have with the co-operatives and the public relations capability of those co-operatives if it understood what it was doing.

Senator Stanbury has just explained very well what happens with the method that co-operatives have used to accumulate their share capital. It is charged on co-operatives, but it is not charged on other private corporations. First of all, that is not fair, but that is the way this bill is designed.

Every year these co-operatives declare a patronage dividend, whatever it happens to be. Then, almost every year, they pay a portion of it in cash—sometimes a very small portion, 20 per cent—and the rest of it is transferred to capital as accumulated savings, which is the same as the share capital of a private corporation. Of course, the money that goes into the share capital of a private corporation is not taxed. But the co-ops will be taxed.

[Senator Stanbury.]

I will tell you what is going to happen. They will comply with the law, but they have a very large and very effective public relations organization. They will send a letter along with every member's patronage dividend every year telling them what the government has done to them and explaining the injustice that is involved. As Senator Stanbury pointed out, there are 14 million co-operative members. That overlaps somewhat because some people belong to more than one co-operative. I understand that, and so do they.

I caution the government that what it is doing is, first of all, not fair. Second, it is going to turn on a very effective public relations organization in those co-operatives which will do a great deal of damage to the federal government and its activities. Canadians do not like laws that are manifestly unfair. That is what will happen in this case.

In conclusion, you should at least go to the trouble of finding out what you are doing. I really don't believe you know or understand what is going to happen with this provision in Bill C-62 which deals with co-operatives, particularly with regard to their share capital. As you know, share capital in corporations is tax-exempt. Membership in co-operative corporations performs the same function. They represent the share capital of those corporations.

You have an opportunity to correct that. This amendment provides that the GST does not discriminate among corporations according to the way in which they raise their share capital. That is all it does.

At least take the time and make the effort, before we vote on this tomorrow, to understand what the consequence of defeating this amendment will be. I am sure, honourable senators opposite, that if you really understood what is going to happen, you would not support the government in bringing out a bill like this. You would ask the government to change it, because it is unfair and it is attacking a structure which has been very important to the development of many parts of Canada. I know that Senator Molgat will agree with me that it has been especially important to the prairie provinces.

Senator Molgat: That's right.

Senator Olson: We have heard a lot about the Atlantic Co-operative, and I know that it is important there, too. They were the first ones to advise the committee that this iniquitous provision was in Bill C-62. I heard it explained in great detail in Halifax on July 12.

I cannot understand why you have not carried that message to the Minister of Finance. I hope Senator Simard is not speaking as the spokesman for the Conservative Party. But he is the only one who said anything, so we have to assume that he is speaking for the Conservative Party. He said the problem is that the Liberals did not prepare the amendments or a submission to the Minister of Finance. Do senators opposite have a piano tied to their legs, or something? Can they not do their own amendments?

You were there. You gathered all the evidence. A couple of times the vice-chairman of the committee, Senator Poitras, asked for the briefs. We brought him boxes and boxes of briefs. What did he do with them? What did he want them for if he was not going to read them and prepare some amendments? I believe Senator Graham asked him what they did after they made that promise in Halifax. It is clear they did nothing.

Senator Murray: He had no opportunity to influence the committee's report.

Senator Olson: Isn't that awful! They promised right there in Halifax that they understood that this was an injustice and that they were going to communicate that to the Minister of Finance and have it corrected.

Hon. Eymard G. Corbin: Senator Olson, perhaps I could add a comment.

You were at the meeting in Halifax, and you questioned other witnesses; you did not question those particular witnesses. Is it not a fact, Senator Olson, that there were several people surrounding the PC senators at that meeting? They were people from Senator Murray's staff. They were hired university students. They had a press person there, and other people. They were on the phone all the time to Ottawa. Every time we said something, they were on the phone to someone in Ottawa. Was it to the Minister of Finance or National Revenue?

Could you imagine that the Department of Finance, Senator Murray or the Minister of National Revenue did not get an hourly report of everything that happened in that committee? Could you imagine that that did not happen, and that the excuses they present tonight are just lame excuses?

Senator Olson: I don't know what they have done. That is why I find it so hard to believe that they have not done anything about it. In Halifax—and Senator Simard will remember this—I looked around and there were six people who were running with messages.

Senator Simard: You called them flacks.

Senator Olson: No, I called them flunkies, and I believe the chairman called them gremlins. They were running with messages all the time, but only to the Conservative members of the committee. They never came and offered me any advice. They were phoning to Ottawa. As a matter of fact, I believe there were one or two people there from the office of the Minister of Finance.

Now here we are. They promised they were going to do something about this injustice, this inequity, or whatever you want to call it, in respect of the proposed law with regard to co-operatives. They promised. I heard them myself. They said: We have to fix that. What did they do?

It was spelled out in great detail exactly what was needed to be done. I do not know, Senator Corbin, what they did. It is obvious that they never got the message back here—or was there some kind of blockage here? I don't know.

I am quickly coming to the conclusion that the government does not listen to their so-called supporters. That is sad. I always thought that if you could be on the government side and in its caucus you could have a chance to influence the government. These people have been at it since July 12. I believe Senator MacDonald was in Halifax too.

• (2320)

I also thought it was amazing that Senator Simard went through a 35 or 40 minute speech and never once touched on the subject matter of the amendment before the House. I asked him two or three times if he was going to talk about the amendment.

Senator Simard: You had left.

Senator Olson: Be serious.

An. Hon. Senator: Three minutes at the end.

Senator Olson: Let's find out what you are going to do, if you are going to do anything. Or are we going to get the same old excuse that we have to pass it the way it is first but we have promises that they are going to fix it up afterwards. Is that what is going to happen again? I do not know if Senator Murray wants to tell us or not, but surely you do not think you can live with this part of Bill C-62 for very long? I have been up against the public relations efforts of co-operatives across Canada and if you think they do not have some political impact, you just do not live in the real world.

Senator Stanbury: They have 14 million members.

Senator Olson: Yes, 14 million people and they all know what they have to do to put pressure on politicians and government.

Senator Barootes: Is it 14 million people or 14 million memberships, some of which have eight, ten, twelve memberships?

Senator Olson: However many they have, I will tell you that in Saskatchewan, Senator Barootes, when the Saskatchewan Wheat Pool turned on their public relations campaign against the government down there it was usually defeated. That is exactly what is happening now, so you had better have some respect for what you are up against.

I have an idea that if the co-operative in Atlantic Canada does what it is capable of in the public relations field, you are going to have the same thing happen in every province that happened in New Brunswick the last time. Surely that is not the way governments should act. I am pleading with you, more out of kindness than severe criticism. I just do not believe you know what you are up to. For goodness sake, inform yourself. You should ask the co-operatives in Quebec what this kind of legislation is going to do to their competitive position with respect to private corporations who have to accumulate capital. Then you must act responsibly.

As I said, I don't think you know or understand. I do not think you have done the research to understand what this is going to do to the co-operative movement and what they are going to do to try to defend themselves against it. You still

have time. We are not going to vote on this until tomorrow at 5:45 p.m. You can at least partially overcome the difficulty with Bill C-62 if you support this amendment, so I recommend that to you.

Hon. John B. Stewart: Honourable senators, I am not accustomed to making long addresses at this hour of the night, but by reason of the experience we have had during the last few weeks we should be prepared for a good effort this evening. I had hoped to get on earlier but obviously Senator Simard was still—-

Senator Simard: Since you are on your feet, I recall now vividly that it was on the Bill C-21 expedition that you and I travelled extensively to the Maritimes. I apologize. I had several repetitions of the same question by Senator Hastings on my mind. So I am sorry if I mistook you for Senator Hastings. I really think, though, your ghost was there.

I know Senator Stewart is very interested in the co-op movement, as he is in representing his area. Maybe he will tell us what reason kept him away from these sittings now that he has told us he was not there.

Senator Hébert: Since your memory is coming back to you, Senator Simard, do you remember exactly the terms of the promise that you made to these poor people over there when you said to them that you would take care that an amendment would be brough in? It is not on this subject.

Senator Simard: Don't paraphrase, just get the right quotation. I answered that question earlier.

Senator Stewart: It seems to me that Senator Simard had the same problem with regard to Bill C-21 as he has now with regard to Bill C-62. I remember very well the way the faces of the people lit up in Canso when he made his commitment regarding Bill C-21. However, that is an episode which is behind us, I hope.

During the debates on amendments this week, again and again the question of the role of the Senate with regard to legislation has come up. It came up this evening in exchanges that Senator Graham had. Senator Molson raised it this evening as he did yesterday. I want to say a few things about this, because the question of the proper role for the Senate in legislation is on all our minds.

There are those who see no use whatsoever for the Senate in the legislative process. They are abolitionists. They contend that the Senate really has no legitimate part to play in Parliament as a legislative body.

They reach that conclusion by a three-step thought process. The first step is the assertion that a Senate active in legislation is inconsistent with responsible government. That argument was made before Confederation. It was made in 1865 in the Confederation debates. It has been made again and again and yet again since 1867. Prime Minister Brian Mulroney constantly makes it.

The argument is that the executive government is responsible to the House of Commons, and that the House of Commons, in turn, is responsible to the people. A second house, whether appointive or elective, is unnecessary. It has no proper role to play in the legislative process. That argument failed in 1865 and 1867. Confederation would have been impossible on the basis of a single responsible government. I remember Senator Roblin making that point in a notable speech which he gave to this house in 1987.

Let me quote a former member of the Senate of Canada on this very point. I am quoting Senator Arthur Meighen from a paper which resulted from a speech he delivered in 1937:

> "Our Maritime Provinces declined to enter Confederation if the control of Canada's parliament was to be wholly in the hands of a majority, because under those circumstances they felt their views would be swept out of effect by the larger populations in our mid-continent areas. Lower Canada also insisted on the territorial principle, and that principle is still the basis of the Senate's composition. From this it is clear that there devolves upon the Upper House a duty of having special and peculiar regard to minority and sectional rights in Canada, to see that the majority exercises its full force in the representative chamber where population control is not permitted to ride over the proper rights and privileges of minorities.
>
> Or—to put the point in another way, the Senate has the particular duty of standing guard over the Constitution as it applies to all sections of Canada, of making certain that provincial rights are maintained inviolate, that the relationship which the British North America Act established between the provinces on the one hand and the Dominion on the other hand is respected, whatever may be for the time being the arbitrary action of a bare majority."

That is from page 153-154 of the *Queen's Quarterly*, 1937.

• (2330)

A few lines further down in his article, Senator Meighen said this:

> The Senate is not a representative chamber; its personnel does not spring directly from the spoken word of the people; yet it is as much a chamber of the people as is the House of Commons. Its members do not come from any special class or caste, as in some lands; they come from the ranks of the people; they have popular sympathies and popular interests at heart. The Senate was constituted by the people through the Fathers of Confederation, and ratified by the vote of the country, because in the belief not just of a few but of this whole Dominion it was in their interests that there should be a review of Commons legislation, with special protection of minority, sectional, and territorial rights. Of all these delegated duties the Senate is the trustee; most of them it shares with the Commons and has responsibility just as direct as has that House, and it should make it a duty hour by hour to live up to the full standards which were doubtless in the minds of the Fathers of Confederation and which today are as vital to Canada as they were at that time."

Then Senator Meighen says this:

> There are those who say: You should be very chary about reversing the will of the elective chamber; in fact, if you do so more than once or twice, you should prepare for your demise. You are not elected and, therefore, you have not the same rank and status as those who are elected.

Senator Meighen proceeds to rebut that position and comes to the following conclusion:

> If those considerations are to be in the mind of members of the Senate, they never can discharge properly the functions which are theirs, nor can the Senate in these circumstances be more than a mere replica of the Commons, and its performance will become a wasteful repetition of the debates and controversies which take place in the other chamber.

He undertakes to talk about the situations in which it is proper for the Senate to alter, and indeed to reverse, the policies set forth in bills from the House of Commons.

"Here would be my answer", says Senator Meighen:

> Where there is a mandate for legislation which comes before the Senate; where such legislation was clearly discussed and placed on the platform of the successful party in an election, then only in most exceptional circumstances should there be any attempt or desire on the part of the Upper House to refuse to implement a mandate by its concurring imprimatur. No one, however, who has thought the subject out, can say that under no circumstances should legislation coming to the Senate from the Commons, though clearly supported by a popular mandate in an election, fail support in the Second Chamber. It has been plainly and tersely enunciated by Sir John MacDonald, by George Brown and by Maritime statesmen, as well as by Taché of Quebec, that one of the Senate's duty, or one of its duties, is to see that wise legislation, having for its purpose nothing but the public good, is allowed, irrespective of mandate, to become law, but in certain conceivable events to see to it as well that the public of Canada, which may at one election have endorsed extraordinary proposals, has opportunity, if such proposals are of a particularly dangerous or revolutionary character, to think the subject over again; in a word, that the Senate may, under certain circumstances, be allowed to appeal from the electorate of yesterday to the electorate of tomorrow.

He then talks about bills where there is no clear mandate. What he has said in the passage that I have just now read is that sometimes even when there is a mandate, it is the duty of the Senate to refuse to co-operate. Then he turns to the situation where there is no mandate. This is what he says:

> The great mass of legislation has, however, no relation to any special dictum of the people in an electoral contest at all. The great mass of legislation springs from circumstances of the hour. Something has to be done, in the judgement of the administration, and the administration works out its solution in such manner as it deems fit, and submits that solution to Parliament. There is no question of a mandate at all in the case of at least ninety-eight per cent of the measures which come to either House.
>
> In such a situation the Senate does what it thinks best without any thought of the government having a mandate for that particular measure.

What do our abolitionists say at this point? "Nice theory! Nice rhetoric!" That is what they say.

The truth of the matter, argue the abolitionists, is that rarely, if ever, have senators consistently represented the interests of the people in their provinces. The reason that they haven't done so is obvious. They have no genuine motivation to represent them. They become lazy. They join the club patronage, and then they doze off.

Senator Frith: Then they what?

Senator Stewart: Doze off. I don't mean tonight.

"Regardless of the rhetoric," says the abolitionist, "the Senate is useless. The Senate never does anything worthwhile."

The defenders of the Senate have a reply. They say; "But that is not true, it is not true that the Senate is always inactive. Think of those great years after 1896, when the Conservative senators were giving the Laurier government a hard time. Think of the great years after 1911 when the Liberal senators were giving the Borden Conservatives a hard time. Think of the years after 1925 when the Senate was giving Mr. King's government a hard time. Think of what happened after 1935. Think even of what happened in the period of the Diefenbaker government." "Ah", replies our abolitionist, "that brings me to my third point. What you have said is that the Senate comes to life only when motivated by partisanship. Having no independent motivation to do anything, most senators run with their own herd. True, sometimes some of them rise in their places to reveal deep and earnest concerns about government bills, but then, making a virtue of faith and obedience, they announce that they are prepared to follow the leader."

The opposition plays the same game. "You quoted Arthur Meighen," says the abolitionist; "now it is my turn." And what did he say in that very same speech?

The Senate is worthless if it becomes merely another Commons, divided upon party lines and indulging in party debates such as are familiar in the Lower Chamber, session after session. If the Senate ever permits itself to fulfil that function, and that alone, in the scheme of Confederation, then the sooner it is abolished the better." "Once it becomes partisan," says Arthur Meighen, "the sooner it is abolished the better. This practice is not to be deprecated in the House of Commons. If we are going to have a democracy, the practice must continue. There has to be parties and party manoeuvres. There have to be conflicts and controversies inumerable in variety and wearisome in length."

● (2340)

> The great scheme of bringing sections together, letting each see the viewpoint of the other, has to be worked out in the representative chamber. Sometimes, we are too impatient and critical of governments in allowing what

seems an inordinate time for the discussion of public business. That discussion is good, but it is not the function of the Senate. Members of the second chamber must get away, lift their minds far from these hard-drawn lines of party or they cannot serve the country.

The Senate has a more prosaic task. Its duty is to see that great principles upon which the Dominion has reposed are carefully reflected in its statutes, to design legislation so as to meet the realities of business, to review and temper proposals of the other House so as not necessarily to discourage enterprise or restrict the area of employment; to oppose the ravages of partisanship from whatever source they come, and at least to give public opinion time and opportunity to be deliberate and to be understood; to be governed not so much by emotional appeal or fleeting spasms of popular fancy, but to listen to the accountant, the operator, the employer, the employee and the unemployed, and to make sure that legislation when finally passed will work with fairness and facility. The Second Chamber should be a workshop and not a theatre. For this function the Senate was created, and this function it must with thoroughness and fearfulness perform.

"So you say," says the abolitionist, "that from time to time the Senate has come to life, but you admit that it has come to life only in situations where party motivation operated. Senator Meighen himself has said that if the Senate becomes motivated by partisanship, it should be abolished. So, Arthur Meighen is a witness on my side," says the abolitionist. "Conclusion: Partisan motivation corrupts the Senate. Senators, however, lack independent motivation. Ergo, the Senate is useless. It should be abolished."

Now, honourable senators, that is precisely the conclusion that was reached by John N. Turner in 1960. He set forth his conclusion in a paper entitled, "The Senate of Canada-Political Conundrums." I will not read as many passages from this paper as I had intended.

Senator Doody: That would be nice.

Senator Stewart: Well, honourable senators, we can adjourn, if they wish.

Senator Simard: We might as well use the six hours.

Senator Stewart: Thank you, honourable senators. This is what Mr. Turner said, in his concluding paragraph,

> "Now, finally the conundrum can be stated. The Senate in terms of current facts no longer plays a useful part in the Government of Canada. Its historic purposes have been lost. It no longer operates, albeit through forces beyond the control of its own members, as a restraining influence on legislation. Its initial historical function, that of representing and protecting the rights and interests of the provinces was never discharged, and it is scarcely equipped with the necessary mandate for that role today. Consequently, the argument for its abolition is difficult to resist."

[Senator Stewart.]

Then he goes on to state the conundrum: How can we get rid of this dead body, how can we bury it? His final sentence is this: "Political bodies are notoriously long in dying. In a federal state they live well past the age of usefulness." That was Mr. Turner's conclusion in 1960.

His conclusion was that the Senate is a constitutional relic. It does no good, and in that judgment, Mr. Turner has been supported by Ed Broadbent and by Brian Mulroney. The NDP is perfectly delighted to have the support of the Prime Minister and of Mr. Turner because the NDP seeks to destroy the Senate.

The Labour Party in Great Britain saw the House of Lords as an obstacle to its policies. Likewise the NDP sees the Senate as an obstacle to what it calls "democratic socialism." The more the leaders of the Liberal Party and the Progressive Conservative Party destroy the credibility of the Senate, the more the members of the New Democratic Party rejoice.

Some of us came here in 1984 knowing what the academic and the popular views and, indeed, what the political leaders' views of the Senate are. We thought we would experiment. True, we could not make it elective. We could not make it equal on our own. But we might try to make it more effective. That is something of what has been behind the activities of the last six years, the activity in which we are engaged this very day.

Senator Murray is here tonight and I am glad he is.

Senator Murray: We waited until after the government changed before you began to introduce these ideas.

Senator Stewart: Senator Murray, history will show that that is not a fair comment. If you check the record of the Senate, what you will find is that it was not until there was a disagreement on a major constitutional principle concerning the borrowing authority bill that the Liberal Opposition became active in relation to the new Conservative Government. That is a matter of fact. We felt that the members of the Opposition Parties in the House of Commons had not defended the principles of the Constitution properly. They had not insisted as Mr. Wilson and Mr. Clark had insisted back in 1982 that the borrowing authority bill be in proper form. We were drawn into that controversy. It was only then—it was not as if the first day we were back here after the 1984 election that the Liberal senators suddenly started the effort to which I have just now referred.

Hon. Finlay MacDonald: They even said they would do that when they came back.

Senator Frith: No, they did not.

Senator MacDonald: They were on record as saying that they were not going to let—

Senator Stewart: That is very helpful. It is nice to have this interruption.

Senator Murray: The fact is, you were completely docile during those months in 1983 and 1984 while your friends were still in power.

Senator Stewart: I was summoned to the Senate in January of 1984. I was not able to attend here regularly because of my academic duties until the end of the academic year at Saint Francis Xavier University. I came in about one day a week. Senator Murray, please do not make these gross generalizations when you have not checked the record. It only serves to prolong the discussion and to show that Senator Simard is not the only one who is haunted.

Senator MacDonald: What did you do to change his place?

Senator Stewart: Well, we have been active, Senator MacDonald.

Senator Simard: Since September.

Senator MacDonald: What did you do specifically?

Senator Stewart: It will take me some time, Senator MacDonald, but I would be more than happy to describe what has gone on since 1985.

Senator MacDonald: Did you do anything more important than the principle of establishing that the bills were going to be handled consecutively?

● (2350)

Senator Stewart: Senator MacDonald raises the question of pre-study. Is that what you wanted to raise, Senator MacDonald?

Senator MacDonald: Did you do anything more important than that?

Senator Stewart: Yes. There is. For example, the transportation deregulation legislation in 1987. You were there. You know members of that committee worked very hard. Mr. Crosbie was prepared to accept a large number of amendments, much to his credit. His attitude toward amendments from the Senate was very different from that of some other ministers.

I come now to the Emergencies Bill, Senator MacDonald. I know you remember it because we dealt with it in Committee of the Whole. That bill came to us from the House of Commons with a clause that permitted the governor-in-council to introduce conscription for overseas service without ever coming to parliament.

Senator MacDonald: I remember that. You made the amendment on third reading.

Senator Stewart: Not at third reading, in committee. I do not know the point of your question. You seem to say, yes, you did this, and yes, you did that, but I thought the thrust of your question was that nothing had been done since 1984.

Senator MacDonald: I was asking you what was important. There is nothing different about the way in which the legislation is being handled. What did you do that was different?

Senator Stewart: We offered a number of amendments, many of which were highly contentious. In some instances those amendments were accepted by enlightened ministers in the other place. Many were turned down, not on their merits, but on the basis of the modern Conservative interpretation of the Constitution. If you want me to take you through this verse by verse, I will but I do not think that this is the best hour of the day for that kind of detailed work.

Senator David: We are in the morning, sir.

Senator Stewart: I meant the 24-hour day.

What has been Senator Murray's attitude toward the Senate? As I said, I am pleased he is present. As I read his attitude, when he thinks of the Senate, he sighs a little. It is here, and, like John Turner, he must live with it. He asks himself how can the Senate play any legislative role without getting in serious trouble with the prime minister and his ministerial colleagues? His answer is "pre-study." Senator Finlay MacDonald, too, has, from time to time, advocated the revival of the practice of pre-study.

According to Senator Murray, if I understand him correctly, pre-study has two important merits—it may have others, but these are the most important. First, with pre-study, when the House of Commons sends up a clutch of bills shortly before Christmas or the end of June, they can be dispatched rapidly. They have been pre-studied by Senate committees, and the government has incorporated amendments, sought by senators in committee, in the bills as presented in the House of Commons. In other words, the Senate should act as a lobby, not as a major part of parliament.

Second, pre-study avoids confrontation—that is a word Senator Murray likes—between the Senate and the Government. After all, confrontation serves to annoy the prime minister and remind the public that the Senate still exists. Senator Murray has deplored the unwillingness of Liberal senators to engage extensively in pre-study since 1984.

Senator Molson is an even more ardent supporter of pre-study if that is possible. Again and again he has lamented the abandonment of pre-study in the last few years. I spoke with Senator Molson earlier this evening and told him I was going to say a word or two about his attitude toward pre-study. He said that he would like to be here, but he had other commitments.

Yesterday, November 6, Senator Molson told us that if Bill C-62 had undergone pre-study, it would be unnecessary to debate amendments at this stage. This evening he told us exactly the same thing. He said that if the topics of the amendments put forward this week had come up in pre-study, they could have been dealt with by the government, probably accepted and incorporated into the bills before they came to the Senate. That is most interesting.

There is another side to this pre-study story. There are those who believe that whatever was intended in practice, pre-study came to discredit the Senate. With pre-study, so the argument goes, the Senate ceased to be merely useless—it began to exert a positively bad influence. That view has been stated again and again. An early version, which was not exactly pre-study, appeared in the *Globe and Mail* back in 1965. The classic statement appears in a book entitled *The Canadian Senate, a Lobby from Within* published by McMillan Company in 1978. The author is Dr. Colin Campbell, S.J. Dr. Campbell has had

a distinguished academic career. He was at York university until he was called to a professorship at the Catholic University. I am told that his departure from Canada was a genuine loss.

What did Campbell conclude after his careful study of the Senate? I will summarized his conclusions. First, he concluded that certain senators were keenly interested in improving bills that dealt with business matters, especially with corporate and financial institutions. Second, he shows that these senators came chiefly from Toronto and Montreal. Third, he shows that they controlled the Standing Senate Committee on Banking, Trade and Commerce. He argues that, through prestudy, they attempted to assure that bills were "improved," quietly if possible. Fourth, he concludes that the Banking committee became an institutionalized lobby on behalf of business, particularly of financial business. Fifth, this lobby differed from ordinary lobbies operating around Parliament because its members were Members of Parliament in the Senate. They had special access, extraordinary bargaining power and were paid and housed at public expense. In short, it was a lobby from within.

Honourable senators, I would be happy to document my summary of his argument by reading passages from his book, but I will spare you at this hour.

● (0000)

Senator Frith: We accept what you say.

Senator Stewart: If anyone doubts this, I would be more than happy to make the book available.

The point is that, if pre-study is ever again to be considered seriously by honourable senators, Father Campbell's argument must first be refuted. It may be that he overstates his case, and he may have overstated it deliberately. He says at page 163:

> These proposals are meant to stimulate discussion. They follow an essential theme in this series of books on Canadian controversy.

It may well be that he is overstating his case so as to bring on a lively discussion.

But I cannot conclude my reference to Father Campbell's book without reading one or two quotations, and I will be brief. At page 147 he states:

> The Senate primarily protects the interests of major business and financial concerns. To do this, it regularly challenges, delays and, at times, amends or deletes legislative provisions that might endanger major business and financial concerns or might overlook "good" business practice. This role is called business review.

In his conclusion, he states:

> After an in-depth analysis of Canadian senators and their legislative roles, this book urged that the Senate be abolished because it fosters a haven for the lobby from within.

An Hon. Senator: In what year was that book published?

Senator Stewart: In 1978. He names some senators who are well known to us, some by recollection and some who are here currently.

Senator Corbin: On both sides of the house?

Senator Stewart: Yes, on both sides of the house.

Senator Frith: Does he identify the Banking, Trade and Commerce Committee as the lobby from within?

Senator Stewart: Yes. The Banking, Trade and Commerce Committee is the locus of the lobby from within. That is where the lobby from within operated.

Senator Simard: Are we dealing with the amendments relating to co-operatives?

Senator Stewart: Yes, Senator Simard. The amendment relating to co-operatives has to be set in this background, as it was set in this background by Senator Molson.

If honourable senators are really interested in reviving pre-study, that they have to take on Dr. Campbell's argument. It is believed from coast to coast in universities where our young people are taught. I am sure this is what premiers of some provinces—and perhaps the premier of the Province of New Brunswick—were taught as undergraduates.

Hon. Raymond J. Perrault: Honourable senators, I had the opportunity to debate Father Campbell on this very subject. In the course of cross-examination I asked him to cite specific instances in which improper influence had been exercised by senators to influence bills or to favour corporations. He was unable to cite one specific example—no evidence whatsoever.

I also had the opportunity to meet him in Ottawa, and I would regard his survey of the Senate operation as rather superficial.

Senator Stewart: That may be your reaction. But that, in a sense, has to be qualified in two ways. First, you have to read the book. He does cite instances there. He cited one case where Senator Hayden had actually described how they had gone about their work. I went to the Library to get a copy of the page to which Dr. Campbell referred and, sure enough, it was there.

The book, from an academic viewpoint, appears to be sound. I would not say "excellent," but "good to very good."

The second thing you have to remember, Senator Perrault, is that, even if the book is totally wrong, this is what is being taught about the Senate. This contributes in a serious way to the hostility which prevails in the minds of people, particularly of the young people in Canada, toward the Senate. If it is not true, it ought to be refuted by those who are advocates—

Senator MacDonald: Senator Perrault has just come into the chamber. Could you start all over so that he can catch up with you.

Senator Stewart: If you wish, Senator MacDonald, I would be more than happy to comply with your request.

Senator Frith: He did not just come in.

Senator Stewart: If honourable senators wish to move the adjournment, I would be delighted to resume tomorrow.

Senator MacDonald: You are taking in vain the name of a great Liberal senator, Salter Hayden. You should be ashamed of yourself.

Senator Stewart: Senator MacDonald, you have to face the facts. The facts are that a reputable scholar has published a book which states that some senators acted as a lobby from within. He mentions the senator whom you have named. He mentions others.

Whether we like it or not, this book is in the public domain. It is required reading in universities. In this democratic era, authority is not a matter of office; it is a matter of opinion. If the people do not believe that the House of Commons or the Prime Minister or the Senate are legitimate, then they are not legitimate. A book such as this erodes the legitimacy of the Senate. That is my point.

This kind of thinking influences people, Liberals and Conservatives—and New Democrats, of course, rejoice in it. They knew it all by intuition.

Honourable senators, I come now to Bill C-62.

Let me suggest, honourable senators, that this bill has been badly managed by the government. I do not say that this was done deliberately. But, for one reason or another, the bill was badly mismanaged.

Evidently, the government wished the Senate to give the bill its second reading before Easter. The Liberal senators would not agree to an "Easter closure" on the second reading debate. Rather, they proposed on April 11, 1990, at page 1499 of the *Debates of the Senate*, to send the bill to a committee after first reading—after first reading.

Senator Frith: That whole idea was instituted by Senator Murray and Senator Flynn—to send a bill to committee before second reading.

Senator Stewart: Senator Roblin's face lit up at that suggestion. He said: "Ah! That will be pre-study." But that course of action was rejected out of hand by Senator Murray. He thought there was some great Liberal plot.

Then, immediately after the Easter recess, the bill was given second reading, on division. That took place on May 3. It was sent to committee.

On June 27 the government had the Senate adjourn for three months. There was no urgency. The government refused to call Parliament back earlier than September 25 to deal with public business, such as the Gulf crisis or Bill C-62.

The truth is that for months the government has misread the situation with regard to the Liberal attitude toward Bill C-62. There are three basic truths that have to be remembered.

The first is that the reaction of the Liberal members of the committee to Bill C-62 was determined in the hearings. Otherwise, the bill would have been axed, to use Senator Molson's term. It would have been axed on the second reading motion on May 3.

● (0010)

We know that is what the New Democratic Party is saying. They are saying that the Liberals had no intention of killing Bill C-62. It is all a little charade. If they had wanted to kill the bill, they would have done so on May 3 when they had a majority in the Senate. That is what the NDP is saying.

I tell you, honourable senators, there was no intention on May 3 to axe the tax. We could have done it quite simply and cleanly. The attitude of Liberal senators changed dramatically over the summer. I know that is true of Senator Olson. I know it is true of Senator Buckwold.

Senator Frith: And Senator Lucier.

Senator Stewart: I don't know about him. It was the hearings that made the difference.

The second truth that has to be remembered is that the Mulroney government would have rejected any Senate amendments to this bill. I say that with Senator Molson particularly in mind because he was talking about what would have happened had amendments been sent over earlier. By postponing the third reading stage to this point the Senate, he says, has deprived itself of a realistic opportunity to have the bill amended. He argues that these amendments are good and ought to have been sent to the House of Commons, but that now it is too late.

I say that the truth of the matter is that the present government, as a matter of principle, would not have accepted any amendment regardless of its merit. That position was asserted by the government in the message sent from the House of Commons on June 18, 1990, with regard to Bill C-28 where the amendments are rejected because:

> . . . the amendments violate the traditional legislative role asserted by the Commons in fulfilment of its obligations under Sections 53 and 54 of the *Constitution Act*, 1867 . . .

Senator David: Who said that?

Senator Stewart: That was the message from the House of Commons regarding Bill C-28. It was dated June 18, 1990, and appears at page 1167 of the *Debates of the Senate*.

Senator Molson misleads himself if he thinks that three months ago or six months ago or eight months ago anything would have happened had we sent amendments to Bill C-62 to the House of Commons. On the grounds of constitutional principle, as understood by the present government, those amendments would not have been received.

Senator Frith: Wrong grounds but right, they thought.

Senator Stewart: I do not concede that the grounds are right but certainly that is the position the House of Commons stated, and that is the position that Senator Murray has repeatedly stated. With regard to Bill C-28, I said, "Can you not consider these amendments on their merits without getting into this interminable discussion about the implications of Sections 53 and 54?" He said, "No, we cannot." So the same argument would have applied in the case of Bill C-62 today, two months ago, four months ago, six months ago.

Why, then, are we moving these amendments now? Not because we think Liberal senators, even if they were a majority, could persuade the Mulroney government. However, we know there are independent senators in this place who believe some of these amendments are very good. We also know there are some Progressive Conservative senators who would like to

be able to vote to remove the tax on books, to remove the tax on fuel in remote areas of the country, and to change the tax on co-operatives.

I can look across the floor and see people who, from personal experience, think these are good amendments and who lament, perhaps quietly, that they were not accepted when they were moved in another form in the House of Commons. So our hope is to persuade independent senators and some others who because of their experience realize the implications of the bill as it now stands. That is why we are moving the amendments. We know that with their support the government may listen. It will not listen to Liberals, but it may listen to Conservative senators and to the independents.

The third truth is that when you come right down to it, the basic strategy of the government has been to impose a form of closure on Bill C-62 in the Senate. It would have preferred what I will call an "Armistice Day" closure so that the Prime Minister could have the two houses away for December, January and February. Alternatively, as a backup, it proposed to have "Christmas closure."

Why are independent members of the Senate being "Christmas closure?" It is because the government believes that by imposing this kind of closure it will be able to keep some senators—independent senators such as Senator Molson and perhaps some Progressive Conservative senators—from voting for amendments which commend themselves on their merits to those senators. They are boxing them in. They are saying there is not enough time for amendments.

Senator Frith: And Senator Molson snapped at it.

Senator Stewart: And Senator Molson snaps at it day after day after day.

I have to congratulate Senator Murray insofar as Senator Molson is concerned. He has Senator Molson swallowing hook, line and sinkder.

Some Hon. Senators: Hear, hear.

MOTION IN AMENDMENT—DIVISION DEFERRED

The Hon. the Speaker: It has been moved by Senator MacEachen, seconded by Senator Fairbairn:

> That Bill C-62 be not now read the third time but that the Bill be amended to make membership in a co-operative a zero-rated supply and to make provision for that portion of direct charge service fees of co-operative corporations that finances the overhead for the supply of goods and services listed in Schedule VI,
>
> (a) by striking out line 28 on page 44 and substituting the following:
>
> "share in a credit union or co-operative corporation as defined in the *Income Tax Act* issued by a person"; and
>
> (b) by adding to Schedule VI on page 342, and numbering accordingly, a new heading and Part as follows:
>
> DIRECT CHARGE SERVICE FEE OF A CO-OPERATIVE CORPORATION
>
> 1. That portion of a direct charge service fee levied in a period by a co-operative corporation that bears to
>
> (a) the total direct charge service fees levied in the period
>
> the ratio that
>
> (b) the total value of zero-rated supplies (other than those under this Part) made by the co-operative corporation in the period
>
> bears to
>
> (c) the total value of supplies (other than direct charge service fees) made by the co-operative corporation in the period."

Is it your pleasure, honourable senators, to adopt the motion in amendment?

Some Hon. Senators: Yea.

Some Hon. Senators: Nay.

The Hon. the Speaker: Will those honourable senators in favour of the motion please say "yea"?

Some Hon. Senators: Yea.

The Hon. the Speaker: Will those honourable senators who are against the motion please say "nay"?

Some Hon. Senators: Nay.

The Hon. the Speaker: In my opinion the nays have it.

And two honourable senators having risen:

Senator Petten: Honourable senators, pursuant to provisional Rule P(3)(a), I request that the division be deferred until 5:45 p.m. on the next sitting day.

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

Some Hon. Senators: Agreed.

The Hon. the Speaker: Honourable senators, the division is deferred, and therefore, pursuant to the Order of this Honourable House, I declare the Senate adjourned until tomorrow at 2 p.m.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Thursday, November 8, 1990

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

REMEMBRANCE DAY

"LEST WE FORGET"

Hon. Jack Marshall: Honourable senators, as is our custom in this chamber each year, I rise to join with Canadians who will gather at memorials across the country on Sunday, November 11, to pay tribute to more than 100,000 veterans who gave their lives at the call of their government leaders to help preserve peace not only in Canada but throughout the world.

Since the two world wars and Korea, many thousands of tributes are paid each year to fallen comrades in cities, towns and villages across the nation. Certainly contained in those tributes are exclamations of the preservation of peace and freedom which we enjoy through the sacrifice of young patriotic Canadians, both men and women.

But today the growing unrest around the world and even in Canada seems to portray a different picture, which begs the question: Is anyone listening? To emphasize, honourable senators, I offer a contrast with the threat of the Iraq crisis and a significant ceremonial event which took place in neighbouring Turkey just a few months ago, when I had the honour to lead a Canadian delegation to commemorate the 75th Anniversary of the Battle of Gallipoli in which the now-Canadian Royal Newfoundland Regiment fought. The President of Turkey, in his welcoming address, uttered remarks that were unusually touching and worth repeating many times over. This is what he said:

> This year 1990 is a special one for all of us here. We have come together to consolidate our friendship, to immortalize our dead who have fallen on this land and to remember and better appreciate the respective qualities of all those who were involved in the campaign.
>
> This indeed is a special anniversary, for we have among us a handful of the original landing and defending parties still alive and determined to travel to the spot, to embrace each other with affection and respect in the presence of high level official delegations from their respective countries.
>
> Perhaps ten years hence, no one would remain to come back again to Gallipoli, but they would adorn for ever one of the brighter pages of history. Their bravery and gallantry will remain as exceptional examples for the admired virtues of our race.
>
> On the 75th anniversary of the Gallipoli Campaign we recall in reverence and with gratitude, the memories of those who have given their lives in the service of their respective countries and we solemnly declare that we shall cherish, treasure and pass on this valuable asset and common heritage of ours intact to the generations to come.

He went on to say:

> I have no doubt that the deep feelings we all share today are best reflected in the following words of Kemal Ataturk, the founder of the Turkish Republic.
>
> "To heroes who have shed their blood on the soil of this country:
>
> "You rest here in the land of a friendly nation. Sleep in peace and tranquility. You lie together side by side with Turkish soldiers in each other's embrace.
>
> "To mothers who have sent their sons to war from distant lands:
>
> "Shed no more tears. Your sons are now in our hearts. Calm and serene, they will sleep in repose and tranquility. In losing their lives on our soil, they have become our sons as well."

Honourable senators, as we contemplate our future expressions of freedom, peace and unity, we should remember those words of the leader of a country which was our enemy, and to reflect on the real meaning of remembrance while we ponder our future in this great Canadian nation.

Some Hon. Senators: Hear, hear.

Hon. M. Lorne Bonnell: Honourable senators, on behalf of members on this side, I join with Senator Marshall in his words of trubute, which are always apropos at this time when we stop to consider for a moment those who laid down their lives to keep our country free. Earlier this year I had the privilege of going to Holland to celebrate the forty-fifth year of the liberation of that country by Canadian troops. Senator Barootes was a member of the delegation, and he will know that, as a result of the efforts of our men and women, Canadians are much appreciated by that country. Everywhere we went there were signs, banners, and placards saying, "Thank you Canada for your efforts." It is a time that we should all stop and remember. Many times I think we do not remember often enough. I noticed in Holland that thousands of schoolchildren were out on the street to thank Canada for saving their country. Our own schoolchildren do not seem to realize what Canadians have done in the fight for freedom. I sometimes think we should take young Canadian students on pilgrimages to other lands to show them how the people of

those lands appreciate what Canadian forces did to relieve them of the tyranny of Germany and other countries.

I am rather saddened to think that as we remember our war dead and our veterans on Armistice Day, our Governor General is leaving Canada and will not be here with the rest of us Canadians, particularly those who were prepared to lay down their lives. Forty-five years ago we were at war with Germany and Japan. On November 11, for those two minutes before 11 o'clock, it would be nice if history were recalled and the Governor General was at the Cenotaph to remember those Canadian who gave their lives for this country. However, let us remember, and let us try to be present at the various cenotaphs in our homeland, rather than here in this chamber, where we sometimes get carried away and tend to forget that others were prepared to put up the real fight for this country, for freedom and for democracy.

[*Later*]

So let us move forward to November 11 and remember those who laid down their lives, and those who were prepared to lay down their lives, not only in the morning but with the going down of the sun.

Hon. Anne C. Cools: Honourable senators, I would like to join in the sentiments expressed by Senators Marshall and Bonnell on the occasion of Remembrance Day. Since those senators raised this very important issue, I thought that perhaps Senator Marshall and the veterans would appreciate it if we called attention to the symbol, the poppy, that many of us are currently wearing, and will be wearing, for the next several days, which is a flower that grew in what was known as Flanders Fields. If senators will turn their attention to the above painting on the walls of this chamber which was donated by Lord Beaverbrook, they will see that the painting on the wall is that of Cloth Hall, at Ypres, Flanders, which was destroyed during World War I. It was in this area called Ypres-Salient that John McCrae wrote the poem *In Flanders Fields*, and that large numbers of Canadians died. It is this particular area that the painting depicts.

Honourable senators, I share these sentiments with you on the spur of the moment, because that is what remembering means; it causes us to bring to mind the rites, the symbols and the memories of those Canadians who died and of those Canadians who are buried in this area of Flanders, now in modern day Belgium.

A few yards from the particular building in this painting, which has now been rebuilt, they still play taps every night in remembrance of the vanquished soldiers. In this particular area in Flanders, which is a very small community, Canadians are well received beacuse Canadian participation in Flanders is still very much alive in the minds of the Flemish people.

ROYAL ASSENT

NOTICE

The Hon. the Speaker informed the Senate that the following communication had been received:

[Senator Bonnell.]

RIDEAU HALL
OTTAWA
K1A 0A1

THE SECRETARY TO THE GOVERNOR GENERAL

8 November 1990

Mr. Speaker,

I have the honour to inform you that the Honourable Charles Gonthier, Puisne Judge of the Supreme Court of Canada, in his capacity as Deputy Governor General, will proceed to the Senate Chamber today, the 8th day of November, 1990, at 5:15 p.m., for the purpose of giving Royal Assent to a Bill.

Yours sincerely,

Judith A. Larocque
Secretary to the Governor General

The Honourable
The Speaker of the Senate
Ottawa

[*Translation*]

GENERAL ASSEMBLY OF THE ASEAN INTERPARLIAMENTARY DELEGATION

PRESENTATION OF REPORT OF THE JOINT PARLIAMENTARY DELEGATION

The Hon. the Speaker: Honourable senators, I have the honour to table the report of the joint parliamentary delegation which attended the eleventh general assembly of the ASEAN Interparliamentary Delegation, held in Singapore, from September 10 to September 15, 1990.

• (1410)

[*English*]

GOODS AND SERVICES TAX

PRESENTATION OF PETITIONS ON BILL C-62

Hon. Anne C. Cools: Honourable senators, on behalf of several petitioners, I should like to present some petitions. I know that many senators opposite consider this to be a very boring process, quite unexciting and uninteresting, and they have told us so on several occasions. Try as I might to make it more exciting for them, I find that essentially, there is no way to make them exciting for the honourable senators opposite.

This particular petition states: "Wherefore, the undersigned, your petitioners, humbly pray and call upon your Honourable House to reject the proposed goods and services tax."

(*Names of signatories read*)

Again, I would assure honourable senators that upon receipt of these petitions I took the time and the trouble to peruse them carefully to ascertain whether they are true documents; that they are what they purport to be; that there are no

duplications in the signatures; that there are no forgeries that I can discern; and that, in point of fact, they are legitimate documents bearing legitimate signatures. I have examined them carefully and I notice that the ink is different, the pens that were used were different, and the handwriting is different in each case.

These are all from citizens of Canada and, in particular, from the province of Ontario, who are availing themselves of the ancient right of praying to us to have this particular grievance redressed.

(*Names of signatories read*)

Honourable senators, as I have said on many occasions as we have presented these petitions to the chamber for consideration, these petitions and the petitioners seem to be representative of the area from which they come. It is worthy to note that these petitions seem to be coming from all the little hamlets and towns, and the municipalities and districts of Ontario. Honourable senators will also note that these petitioners reside in northern Ontario, eastern Ontario and, in fact, in every area of this province.

(*Names of signatories read*)

● (1420)

Honourable senators, I observe here a signature of someone who resides in Newcastle. Newcastle is a small community that many would think has no particular interest. However, it does have some historical interest. Newcastle was the area where Daniel Massey established a company that was then called the Newcastle Foundry which, over time, grew and became the Massey Ferguson Company. It was in that community that the Masseys put down roots of what was to become considerable wealth and, as was the tradition of the Massey family, considerable civic involvement.

The Masseys, with the exception of Vincent Massey, were strong Methodists and were very much part of the Methodist tradition of Toronto, which played a critical and crucial role in the financial, religious, civic and social life of the community. Another famous Methodist in Toronto was Timothy Eaton of Eaton's department stores.

Newcastle is also of historical interest because it was the birthplace of Joseph Atkinson. If my memory is correct, Joseph Atkinson's mother made a livelihood from operating a small boarding house for the workers of the Newcastle Foundry.

I feel fortunate that I live in Ontario. It is interesting that one can reach out and touch people and the the history of Ontario and Canada by reviewing and tabling these petitions. Again, from the very same township, Newcastle:

(*Names of signatories read*)

The next petition is from Ontario:

(*Names of signatories read*)

I must say, honourable senators, we should, with some diligence and care, attempt to pronounce these names properly and to spell them correctly, because I have been informed that many people in this country, and particularly in my area, are extremely proud that their names are being mentioned in this chamber. So I would seek the indulgence of honourable senators if I attempt to pronounce these names with some precision, because these little things are very important to people.

I see Senator Kelly getting up to speak, but I am not too sure whether I should stop to let him speak.

POINT OF ORDER

Hon. William M. Kelly: May I rise on a point of order? I do not object to the position Senator Cools is taking on the pronunciation of the names, but I might suggest that honourable senators who have received the petitions may want to check the names ahead of time in the interests of expediency. Page 57 of our rules makes it very clear that only a brief summary of the petition is required and that the names are not reported. The honourable senator has chosen to read the names, and that is fine, but it seems to me that she might want to check them out ahead of time. It must be embarrassing for people who have signed a petition to have senators stumbling over the pronunciation of their names.

Senator Simard: Good point! I second that!

Hon. Anne C. Cools: Senator Kelly, I shall endeavour to satisfy you.

Hon. Royce Frith (Deputy Leader of the Opposition): At least Senator Kelly is listening to the petitioners. That is a major step forward, and I think they will be glad to know that petitioners have a new champion on his side.

Senator Kelly: Thank you.

Senator Cools: I must concur, Senator Kelly. As a matter of fact, it was in response to your comment some weeks ago that I said that we should all be very diligent to ensure there are no fraudulent names; but I must tell you, Senator Kelly, that my upbringing is a little different from that of many in this room. I still stumble over non-English names, because where I was born and grew up I heard no names that were not English.

Senator Doody: You heard a few Irish names.

Senator Cools: I heard names like "Doody" and "Hastings," but I never heard names such as Hnatyshyn or Paproski. Where I grew up the names were all Humphrey, Frith, and so on, but no Greek or Ukrainian names. They are all part of the great multicultural heritage of Canada. I crave your indulgence, Senator Kelly, if I pronounce incorrectly a few names here and there.

PRESENTATION OF PETITIONS ON BILL C-62

The next petitioner is a name over which I will not stumble at all.

(*Name of signatory read*)

In the interests of what over the last several weeks I have learned to be your concern, Senator Kelly, regarding attentiveness to detail, probity and propriety, I should like to call the honourable senator's attention to the fact that this particular page of the petition contains instructions to the people who are

signing. I know that Senator Kelly wants to be sure that all of these petitioners are properly verified and checked. Those instructions to the people signing the petition state that signatures and addresses must be handwritten originals. All of the names on this petition are handwritten originals. The next instruction states that each petitioner must indicate his or her address, and then states that the petition must be free from erasures or interlineations.

• (1430)

The petition gives a return address. It does not say anything about legibility. Perhaps we could address those concerns in the future.

I assure the honourable senator that there are many people circulating these petitions. I am sure they could use all the help and instruction they can get. I also have no doubt that they are getting very good at availing themselves of their ancient rights.

I thought that this information would give some comfort to Senator Kelly, so that he could be assured that all due process was being observed. I would now like to table this petition.

I have the honour to present another petition signed by 25 people. This petition has the same instructions with regard to signature, and so on. "Wherefore the undersigned, your petitioners, humbly pray and call upon your honourable House to reject the proposed goods and services tax."

These petitioners come from Toronto, which is major city not only in Canada but in the world. For many years it had the nickname of "Toronto the Good." In more recent years, however, there has been some deterioration in the city for reasons that I think concern us all as legislators and human beings.

As a resident of Toronto and a senator from that area, some of the changes that have taken place in Toronto have been particularly disturbing to me. I will illustrate one of those changes by sharing with honourable senators the fact that for the first time in my life I saw syringes used for narcotics on the streets of Toronto. Never before have I seen that. I am one of that group of people who would not be able to identify drugs even if I saw them. Yet to my shock, when I was in Toronto recently, I saw syringes on a street corner, and I saw policemen picking them up. I have been told that this is a common occurrence in major American cities, but unfortunately it seems to have become part of the life of Toronto. It is a great tragedy, and something that we should be working to overcome.

Toronto, formerly known as "Toronto the Good," is home to many of us here in this chamber. I believe there are many senators from Toronto, which seems to be a prolific area for procreating senators. Is Senator Poitras questioning the meaning of procreation or the meaning of Toronto?

(*Names of signatories read*)

An Hon. Senator: What is the nationality of that petitioner?

Senator Doody: Canadian. They have to be Canadian.

[Senator Cools.]

Senator Cools: Actually, I do not think a person has to be a citizen to sign a petition. I am sure you will quickly ascertain the facts and share them with us. If you cannot find it in *Beauchesne*, you may find it in *Erskine May*.

Senator Doody: Is that the same one who lives on Bloor Street?

Senator Cools: I do not know if it is the same one, but in lots many of these matters it used to be said that only the grandmother or grandfather knows for sure. While Senator Doody avails himself of the facts of the matter, so that he can enlighten us, may I respond to Senator Bonnell. I would hazard a guess that the name Sexton is an English name. In any event, the name is A. M. Sexton at 50 Bloor Street West. Because I am eagerly awaiting the information from Senator Doody as to whether or not one has to be a citizen to sign a petition, I should inform him that there is a section in *Beauchesne* which states very clearly—but I see the honourable senator is rising; so here comes the enlightenment. Let us be attentive.

• (1440)

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, an alien resident in Canada is entitled to sign petitions. An alien not resident in Canada may not sign petitions.

Senator Frith: How about a resident of Canada who is living with an alien outside Canada, just to complete the possible combinations?

Senator Doody: They are not mentioned here, but they may be mentioned in *Erskine May*.

Senator Cools: Senator Doody is quite right: there is no prerequisite that the person has to be a citizen; but he or she must be resident in the country. Thank you very much.

Senator Doody: You are welcome.

Senator Cools: As always, Senator Doody has again contributed to our intellectual and parliamentary development.

Senator Gigantès: If all Tories were like him, this would be a better world.

Senator Cools: Absolutely. I am having difficulty reading the signature of the next petitioner. One might think that some of these people must be doctors, because some of the signatures are so difficult to read.

(*Names of signatories read*)

Honourable senators, for the time being I shall abandon my petitions. I should tell you that I was able to attend to only 28 of the signatures, and I shall return to this most noble task.

ABORTION BILL

PRESENTATION OF PETITIONS ON BILL C-43

Hon. Lorna Marsden: Honourable senators, I would like to present to this chamber some petitions dealing with Bill C-43, the abortion bill, which a great many Canadian oppose and on

which they are petitioning the Senate not to proceed. I have a petition containing 15 names from Kingston, Ontario. It is presented by a group of mostly retired women.

(*Names of signatories read*)

All of the petitioners call upon the Senate not to pass Bill C-43. The petition is accompanied by a letter explaining their circumstances and hoping that it will be included in the record of the Senate.

I have another petition of 31 names, which I was given last night after speaking to a women's group in Pembroke, Ontario. They all belong to the Women's Information Network in Pembroke, and they too are calling on the Senate not to pass Bill C-43, not to recriminalize abortion, and to pay attention to public opinion. The group is chaired by Jean Lopushanski, and the names and addresses of the petitioners are on the petition.

The next petition comes from Quebec, from places like Ste. Hyacinthe, Montreal, St. Jean and Philipsburg.

(*Names of signatories read*)

All of them call on the Senate not to recriminalize abortion and not to proceed further with Bill C-43.

This petition is signed by 79 people from Toronto, all of whom have the same purpose in mind. The signatures on these pages come from people across the City of Toronto, men and women who call on the Senate not to pass Bill C-43 and not to recriminalize abortion. Among the names I see one of Canada's most distinguished demographers, Professor Nancy Howell, who is a great authority on, among other things, fertility studies from around the world. I see the names of a great many other people who are leaders within the Toronto community.

I have a great many petitions from London, Ontario. Some of them are from a group of people who have been organized by a Mr. Bernie Koenig of London. He is one of the many who are leading the gathering of petitions and who oppose the passage of Bill C-43. Some of the petitioners come from Moore Avenue in London, which, I believe, is next door to Senator Turner. I am sure that Senator Turner will know many of the names. They are calling on him and all of us not to pass Bill C-43. The petition is signed on both sides and, like many others, is distinguished by the fact that it is signed by almost as many men as women.

Here is another petition containing 55 names.

(*Names of signatories read*)

All of the petitioners urge us not to pass Bill C-43.

I have another petition from London, Ontario, again with 59 names, and again on the subject of Bill C-43, urging us to pay attention to public opinion. It is their view that the House of Commons does not consider public opinion. However, the Senate is seeking public input on major bills, and, on that basis, these citizens of Kitchener, London, St. Pauls and the surrounding communities have petitioned us not to pass Bill C-43. Again, senators will see that at least a third of the names among the 55 people who have signed this petition are male.

I have another petition of 40 names, again largely from London, Ontario, but with some others from Thorndale, Hanover, Strathroy, Simcoe, Kitchener, and so on. Again, these are men and women who believe that the passage of this legislation will be very deleterious to health, safety and the rights of the citizens of this country, and they call on us not to pass Bill C-43.

• (1450)

I am going through these petitions very quickly. They are piling up because hundreds are coming in on a regular basis.

The next petition contains 43 names from residents of St. Thomas, London, Manotick, Lambeth, Ingersoll, Brighton, Arcola, Thamesford, Strathroy, and Woodstock, all of whom are calling on the Senate to listen to the concerns of the citizens and not to pass Bill C-43. It is important that these petitions be put on the record, since the vote on this bill is going to be a free vote and the circumstance is such that every individual senator consulting his or her own views on this matter will want to know the input of the citizens.

The next petition lists 53 names from Dresden, Waterloo, London, Iona Station, Kitchener, Hamilton, and a great many signatures from all parts of London, Bridgetown and St. Thomas, the home of the elephant, Jumbo. He died a tragic death in St. Thomas. He was a popular character in St. Thomas. St. Thomas is also the home of some of the most brilliant minds in this country, including the great constitutional lawyer, Mary Eberts. The 53 men and women who have signed this petition from those communities in southwestern Ontario are calling on the Senate, and the senators individually, to consider their views and not to pass this piece of legislation.

The next petition contains 44 names, largely from London, Ontario, but there are also names here from Dunnville, Brantford, St. Marys, Windsor, Chatham, Sarnia, Stouffville and Vienna. All of these petitioners have signed this petition and given their names and addresses in order that senators will know how strongly they oppose the passage of Bill C-43.

The next petition is full to the brim with 55 signatures.

(*Names of signatories read*)

This petition contains the signatures of many residents of London, all Senator Turner's neighbours, and therefore, presumably, splendid citizens who want their voices on the record in this chamber in terms of their opposition to the passage of Bill C-43.

(*Names of signatories read*)

The next petition contains the names of people who are all under the age of 18, who are all non-voters: but, at the same time, this group of 53 young Canadians wish to express opposition to the passage of Bill C-43.

(*Names of signatories read*)

These young people are from London, Talbot; there is one person from Regina, quite a few from the surrounding areas of

London and rural routes, and someone who lives on Richmond Street, which is close to the university. The names include those from St. Marys, Aylmer, Ayton, and Perth. They are all people under the age of 18. I do not know if people who are not yet voters can present petitions; but I do not know why, since the legislation will affect their lives as much as it will affect the lives of everyont else. I think we are very glad to see these young people participating in this expression of their views, and we appreciate it very much indeed.

The next petition contains 23 names from London, Ontario.

(*Names of signatories read*)

• (1500)

I also have a signature from Beachville, Ontario, which is milk and cheese country as opposed to tobacco country, and obviously the home of a number of good citizens who have taken the time to urge the Senate not to pass Bill C-43.

Senator Turner: They are asking us to vote against the bill.

Senator Marsden: In the case of this bill, we all know that the circumstances are slightly different, but, nonetheless, they want us to listen to their view that the House of Commons did not consider public opinion when passing Bill C-43, and they would like the Senate to consider public opinion on this matter.

Honourable senators, I also have some names of people from St. Thomas, London and Brantford, the former home of Wayne Gretzky.

(*Names of signatories read*)

The next two petitions contain names from the London area of Ontario. There must be hundreds of names here, all urging the Senate not to pass Bill C-43.

(*Names of signatories read*)

I have yet another petition containing the names of 23 citizens from the London area. All of these people are calling on the Senate not to pass Bill C-43.

(*Names of signatories read*)

I have yet another petition from London, Ontario. The majority of names on this petition are of men who have signed this petition calling upon the Senate not to pass Bill C-43.

(*Names of signatories read*)

Honourable senators, this is only a small portion of the many petitions I have received and which, I am sure, others have received. There are many more to come. They all urge the Senate not to pass Bill C-43.

[*Translation*]

GOODS AND SERVICES TAX

PRESENTATION OF PETITIONS ON BILL C-62

Hon. Jacques Hébert: Honourable senators, I also would like to present a number of petitions, including the latest the one I received this morning. It was accompanied by a letter which I will read to you because it explains the purpose of the petition. The petition is from Baie Comeau—what a coincidence!—dated November 2, 1990 and sent by the Syndicat de l'enseignement de la Haute-Côte-Nord in Baie Comeau.

Dear Sir, please find enclosed . . .

Yes, it is a petition from Baie Comeau. It arrived this morning.

[*English*]

Senator Fairbairn: This must be very recent.

Senator Hébert: It is very recent. It is dated November 2, 1990.

Senator Stanbury: Did you say, "from Baie-Comeau"?

Senator Hébert: I certainly did. Apparently the Prime Minister did not convince his own people or his own family, because they are against the GST. It is an astonishing fact.

Senator Stanbury: You will have a good audience across the way.

Senator Hébert: They will certainly transmit the news, because this is an important petition.

• (1510)

[*Translation*]

> Dear Sir, please find enclosed a petition bearing the signatures of 71 teachers who urge the Senate of Canada to use every means at its disposal to prevent the adoption and coming into force of the federal goods and services tax.

The petition is signed by the president of the union, Anne-Marie Hickey.

I will read the text of the petition:

> Regarding the proposed federal goods and services tax, your petitioners humbly pray and call upon the Senate of Canada to use the means at its disposal to prevent the adoption and coming into force of the federal goods and services tax which they consider to be an unfair tax.

(*Names of signatories read*)

There must be friends or relatives of the Prime Minister on this list, amazing!

(*Names of signatories read*)

I now have another petition from Sainte-Aurélie, Quebec, but this one doesn't have as many signatures. There are only 25 from Sainte-Aurélie.

(*Names of signatories read*)

And now, honourable senators, I have 442 residents in the Quebec City region, and this is starting to look serious—442 residents of various municipalities in the province of Quebec.

(*Names of signatories read*)

Senator Corbin: Did you know there is a very interesting shipyard at Islet-sur-Mer and that Captain Bernier, the famous navigator who was the first to sail a ship through polar ice, was born there?

Senator Hébert: No I didn't. I thank Senator Corbin for this piece of information.

(*Names of signatories read*)

• (1520)

[*English*]

Hon. Stanley Haidasz: May I ask the honourable senator a question?

Senator Hébert: Yes, of course.

Senator Haidasz: These petitioners come from the village or town of St-Stanislas?

Senator Hébert: That is right.

Senator Haidasz: Would you be more precise and tell us whether St. Stanislas, after whom this town or paroisse was named, is the young Jesuit novice who died in Rome, the patron saint of Poland, or St. Stanislas, the Bishop and martyr who was killed on the order of the Polish king? Do you know anything about that town or village? Were you ever there?

Senator Hébert: No; I do not know. I am not too sure, but St-Stanislas-de-Kostka is a saint whose name I heard when I was a youth; so it might well be—because, as you know, we have so many saints in that church that we have to choose—between the two Stanislases my grandmother chose St-Stanislas-de-Kostka.

Senator Haidasz: Thank you.

Senator Hébert: It is most likely that one, but they both must be Polish, so you cannot complain.

Senator Haidasz: I was not complaining. I just wanted to know which one it was.

(*Names of signatories read*)

Senator Hébert: I have another page, but I see some of my colleagues are getting nervous about reading their petitions.

Senator Fairbairn: We don't want to miss out!

Senator Hébert: I have just a few more.

(*Names of signatories read*)

• (1530)

Hon. Dalia Wood: That is in my riding. Is it the St. Bruno near Lac St. Jean or near Montreal?

Senator Hébert: St. Bruno on the south shore.

[*Translation*]

I still have 62,450 names left, but I will yield the floor to my colleague, to show I am not the only one who gets petitions.

[*English*]

Senator Wood: Honourable senators, I have the pleasure to table a petition from Dolbeau in Quebec. In this petition the undersigned residents of Canada now avail themselves of their ancient and undoubted right thus to present a grievance common to your petitioners in the certain assurance that your honourable Senate will therefore provide a remedy.

The new universal goods and services tax, if adopted by the Conservative government, will create serious, unjust and inhuman difficulties to Canadians. Implementation of the tax will cause an unprecedented assault on the income of Canadians, not only forcing them to pay higher taxes, but also by confronting them with a rise in inflation, interest rates and unemployment.

This petition contains 100 signatures of people from the region of Dolbeau which is in the riding of Roberval. It is comprised of such towns as Dolbeau, St. Emond, Girardville, Noranda, St. Laurentide and St. Félicien. It totals some 8,000 people, including some 35 anglophones.

(*Names of signatories read*)

I have further petitions from people residing in Dolbeau, Linton, St. Emond, Normandin, Albanel and St. Félicien.

(*Names of signatories read*)

I wish to present another petition containing 20 names of people from La Prairie.

(*Names of signatories read*)

• (1540)

Giordano is a name that brings back memories to me. In 1940, overnight the RCMP wiped out most of the leadership of the Italian community of Montreal by sending them to the internment camp at Petawawa. Italians who up until then had increasingly been accepted by the French and English communities were suddenly shunned. Italians themselves played down their nationality. They had suddenly become enemy aliens.

The people paid dearly for the government's confusion over questions of nationality, citizenship and ideology. Mussolini declared war on Great Britain on June 10, 1940, and the Canadian response was immediate. The then justice minister announced in Parliament that the very minute news was received that Italy had declared war on Great Britain and France, he had signed an order for the internment of many hundreds of men whose names were on the list of RCMP suspects. Those arrested were denied their rights, and the minister refused to publish their names, as he had been asked by the head of the mounted police not to do so because it might hamper his work. This denial of civil liberties extended not just to known Fascist sympathizers, but to all enemy aliens, and even to all of those of Italian racial origin who had become naturalized British subjects since November 1, 1929.

This was a particularly trying time in our home, because my father was one of those Canadian citizens who was sent to Petawawa. That is why the name Antonio Giordano of La Prairie is so important to me.

I have another petition from Jonquière and La Baie.

(*Names of signatories read*)

Here are some names from Bedard, another small town in that region.

(*Names of signatories read*)

Here are names from a region called Evain which is part of Temiscamingue.

(*Names of signatories read*)

Here is another petition from Evain.

(*Names of signatories read*)

● (1550)

The next petitions are from Rouyn-Noranda, which is in the riding of Témiscamingue. I believe that if Senator Grimard were present he would recognize some of the names, because they are from his home town. All 181 petitioners are obviously against the GST.

(*Names of signatories read*)

I am sure they are all neighbours of Senator Grimard, because they are all from his area.

The next petition contains 20 names from Rouyn-Noranda.

(*Names of signatories read*)

I have another petition from the same area, Rouyn-Noranda.

(*Names of signatories read*)

Honourable senators, those are all the petitions I have for today.

Hon. Joyce Fairbairn: Honourable senators, I would not like to have a day go by without being able to put before the Senate the names of people from my province of Alberta who are very concerned and are opposed to the GST. To date I have dealt mainly with people from Lethbridge in southern Alberta, but today I have a petition from the central part of the province.

(*Names of signatories read*)

● (1600)

That completes the 25 names from that area of Alberta.

I should like to continue reading the names from the same petition.

(*Names of signatories read*)

I also have the names of people from the central part of my province.

(*Names of signatories read*)

The next names on my petition are those that Senator Olson might recognize, because they come from the Brooks area.

(*Names of signatories read*)

Honourable senators, I will end at this point in time to return another day.

Hon. Eymard G. Corbin: Honourable senators, I have petitions from citizens of the province of New Brunswick who are opposed to the proposed goods and services tax.

Honourable senators will recall that some weeks ago I started in Passamaquoddy Bay, the islands of Grand Manan, Deer Island and Campobello, and I am now working my way up the St. John River valley on my way to the border between Quebec and New Brunswick. Who knows, some day I may have a petition from someone by the name of Simard from Rivière-Bleue.

Senator Simard: Is it from Rivière-Bleue?

[*Translation*]

Hon. Eymard G. Corbin: Here is someone from Rivière-Bleue in the province of Quebec, the place where you were born, Senator Simard. Of course, we all know that the Madawaska claims you as her adopted son.

Senator Simard: I hope you will get there pretty soon, Senator Corbin.

Senator Corbin: Well, I have so many petitions from central New Brunswick that it will take a few months for me to get to the Quebec border.

Senator Simard: You are not in a hurry, Senator Corbin.

Senator Corbin: This is not something we can hurry, Senator Simard. It is the undoubted right of these people to send petitions to Members of Parliament, in the House and in the Senate, and it is our duty to present these petitions to the Senate. In fact, I have an obligation to do so.

Senator Simard: Do you intend to be as brief as possible?

Senator Corbin: I do. For your sake, Senator Simard, I will not read all the names.

[*English*]

The handwritten signatures on the petition are opposed to the goods and services tax.

(*Names of signatories read*)

● (1610)

I would remind honourable senators that Hartland is the hometown of an illustrious New Brunswicker, the Honourable Richard Hatfield. Hartland has changed very little over the years. The longest wooden bridge in the world is there, as it has stood for the last 100 years.

Senator Fairbairn: Is Senator Hatfield's family home still there?

Senator Corbin: I believe it is. I have no reason to believe otherwise, unless flood or fire has destroyed it.

During the spring breakup, Hartland has serious floods. The ice piles up around Woodstock. Some islands were flooded while building the Mactaquac Dam, which is approximately 25 miles up river from Fredericton. In the spring the ice rushes down from northern Maine and Madawaska, and the beautiful town of Hartland is sometimes inundated with water.

(*Names of signatories read*)

I once studied handwriting. I can tell by this person's handwriting that he is an older person. Signatures tell much about a person. You can detect traces of character. You can also detect the degree of their wrath. These people are writing their signatures as opposing the GST. The way they dot their i's shows that they are very angry with the government. A precise dot indicates a person who pays great attention to detail. When someone is angry, they only scratch a line.

I will not indulge in a free course on grapho-analysis. If you want to know more, I will give you a lecture outside of this chamber. You will pay for the knowledge I have acquired.

Senator Simard: Would you charge the GST on the lecture, or would you be looking for an exemption, Senator Corbin?

Senator Corbin: I was giving you a sampling of what I know. If you want to know more, pay for it.

(*Names of signatories read*)

Honourable senators, that petition contained 27 signatures. I would ask a page to lay this petition on the Table of the Senate.

I have another petition containing 26 names from citizens of the Hartland-Woodstock area who oppose the GST.

(*Names of signatories read*)

When one signs a petition, that person does not have to print his or her name. Some of these names are difficult to read. A signature is a very personal mark. It is quite difficult to forge a signature. In fact, I know of no perfect forgery when it comes to signatures. It is as unique as your fingerprint or toeprint. There is nothing else like it in the world.

(*Names of signatories read*)

● (1620)

Florenceville is the home town of McCain Foods, one of the greatest multinationals ever to come out of New Brunswick. Florenceville is the home of the McCain boys. They started very small with potato chips and then went to French fried potatoes. However, one of their biggest and best plants is in my own home town of Grand Falls, New Brunswick.

Senator Bonnell: Is that where the French fries with no cholesterol are made?

Senator Corbin: I do not know about that. I believe you are referring to the truth-in-advertising legislation and some incident that happened many years ago.

Senator Bonnell: No. I am referring to the little girl on television who asks her father whether the French fries have cholesterol.

Senator Corbin: I suppose they do, depending on the oil you fry them in.

Senator Steuart: Do you pay GST on that?

Senator Corbin: That is quite relevant. If you buy McCain's frozen French fries in the market, in a one or two kilogram bag, it will be tax-free, but if you buy the very same type of McCain's fries in a fast food outlet, such as Wendy's or McDonalds, you will have to pay the GST on them.

Senator Bonnell: What about the young fellow down the street who has a little van and sells you nice French fries? Will he have to pay the tax?

Senator Corbin: Of course he will.

Senator Bonnell: The little vendor on the street trying to make a living?

Senator Corbin: Yes, and there are thousands of people in the Atlantic area whose chief income is from little shops.

Senator Simard: By way of explanation, Senator Corbin, to put Senator Bonnell's mind to rest, anyone with a sales volume of less than $30,000 will not have to pay the GST. I thought I should put that on the record.

Senator Corbin: Yes, but, Senator Simard, your government is still going to put those people through a whole accounting process which will cost them money.

Senator Simard: Not if their business volume is less than $30,000. There are many canteens whose volume does not reach that amount, so there will not be any business tax to worry about.

Senator Bonnell: How am I, or you, or the Department of National Revenue, to know if those people make $29,999 or $30,001?

Senator Simard: We, on this side, will take the taxpayers' word. We believe Canadians. Most Canadians are very honest. It is the same thing with the Income Tax. We have to accept their figures, until, I suppose, they cheat and get caught.

Senator Corbin: Senator Simard, you are going to take the Canadian taxpayers' word; that is what you have said. Are Canadian taxpayers to take your word?

Senator Simard: The law provides that people with a total business volume of $30,000 or less will not have to charge the tax to their clients. They do not have to remit anything. They do not have to do anything. We take their word. The whole taxation system in Canada is based on that, and the GST will be no different. Of course, if cheaters try to say that their volume is under $30,000 when they are really doing $60,000 worth of business, they will get caught, just as they would get caught by the Income Tax people, and they will pay. However, in the meantime, we take their word.

[*Translation*]

Senator De Bané: If you will allow me, Senator Corbin, I think we can draw scant comfort from Senator Simard's comment about businesses with a sales volume of $30,000 per year. They do what most businesses do in Canada which is take a 10 per cent net profit before taxes, which in this case would be $3,000, about one-third of the poverty-line income in this country. When the senator says that businesses making $3,000 a year before taxes will be exempt from the goods and services tax, I don't think it is anything to brag about.

Senator Simard: Senator De Bané, I accept your comments. My remarks, however, were made in response to the concern raised by Senator Bonnell about what would happen to the owners of small vans who operate more or less during the summer, and whose profit margins are much higher than 10 per cent, and I am sure it is much more than 10 per cent on French fries, especially if the French fries come from New Brunswick, because they can sell for more since they are better prepared, and so forth. So their profit, even on a sales volume of $30,000, may be as much as $12,000 or $13,000 for an operation that lasts two or three months. Those are the people I had in mind when I made my remarks. These people will not have to worry about administrative problems when the GST comes into force.

[*English*]

Hon. Sidney L. Buckwold: May I again correct Senator Simard for the misinformation that he gives us? It is quite true that if you do not have a volume of $30,000, you do not have to charge the tax. What he does not tell you is that you have to pay the tax. In other words, you get no input credit and you

will pay the tax. If you are charging the tax, you get it back. If you do not charge the tax, you assume it yourself. As an example, taxi drivers will pay the tax on anything they buy. If they do not charge the tax, they absorb it themselves.

Senator Simard: They are paying 13 per cent already.

Senator Buckwold: I just want to tell you what the facts are, so you do not get carried away and say that suddenly people who are doing less then $30,000 worth of business are not paying anything. They will be paying the tax, but they will not be able to collect it back; so they will bear the burden.

Senator Simard: Senator Buckwold, you have just demonstrated why it is so urgent that we get back to third reading; that we stop reading those petitions so that you and I can debate. You have accused me of mischief. That is totally ridiculous.

Senator Buckwold: I have accused you of a lot more than mischief.

Senator Simard: People doing $30,000 or less in business have until now been paying taxes through the nose at rates as high as 13.5 per cent on some items. There is nothing new about that. The point raised by Senator Bonnell was being discussed by Senator Corbin and me until you came in and accused me of mischief. You have raised the point, and I am prepared to debate it, but we should not be doing it on Reading of Petitions. Let us get on with the business of the house. Get your amendment in and we can debate it.

Senator Buckwold: Honourable senators, I was listening with interest to the response of senators on the other side, the government supporters, to the amendments we have been making.

Senator Lucier: Like heating fuel for the north.

Senator Buckwold: Like heating fuels and bibles and books and co-ops. I have sat here and listened hour after hour. Believe me, I have heard all kinds of talk, but I have not heard anything about the amendments. There was talk about the Senate, about the chairman, about the economy—

● (1630)

Senator Simard: Where were you last night?

Senator Buckwold: I was here last night and I heard the diatribe you gave. If you read it over, you will see there are very few lines about co-ops and how you support them and enjoy being a member of them. Ultimately, of course, we heard nothing.

I am simply saying that if you want to debate, then why not do your job and debate the amendments that are here. We have one amendment now and we will have more. I would like to hear your side of the argument.

Senator Corbin: Honourable senators, I wish to thank the following senators for their contribution to petitions: Senators Simard, De Bané, Buckwold and Bonnell. I appreciate your input into the presentation of petitions. I think all comments have been extremely useful.

[Senator Buckwold.]

However, I am afraid Senator Simard has boxed himself in again. We will talk about that later.

(*Names of signatories read*)

I lay the petition on the table.

QUESTION PERIOD

CITIZENS' FORUM

CONFLICTING STATEMENTS OF PRIME MINISTER AND CHAIRMAN OF COMMISSION—TIMING OF APPOINTMENTS OF COMMISSIONERS—FREQUENCY OF MEETINGS OF COMMISSION—GOVERNMENT RESPONSE

Hon. M. Lorne Bonnell: Honourable senators, I note in the *Globe and Mail* of November 8 that Prime Minister Brian Mulroney, the Right Honourable Prime Minister of Canada, has promised that his government will act on the findings of the federally-appointed national forum. So says Keith Spicer, commissioner of the panel. Will the Minister responsible for intergovernmental affairs advise me if it is a fact, that if Mr. Spicer recommends something, the Prime Minister of Canada is prepared to carry out that recommendation and change the whole country of Canada if necessary?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, that is not a proper or sensible interpretation of what the Prime Minister said.

Senator Bonnell: Mr. Spicer apparently says one thing about the Prime Minister, and the Leader of the Government in the Senate says something else. We were not at those meetings. We do not understand why Mr. Spicer took this job on three days' notice, unless he made a certain promise. He said that he had only three days' notice to consider whether he would accept the job. Some members have had only a few hours in which to decide, such as the Mayor of St. John's.

Senator Fairbairn: Seventy-five minutes!

Senator Bonnell: She had only 75 minutes to decide before she accepted the job. Mr. Spicer said that he does not know exactly what Canada will get from the national unity exercise, whether it will be a new Constitution, new legislation, or another type of government. He said that Mr. Mulroney has promised concrete action, and that persuaded Mr. Spicer that this national unity effort was genuine. Who is telling the truth? Is it Mr. Spicer, yourself or the Prime Minister?

Senator Murray: It is much to be regretted that the honourable senator should pose his questions in such pejorative words. Secondly, it is much to be regretted that the honourable senator would not take more seriously an exercise which has been launched with the utmost seriousness, in an effort to bring Canadians closer together and to promote a greater degree of mutual understanding and respect in this country.

Senator Bonnell: Honourable senators, there is nothing I would like better than to realize and be sure that the Government of Canada is really sincere in trying to promote regional understanding in this country. However, the chairman of this panel says that most members of the panel will sit only one day a month, which means that in the seven months before July they will sit seven times to discuss the future of this country.

Senator Fairbairn: Half an hour a week, some of them.

Senator Bonnell: That would be about two hours a month. According to the *Globe and Mail*, a good Conservative newspaper, the chairman of the panel has stated that we have to believe that this will solve the future of our country, when the Prime Minister and all his cabinet, and all the first ministers of the country, could not do it; yet this one man will be able to do it with 11 advisors, working one day a month at $400 a day in expenses and $145,000 salary. I believe that kind of answer suggests that the whole thing is a charade to try to fool the people of Canada with this kind of forum.

Senator Murray: First, I neglected to point out, in answer to an earlier question, that Mr. Spicer was not given two days' notice. He indicated in his first news conference after his appointment that he was first approached on the matter several weeks prior to the announcement.

Some of the other members were indeed contacted a very short time before the announcement was made, but the honourable senator will realize that the government had been considering the creation of the Citizens' Forum, its terms of reference, and so on, for many months. We had before us lists of possible panelists and the last decision we made was the appointment of the people who would serve as panelists in order to promote this dialogue among Canadians.

With regard to the unfortunate tone and temper of the honourable senator, and his unfortunate attitude toward this commission, let me simply commend to him the far more positive response taken by a number of Liberal leaders, including Premier McKenna of New Brunswick and Premier Wells of Newfoundland, who welcomed the creation of a Citizens' Forum as an essential first step in promoting greater understanding and mutual respect in this country, toward rebuilding a consensus as to our future.

Senator Bonnell: I understand, honourable senators, that apparently an office has been set up in Ottawa and approximately 100 people have already been employed. Will Canadian citizens across Canada be given an opportunity for jobs here, or were these people all hand-picked by the PMO or Mr. Spicer himself? How does an ordinary Canadian from British Columbia, Prince Edward Island or Newfoundland get one of these jobs in Ottawa, answering the telephones, or in the administration, and other offices? I never saw advertisements in the paper. Are they all chosen in the PMO?

Senator Murray: Honourable senators, this Citizens' Forum will be in operation at least from now until the end of June, 1991. I trust my honourable friend does not expect that I or any other Minister of the Crown will be in a position to take responsibility and answer questions as to their operations on a day-to-day basis. In creating a Citizens' Forum of this kind, the government must ensure a very considerable autonomy to the chairman and his colleagues in their operations. They would be completely responsible for the support and other staff that they will require to conduct their operations over the next six to nine months.

● (1640)

Senator Bonnell: Honourable senators, as I understood my history studies in my younger days, democracy meant that there was a Parliament, that people could elect different parties to Parliament to form a majority, a government, and so on; and the government would be responsible for taxation and expenditure of tax revenues. The members of Parliament, who come from different provinces and different parts of the country, could stand up in Parliament and ask the government how it was spending the money it was collecting. If we have come to the point where one man can be appointed, and he can pay out money and hire people on his own with no responsibility to the responsible government, then responsible government in this country is gone.

In my opinion, the government should introduce a budget to be approved by the members of Parliament. The government should be able to say how the money is being spent, who is on the pay roll and how they got there. As I understand this news release, the people are coming over from the PMO and the bills are being paid by the PCO. There is no limit on the budget, and the taxpayers and their representatives have no control over how much is spent. It seems to me that it is a free line for Mr. Spicer and his fellow commissioners. They intend to meet for one day a month or for two hours a week, but the other members will not travel with him. He will do it all. He will call a commission when they report back in July, and whatever he says, the Prime Minister has promised to carry out, even if it changes the whole country.

Honourable senators, I think the Parliament of Canada should have more discussion on this panel. The panel should be given more direction; there should be a budget, and that budget should be controlled. There should be more than one man, whose views will change the whole countryside. If that is what they want to do, let that man run for Prime Minister; and if he becomes Prime Minister perhaps he will give us some direction. He is not even a civil servant, but just an appointee, and he should not have this kind of power. Is it true that the other members of the panel will sit only one day a month between now and July?

Senator Murray: Honourable senators, I have listened carefully to Senator Bonnell, and I can say that all the statements he made in the preamble to his last question are unfair and untrue.

MINISTER RESPONSIBLE FOR COMMISSION

Hon. H.A. Olson: Honourable senators, I have a supplementary question. Would the Leader of the Government tell us who is the responsible minister? Who is the minister of the

Crown to whom Mr. Spicer will report? Is it the Minister of State for Federal-Provincial Relations?

Senator Haidasz: The Prime Minister.

Senator Olson: If it is the Prime Minister, and not the Minister of State for Federal-Provincial Relations, why are we unable to get answers to the questions just raised by Senator Bonnell?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, if my honourable friend had played any part in the previous government—

Senator Olson: Things were run by different rules.

Senator Murray: No, they were not.

Senator Olson: They seemed to be.

Senator Murray: The honourable senator, once again, is totally mistaken. The members of the Citizens' Forum panel were appointed under the Inquiries Act. When that happens, it is done almost invariably by the Privy Counci,l or, in effect, by cabinet on the recommendation of the Prime Minister.

Secondly, with regard to detailed questions as to budgets, and so forth, the honourable senator knows that the way to obtain that information is to put a written question on the order paper, and it will be dealt with in the normal course of events.

Senator Simard: Right on! Do your homework.

Senator Olson: That is the first time in the exchange with Senator Bonnell and me, that the minister has offered to answer the questions or has even indicated that he thought it was any business of parliamentarians to pose such questions. So we have come quite a way in the last few minutes.

May we now have an undertaking that if we put some questions on the order paper we will get replies to them before all the arrangements are made and the money is spent? That is one of the reasons why we have the Estimates. The government is obliged to lay before Parliament its spending intentions, and that is all that Senator Bonnell now wants to know.

Reading this article, and particularly the explanation given by Mr. Spicer on how he will run the panel and the authority he has been given by the Prime Minister, it is a little scarry. He says that he will not ask anyone, that he will just hire all the staff he likes. He now says that the members of the panel will meet only one or two days a month. That is not a very significant effort, and that is all that Senator Bonnell is asking about. He wants an indication of how this panel will be run.

The people of this country need to have some confidence in the commission, and that is slipping already because of Mr. Spicer's explanations today.

Senator Murray: Honourable senators, permit me to say that I cannot believe that the negative and, indeed, destructive attitude toward this serious exercise, which has been taken by Senator Olson, Senator Bonnell and others over the past few days, represents the authentic and official attitude of Mr. Chrétien and the Liberal Party. I certainly hope not.

Senator Olson: Honourable senators, I have never claimed that it does.

Senator Murray: Good. I wanted clarification on that.

Senator Olson: I am concerned about getting answers to questions that Senator Bonnell and others, as members of Parliament, have a right to ask. That is the point. We are not trying to pretend that we are representing someone else. We are trying to fulfil our obligation and ask questions, as Senator Bonnell properly pointed out, about how the government intends to spend the taxpayers' money. If the government is not going to give us the explanation, then I guess we will have to take, as the explanation, what Mr. Spicer has said, and accept that as the mandate he received from the Prime Minister. Senator Bonnell has quoted the article. So far, the commission does not look like one in which people should have a lot of confidence. So why does the minister not try to give explanations on how the commission was set up, the authority granted and how it will do the job that he claims is so important? I think it is important too, but I am afraid that it is getting off on the wrong foot. If the minister does not want to answer the questions, will he please say so? We are curious, because Mr. Spicer's explanation of how he intends to conduct things does not look so good.

Senator Murray: Honourable senators, I have already offered to obtain all the information that is available in a timely fashion if my friends will simply put down written questions, because so many of their questions are quite detailed. They look for rates of remuneration, budgets, and so forth. I do not carry those figures around in my head, and I do not intend to.

What concerns me greatly, coming as it does, in the case of Senator Olson and Senator Haidasz, from senior privy councillors in the Liberal Party, is the very negative and destructive attitude toward an exercise that is intended to build a consensus in this country and to promote greater understanding and mutual respect. I hope my friends will not allow themselves to be blinded by their obvious animus toward Mr. Spicer.

Senator Haidasz: Love thy neighbour!

Senator Olson: That is not the case.

Senator Murray: Perhaps they will consider a full discussion of this matter in their national caucus, because I cannot believe that very negative and destructive view is shared by the Honourable Jean Chrétien.

Senator Olson: Honourable senators, Senator Murray has no right to put that kind of construction on what we have been saying. That is his interpretation, and, for his benefit, I should like to tell him that it is a wrong interpretation. We are just as interested in finding some reconciliation in this country as anyone else, including Senator Murray and the Prime Minister. Surely we do not have to accept the image of the panel created by Mr. Spicer in these interviews, because if that is what it will amount to, it does not look like it is worth much. We think that Canadians are entitled to a little more.

• (1650)

He also does not have the right to put an interpretation that, somehow, Senator Haidasz, Senator Bonnell and I do not like Mr. Spicer. I do not know him from a hole in the ground—

Senator Murray: Obviously not.

Senator Olson: —but I can read what he says in the paper in direct quotes and there are some problems with that.

Instead of the minister's becoming antagonistic with our asking a few questions for clarification, why does he not try to clear up the matter? If this exercise is going to be as good as he claims it will be, and as useful and beneficial to Canadians, why does he not attempt to clear up the wrong impression that is being given?

Senator Murray: Honourable senators, I do not know what my friend is talking about when he speaks of wrong impressions.

Senator Olson: You stated an impression that was absolutely false.

Senator Murray: Over the next six to nine months in the course of this Citizens' Forum, my honourable friend will hear, and no doubt I will hear, things that we do not like. We are going to hear them from members of the panel and from Canadians as they discuss with each other the values that Canadians believe our country should espouse, as they discuss and face the hard questions, from their vastly different perspectives, as to the relationship between regionalism and national identity and national unity, the apparent competition or conflict between individual rights and collective rights, the relationship between multiculturalism and national identity and national unity, the relationship between the English and French-speaking Canadians, the place of Quebec in Confederation and the amount of centralization or decentralization that we want to see in the future. In connection with all those questions my friend will hear many things he does not like; but the purpose of the exercise is to allow ordinary Canadians to speak to each other about these matters.

Senator Frith: It's about time.

Senator Murray: I would hope that the Honourable Senator Olson would not allow his partisanship and his obvious animus for Mr. Spicer to blind his attitude to this matter.

PERSIAN GULF

THREAT OF WAR—POSTURES OF IRAQ AND UNITED STATES—SUGGESTED DELAY OF ALLIED OFFENSIVE—CANADIAN POLICY

Hon. Jerahmiel S. Grafstein: Honourable senators, events in the past few days in the Gulf appear to be moving the world closer to war. We have just learned that the chief of staff in Iraq has been removed by President Hussein. Earlier the oil minister of Iraq was removed by President Hussein. It appears that the voices of dissent at the senior echelons of the Iraqi government are being removed as President Hussein moves closer to war.

On the other side, the world seems to be divided into two schools. The American-British-Saudi school appears to be gearing up for offensive action. The Americans have called up another 200,000 troops to support the troops already stationed in the Gulf area.

Yesterday we heard that President Mubarak of Egypt has suggested that there should be a delay of months while the economic sanctions have an opportunity to erode public confidence within Iraq against the President.

The question for the Leader of the Government in the Senate is: To which school does Canada belong?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, there must be opportunities, particularly during the period when we defer votes on the amendments to Bill C-62, to bring forward Senator Macquarrie's inquiry and have a debate on these matters. It is far too complex a matter for the honourable senator simply to give the government a choice between two options that he has put forward.

Senator Bonnell: Are you for war or peace?

Senator Murray: It seems to me that the discussion in the media and elsewhere seem to centre on two other scenarios. One is that we are all in for a long seige in the Gulf, but that, as time goes by, the sanctions will continue to bite more heavily into the ability of Iraq to find replacements for its military-industrial complex. Whatever is the present internal situation in Iraq, at some point in the coming weeks and months those sanctions would bite with sufficient severity to cause some change to be made, not necessarily in the leadership of Iraq but in Iraq's policy.

The other attitude one sees, with increasing troops and tanks in the area, is that we are heading inevitably and truly to an outbreak of hostilities there. I am no more a seer than the honourable senator and I cannot state which is the most likely hypothesis. I think it would be quite inappropriate and imprudent of me to express an opinion or to try to obtain an opinion from cabinet colleagues or from our military, political or diplomatic advisors.

We continue to do everything possible to reinforce the position and the authority of the United Nations and to seek diplomatic solutions to this very dangerous problem.

Perhaps we can have some discussions on this informally, but I hope it will be possible to bring forward Senator Macquarrie's inquiry at an early date and have a proper, organized and coherent debate on these matters.

Senator Grafstein: Perhaps the Leader of the Government in the Senate would follow the suggestion that I made to him earlier. Obviously I have no objection to hearing the sage counsel of Senator Macquarrie. I think it would be more appropriate in the circumstances, if the minister chose not to speak at the ourset of such an inquiry, to give us a written statement of the principles and policies of the government with respect to the Gulf crisis so that we can at least examine those. We can then hear from Senator Macquarrie, and that would give us an opportunity to respond.

This is not in any way, shape or form to discount any material or advice that we will receive from Senator Macquarrie. However, I think it would be more appropriate to hear an official statement on behalf of the government. That could be laid down. We could then hear from Senator Macquarrie, and senators opposite could respond. As we move closer to the appearance of war and hostilities, it is incumbent upon us to let the Canadian public hear the views of this chamber and how we feel about pressing matters of war and peace and life and death.

Senator Murray: Honourable senators, I would be prepared to take part in the debate on Senator Macquarrie's inquiry at an early stage. Meanwhile, the honourable senator is not totally in the dark on these matters. While the statements have not been made in the Senate, the Prime Minister and the Right Honourable Secretary of State for External Affairs have both made formal statements on the situation in the Gulf.

● (1700)

They have given progress reports from time to time in debate and in Question Period in the other place. In the case of Mr. Clark, he appeared before the standing committee of the other place and had lengthy discussions and made a statement there. Therefore, I do not understand why my friend would say that Canadians are not being kept up to date and informed on this matter. They are.

Having said that, I will undertake to take part, at an early stage, in any debate on Senator Macquarrie's inquiry.

EXTERNAL RELATIONS

RECOGNITION OF TIBETAN GOVERNMENT IN EXILE—GOVERNMENT POLICY

Hon. Jerahmiel S. Grafstein: Honourable senators, my question arises out of one that I asked the Leader of the Government in the Senate which related to the visit of the Dalai Lama to Canada. At that time no official reception was given to the Dalai Lama either by the Prime Minister or by the Secretary of State for External Affairs, Mr. Clark.

My question which was to the effect that, since Canada has never recognized China's occupation of Tibet, why was the Dalai Lama not officially received, and the response was that, while the Canadian government respects his contributions to human rights and to the pursuit of peaceful international relations, and, while the Dalai Lama does lead the Tibetan government in exile, Canada does not maintain any relations with that government in exile.

Honourable senators, my question today is: Has Canada ever recognized China's occupation of Tibet? If not, why has Canada not recognized the Tibetan government in exile?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, that is a question with legal, diplomatic and political implications, and I will endeavour to obtain a prepared reply from Mr. Clark on the matter.

[Senator Grafstein.]

FINANCE

RESPONSE TO RECESSION—GOVERNMENT POSITION

Hon. Stanley Haidasz: Honourable senators, my question is for the Leader of the Government in the Senate.

Now that the Minister of Finance has admitted that this country is in a recession, I would like to ask the Leader of the Government in the Senate whether the cabinet has prepared any economic measures, or a package of economic measures, to either cure this recession or to cut short its devastating effect on the Canadian people. Will there be either an announcement of measures or perhaps a budget before the end of this year?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I would not expect a budget before the end of this year. We now have a regular annual cycle of budgets, and my friend should not expect one before the next calendar year.

Honourable senators, in 1989 and 1990 the budgets presented by Mr. Wilson stated quite clearly that a slowdown in economic growth was to be expected and that, indeed, the almost unprecedented rate of economic growth that the country had enjoyed for the past number of years was not sustainable. Further to that, he stated that it was necessary to make special efforts to contain the growth of inflation.

The recession that has taken place was not unexpected. We believe that the best contribution we can make at this stage to ensure a renewal of non-inflationary growth at the earliest possible time is to stay on course with the fiscal and economic policy we have been pursuing.

Senator Haidasz: Since economic experts across Canada have stated that the economic course the government has been pursuing since the beginning of this year was bringing on a recession, how can the minister state that it is good to remain on the same course that produced this recession?

Senator Murray: My honourable friend refers to economic experts. I do not know which ones he has in mind, but I would draw to his attention the most recent report of the Economic Council of Canada which, while it was critical of the government in some respects, offers the forecast of a renewal of economic growth in the vicinity of 3 per cent per annum.

Senator Olson: When?

Senator Murray: This is very good and positive news.

Further to that, I think I should draw to the honourable senator's attention that, in the view of the Economic Council of Canada, the range of fiscal and economic policies that the government has been following will provide the framework for renewed growth in this country. The Economic Council of Canada had high praise for the labour force development strategy that the Honourable Barbara McDougall announced some time ago and which is being implemented. They agree with what was done with the passage of Bill C-21, which was recently given Royal Assent. They also agree emphatically with the GST, which is going to add $9 billion in increased

production to this country's GNP and which will be of considerable assistance in making our exporters more productive.

Frankly, we are absolutely convinced that the structural changes that we have been making, and the fiscal and economic policies that we have been pursuing in this country, are such as to ensure a renewal of sustained non-inflationary growth in this country which will provide the jobs and opportunities Canadians are looking for.

Senator Haidasz: Honourable senators, the minister must know that the real estate industry and the construction industry in Canada are both flat. The result is that there have been an increased number of bankruptcies and people have been losing their houses because they cannot keep up with the high interest rates.

Can the Canadian people expect something from this government that will bring down the interest rates, especially on mortgages on houses, and will the government infuse some assistance into the building industry in order to maintain the jobs that still exist?

Senator Murray: Honourable senators, first of all, with regard to interest rates, I had hoped that Senator Olson would have put a question to me today.

Senator Olson: Give me time. I can get to it.

Senator Murray: Perhaps, because it is Thursday, and perhaps because he was preoccupied with petitions and other matters in this chamber, he did not notice that at the usual time, over the lunch hour today, the Governor of the Bank of Canada announced another reduction in the bank rate, this time by about 12 basis points.

Senator Olson: Big deal!

Senator Murray: The honourable senator says, "Big deal!" but it reinforces the point I have been trying to explain to him for many weeks. The trend line in interest rates has been down. Although I should not be advertising for the Bank of Montreal, I notice that it anticipated the reduction in the bank rate today by bringing its prime rate down yesterday or the day before.

My friend, Senator Haidasz, also mentioned real estate and the construction industry. I would point out that 215,000 homes were built in 1989 as compared to 135,000 in 1984.

Senator Haidasz: How many of those were sold?

Senator Murray: Very good progress is being made there.

My friend also talked about the construction industry. Business spending on construction machinery and equipment is expected to climb by 10 per cent this year. Business investment in new machinery and equipment has climbed by 73 per cent in real terms since the 1984 election.

These are some of the facts. I do not want to take the time of the house, because we will be having Royal Assent shortly and I must meet the judge. I thought my friend would be interested in having a few facts placed on the record as distinct from the dire prophecies and interpretations that he has put on the record.

Senator Haidasz: Honourable senators, if things are so good, why are we in a recession?

Senator Murray: I have just explained to the honourable senator that the slowdown in economic growth was expected. Indeed, it was forecast in the 1989 and 1990 budgets brought in by Mr. Wilson, because we could not expect to sustain the rate of economic growth that we have known in recent years.

The Senate adjourned during pleasure.

• (1720)

ROYAL ASSENT

The Honourable Charles Gonthier, Puisne Judge of the Supreme Court of Canada, in his capacity as Deputy Governor General, having come and being seated at the foot of the Throne, and the House of Commons having been summoned, and being come with their Acting Speaker, the Honourable the Deputy Governor General was pleased to give the Royal Assent to the following bill:

An Act to amend the Income Tax Act (child tax credit) (*Bill C-86, Chapter 42, 1990*)

The House of Commons withdrew.

The Honourable the Deputy Governor General was pleased to retire.

• (1730)

QUESTION PERIOD

AGRICULTURE

CANADIAN WHEAT BOARD—SALE OF GRAIN—IDENTITY OF CUSTOMER, PRICE AND AMOUNT

Hon. H. A. Olson: I have a number of other questions for the Leader of the Government in the Senate. I presume he will be back shortly. The deputy leader has always been very meticulous in taking notice of these questions and coming back with a good response.

My question is fairly important to a number of grain farmers in western Canada. The Honourable Charles Mayer, the Minister of State responsible for grains and oilseeds, has confirmed that a significant sale of grain has been made which will keep the transportation system busy until early next year. Unfortunately, he went on to say that, in keeping with the Canadian Wheat Board's policy, he will not identify the customer, the price, or the amount of grain sold.

He claims that this is in keeping with Canadian Wheat Board policy. It is not fair. We know that there are some parts of western Canada that had a good crop. Indeed, there are no cash advances any more because the government wiped them out.

Will the deputy leader make an inquiry of the Minister of Agriculture or the Minister of State for Grains and Oilseeds to find out what kind of grain was sold? There are rumours that it was some very low quality grain that is more animal feed than bread wheat, and I think the producers have a right to know whether or not they can expect any of the type of grain they have in store on their farms to find its way into the market as a result of this sale?

While he is making that inquiry, perhaps he could ask whether the Minister of Agriculture or the Minister of State for Grains and Oilseeds has authorized the cash advances so that these people can have access to some money until the grain is actually moved out?

Hon. C. William Doody (Deputy Leader of the Government): I will try to get answers for the honourable senator.

FISHERIES

CANADA-UNITED STATES LOBSTER AGREEMENT—REJECTION BY CANADA—GOVERNMENT POLICY

Hon. M. Lorne Bonnell: Honourable senators, I understand, from the *Globe and Mail,* that Ottawa rejects the lobster agreement with the United States. There was an agreement that the Americans would not increase their size requirements for the next three years, and that Canada would try to limit sales of lobster along the north shore of Canada and along the south shore of Nova Scotia. Apparently Canada will no longer agree. While independent fishermen, who were opposed to the agreement, were elated, other fishery groups and trade experts said the rejection sets a dangerous precedent in Canada-U.S. trade relations. Where does the government stand on this question? Where does the Department of Fisheries stand? I understood that Canada was quite pleased with the agreement.

Senator Comeau: Where do the Liberals stand?

Senator Bonnell: We want to sell as many lobsters as we can to the Americans as well as to Europe and other countries. We need promotion of sales because sales are down.

Senator Doody: Regardless of size?

Senator Bonnell: We do catch small sizes along the south shore of Nova Scotia and the Gulf. We have to can them, but we were able to sell some live until this agreement was reached. Apparently, Ottawa rejects this agreement. I would like an explanation of the government's policy and why there was a change in the position it seemed to take last week?

Hon. C. William Doody (Deputy Leader of the Government): I shall try to get the information for the honourable senator.

THE ENVIRONMENT

RAFFERTY-ALAMEDA DAMS PROJECT—ASSESSMENT PROCESS FLAWED—FEDERAL RESPONSIBILITY—GOVERNMENT RESPONSE

Hon. D. G. Steuart: I want to direct a question to the Deputy Leader of the Government in the Senate. A senior Saskatchewan judge says Canada's environmental process is faulty, and the federal government is to blame. Chief Justice Donald MacPherson of the Court of Queen's Bench told federal lawyers arguing for a stop-work order on the Rafferty-Alameda Dam's project yesterday that: "It's been a pretty flawed process up to this point and the flaws have been on the part of your client." He was referring to the client of the federal lawyers, the federal government.

Chief Justice MacPherson noted that two federal court judges have found Canada's environmental assessment process to be seriously wanting in the case of Rafferty-Alameda.

The chief justice said that Ottawa's most recent bid to halt work on the controversial $154 million project would not seem to hold water if a federal-provincial agreement signed in January to restrict work on the project had not been approved by the federal cabinet, as Saskatchewan contends. He went on to show evidence how no order in council was passed and that it had never been approved. He went on to ask how he could get an injunction to stop work on the project if the agreement had never been formalized by an order in council. Do you have any information on that? What is the situation?

Hon. C. William Doody (Deputy Leader of the Government): I have no information, senator, but I will attempt to obtain some for you.

Senator Steuart: While you are looking for that information, might I point out that the judge asked the federal lawyer, Mr. Semenchuck, whether cabinet approval was needed for Mr. de Cotret's predecessor, Lucien Bouchard, to make the January 26 deal with Saskatchewan. The federal lawyer, Mr. Semenchuck, conceded there was no order in council formally appointing the review panel and outlining its terms of reference. But he said an order in council was not necessary.

The chief justice then wanted to know why Mr. de Cotret had not appointed another environmental review panel to replace the one that resigned on October 12. He asked:

> Should I be concerned that the minister is not in a position to comply with his part of the January 26 agreement because there is no panel? There is still a responsibility on the part of the minister to appoint a panel. There is no panel—how can I grant an injunction?

Perhaps you can find an answer to that as well.

Senator Doody: I will certainly try.

VIA RAIL

FREQUENCY, ROUTING AND DISCONTINUANCE OF SERVICES—REQUIREMENT TO FILE APPLICATIONS RESCINDED—GOVERNMENT POLICY

Hon. Gildas L. Molgat: Honourable senators, I presume Senator Doody will have to seek the information, and I do not expect an answer right now; but on Tuesday, October 30, the National Transportation Agency announced that it was rescinding certain orders relative to VIA Rail, and that VIA Rail would no longer have to file applications regarding frequency, routing or the discontinuance of certain services.

I am concerned about one service in my province of Manitoba that I had understood was guaranteed. That is the service on the northern line through The Pas, on to Thompson and Churchill. This line is extremely important from a grain standpoint, but I am thinking particularly of the passenger side' which had been guaranteed. Will that guarantee continue? We had been assured of continued passenger service on that one line that is left in Manitoba.

Hon. C. William Doody (Deputy Leader of the Government): I will make an inquiry on your behalf, senator.

DELAYED ANSWER TO ORAL QUESTION

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I have one delayed answer to a question.

CITIZENS' FORUM

NATURE OF COMMISSION

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I have a response to a question raised in the Senate on November 7, 1990, by the Honourable Roméo LeBlanc, regarding a request for the tabling of the Order in Council for the Citizens' Forum on Canada's Future chaired by Keith Spicer.

(*The answer follows:*)

P.C. 1990-2347

Certified to be a true copy of a Minute of a Meeting of the Committee of the Privy Council, approved by His Excellency the Governor General on the 1st day of November, 1990

WHEREAS Canada and Canadians must be prepared to respond effectively to the challenges of international and global pressures which bear upon the social, economic, and environmental well-being of Canadian society, and from which Canada cannot be isolated;

WHEREAS the trust and confidence of Canadians in each other, in their institutions and in their future together have been strained by tensions and misunderstandings among Canadians of different regions, language groups, and ethnic and cultural heritages;

WHEREAS the Government of Canada believes it is essential that Canadians from all regions, from all linguistic, ethnic and cultural backgrounds, and from all walks of life increase their understanding of each other and identify interests and values they can share, as prerequisites to the development of a consensus on how their governments and institutions can better reflect and promote their shared interests and values in the future;

AND WHEREAS the Government of Canada believes it is essential to ensure genuine public participation in decisions affecting Canada's future in the coming decade and century;

THEREFORE, the Committee of the Privy Council, on the recommendation of the Prime Minister, advise that a Commission do issue under the Great Seal of Canada to appoint

Keith Spicer as Chairman and

Richard Cashin

Robert Normand

Fil Fraser

Carole Corcoran

Roger Tassé

Tom Kierans

Jack Webster

Helena Zukowski

Thérèse Paquet-Sévigny

Susan Van De Velde

Elsie Wayne

to assist him as an Advisory Group, to lead a process of public discussion and dialogue, hereafter also referred to as the "Citizens' Forum on Canada's Future", with and among Canadians: particularly but not exclusively with a view to identifying the characteristics of Canadian society which are valued by Canadians in all regions and all walks of life, and which are considered to be fundamental to the continuance and well-being of Canada; the social, economic or other challenges that are perceived by Canadians as threatening those characteristics; and the actions which Canadians think would strengthen a sense of healthy dialogue, perspective, common interests, and confidence in their ability to devise relationships based on mutual respect, equal dignity and solidarity; and

The Committee do further advise that, with the assistance of the Advisory Group, the Chairman will:

1. without precluding the discussion of other issues or limiting the substance of public contributions to the "Citizens' Forum on Canada's Future", ensure that the views of Canadians are obtained on:

a) what Canadians value most about their country, province, and community;

b) what characteristics they consider to be fundamentally Canadian;

c) what they perceive as being the major challenges Canada faces over the coming decade;

d) what actions should be taken, by citizens and governments, in the face of these challenges, to strengthen the fundamental characteristics of Canada, renew and reinforce the values Canadians share; protect the interests of the Canadian society; and ensure that governments have the capacity to meet the challenges, and to reflect needs and aspirations of Canadian society;

e) what policies, programs and attitudes might make it easier for Canadians to feel free, equal and respected as fellow citizens; and

f) what approaches might strengthen the sense of uniqueness, participation, freedom and solidarity of Canada's regions, cultures and peoples.

2. more specifically, will take measures to ensure that groups of Canadians from different regions and different walks of life meet and discuss both shared Canadian characteristics and interests, and the identity and the concerns of specific regions and groups; such discussions including but not being limited to the following:

a) the nature of the relationship among Canada's aboriginal and non-aboriginal citizens and institutions which will maintain and strengthen the identity and heritage of Canada's aboriginal citizens in the context of a modern democracy;

b) Canada's official languages, and the nature of the accommodations required in its institutions and among its citizens to respect the linguistic preferences of both linguistic majorities and minorities in Canadian society;

c) how the characteristics of Canada's regions affect its identity and unity;

d) how ethnic and cultural diversity affect Canadian identity and values;

e) in a context of increasing global interdependency and international competition, combined with the continuing requirement for effective responses from governments to the needs and aspirations of individual citizens and to those of collectivities and regions within Canada, what areas of government require action on behalf of Canadian society as a whole, and what areas are better addressed locally;

f) the characteristics of the collective rights which are accorded to certain groups of Canadians; the role of such rights in defining Canada's identity; and the nature of an appropriate balance between Canadians' rights as regional, linguistic indigenous or ethnic collectivities and as individual citizens.

3. without limiting or precluding the participation of any interested Canadian in the public dialogue, take measures to ensure that meetings are held with Canadians in each province and territory of Canada and among Canadians from different regions and backgrounds and that consultations obtain, to the greatest extent possible, participation which is representative of the characteristics of Canada's population.

4. ensure the participation of a broad spectrum of Canadians of all ages, backgrounds, regions, and walks of life through approaches on which the Chairman may obtain proposals from Canadians, and which may include but will not necessarily be limited to:

a) arranging for groups of Canadians from different regions and/or from different linguistic, ethnic, or cultural backgrounds to meet with each other for discussions of issues including but not limited to those set out in paragraphs 1 and 2;

[Senator Doody.]

b) establishing discussions through regional forums of citizens and/or opinion leaders by linkages of all types to allow them to compare and discuss regional perspectives on identified areas of interest;

c) convening of formal public debates on identified themes, which may be broadcast, or distributed by any appropriate electronic means, to maximize public information and feedback;

d) soliciting of written briefs relevant to specific aspects of the public dialogue; and

The Committee do further advise that the Chairman:

i) be authorized to adopt such procedures and methods as may be deemed appropriate for the proper conduct of the consultation process and be authorized to sit at such times and in such places in Canada as may be required;

ii) be authorized to engage the services of such experts and other persons as referred to in section 11 of the Inquiries Act at such rates of remuneration and reimbursement as may be approved by Treasury Board;

iii) be authorized to rent office space and facilities as deemed necessary in accordance with Treasury Board policies;

iv) be directed to submit a report, in both official languages, to the Governor in Council by July 1, 1991; and

v) be directed to file with the Clerk of the Privy Council the records of the process as soon as reasonably may be after the conclusion of the process.

CERTIFIED TO BE A TRUE COPY
CLERK OF THE PRIVY COUNCIL

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE ACT
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMEND—THIRD READING—MOTION IN AMENDMENT NEGATIVED

On the Order:

Resuming the debate on the motion of the Honourable Senator Kelly, seconded by the Honourable Senator Beaudoin, for the third reading of the Bill C-62, An Act to amend the Excise Tax Act, the Criminal Code, the Customs Act, the Customs Tariff, the Excise Act, the Income Tax Act, the Statistics Act and the Tax Court of Canada Act—(*Honourable Senator MacEachen, P.C.*).

DIVISION OF MOTION IN AMENDMENT DEFERRED PURSUANT TO PROVISIONAL RULE P-3.(a)

7th November, 1990—That Bill C-62 be not now read a third time but that the Bill be amended to make membership in co-operative a zero-rated supply and to make provision for that portion of direct charge service fees of co-operative corporations that finances the overhead for the supply of goods and services listed in Schedule VI,

(a) by striking out line 28 on page 44 and substituting the following:

"share in a credit union or co-operative corporation as defined in the *Income Tax Act*) issued by a person"; and

(b) by adding to Schedule VI on page 342, and numbering accordingly, a new heading and Part as follows:

"DIRECT CHARGE SERVICE FEE OF A CO-OPERATIVE CORPORATION

1. That portion of a direct charge service fee levied in a period by a co-operative corporation that bears to

(a) the total direct charge service fees levied in the period the ratio that

(b) the total value of zero-rated supplies (other than those under this Part) made by the co-operative corporation in the period bears to

(c) the total value of supplies (other than direct charge service fees) made by the co-operative corporation in the period." (*Honourable Senator MacEachen P.C.*).

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I understand that a vote is scheduled for 5:45 p.m., pursuant to provisional rule P-3.(a).

Hon. M. Lorne Bonnell: Honourable senators, I do not fully understand this rule, but does someone not have to put a motion that we go to the Orders of the Day, or is that automatic?

Senator Doody: The Speaker has called Orders of the Day; the Table has read the first Order of the Day, and we are now on that order.

Senator Bonnell: Is that the way it works?

Senator Doody: Stick with me, son.

The Hon. the Speaker: Pursuant to provisional order P.3(a), the Senate will now proceed to the vote on the motion in amendment.

Please call in the senators.

• (1750)

The Hon. the Speaker: Let the doors to the chamber be locked.

Motion in amendment negatived on the following division.

YEAS

THE HONOURABLE SENATORS

Austin
Bonnell
Bosa
Buckwold
Cools
Corbin
Davey
De Bané
Denis
Fairbairn
Frith
Gigantès
Grafstein
Graham
Haidasz
Hastings
Hays
Hébert
Kenny
Kirby
Lawson
LeBlanc (*Beauséjour*)
Leblanc (*Saurel*)
Lefebvre
Lewis
Lucier
MacEachen
Marchand
Marsden
Molgat
Neiman
Olson
Perrault
Petten
Rizzuto
Robichaud
Stanbury
Steuart
Stewart
Stollery
Thériault
Turner
Waters
Watt
Wood—45

NAYS

THE HONOURABLE SENATORS

Atkins
Balfour
Barootes
Beaudoin
Beaulieu
Bélisle
Berntson
Bolduc
Buchanan
Chaput-Rolland
Charbonneau
Cochrane
Cogger
Comeau
David
DeWare
Di Nino
Doody
Doyle
Forrestall
Grimard
Hatfield
Johnson
Kelleher
Kelly
Keon
Kinsella
Lavoie-Roux
Lynch-Staunton
Macdonald (*Cape Breton*)
MacDonald (*Halifax*)
Macquarrie
Marshall
Meighen
Muir
Murray
Nurgitz
Oliver
Ottenheimer
Phillips
Poitras
Robertson
Roblin
Ross

NAYS

THE HONOURABLE SENATORS

Rossiter	Teed
Simard	Tremblay
Spivak	Twinn—51
Sylvain	

ABSTENTIONS

THE HONOURABLE SENATORS

Nil

The Hon. the Speaker: I declare the motion in amendment negatived.

• (1800)

Hon. Royce Frith (Deputy Leader of the Opposition): Honourable senators know what I am going to say. The numbers would be 51, minus 8, minus 1, which would be 42. Therefore, the vote would have been 45 to 42.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): The eight did not vote.

BUSINESS OF THE SENATE

Hon. Royce Frith (Deputy Leader of the Opposition): Honourable senators, pursuant to Provisional Rule P-1.(a), I move that the Senate do now adjourn.

Honourable senators will remember that, according to rule P-1,(a), our sitting will be suspended until 2 o'clock tomorrow afternoon.

The Hon. the Speaker: Honourable senators, it is moved by the Honourable Senator Frith that, according to Provisional Rule P-1.(a), the sitting of the Senate be suspended until tomorrow, Friday, November 9, 1990, until 2 o'clock in the afternoon.

Is it your pleasure, honourable senators, to adopt the motion.

Hon. Senators: Agreed.

The sitting of the Senate was suspended until tomorrow at 2 p.m.

[*Editor's Note: For continuation of proceedings see Issue No. 108B.*]

THE SENATE

Thursday, November 8, 1990

[*Editor's Note: Continuation of proceedings from Issue No. 108A.*]

The sitting of the Senate was resumed at 2 p.m., Friday, November 9, 1990, the Speaker in the Chair.

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE ACT
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMEND—THIRD READING—MOTION TO AMEND WITHDRAWN

Hon. Royce Frith (Deputy Leader of the Opposition): Honourable senators, the motion that was made yesterday about adjournment was made under rule P-1, which you will recall states—and I am paraphrasing—that if after 5:45 o'clock p.m. on a Monday, Tuesday, and so on, there is a motion that the Senate do now adjourn, the sitting shall then be suspended for the day until 2:00 o'clock p.m. the following day, at which time the Senator then in the Chair shall order the bells to be sounded to call in the senators.

> If at any time before the Senator then in the Chair calls for the yeas, nays and abstentions pursuant to Rule 49,—

That is the rule where people stand up to ask for a vote—

> —the Senator who proposed the motion asks leave to withdraw the said motion the same shall be deemed to have been withdrawn; otherwise, the said bells . . .

I was the senator who proposed the motion. I now ask leave to withdraw the said motion, and if you grant leave the same shall be deemed to have been withdrawn to save us going through the vote.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Motion withdrawn.

BUSINESS OF THE SENATE

Hon. Royce Frith (Deputy Leader of the Opposition): Honourable senators, while we are talking about leave, I ask leave temporarily to revert to "Notices of Motions" so that I can make a motion about Remembrance Day.

Hon. C. William Doody (Deputy Leader of the Government): May I ask how "temporary" is temporary?

Senator Frith: Temporary in the sense that if I am granted leave to revert to "Notices of Motions", I will then also require leave to move the motion. If leave is granted, then we will simply deal with that one motion and will not of necessity be back at that point in the Order Paper. In other words, we will return to where we are after the suspended sitting period.

Senator Doody: I certainly appreciate the ambiencethat has been established here, the mystery and intrigue.

Senator Frith: I will tell you what it is.

Senator Doody: The temptation to leap fully into this is almost irresistible,but, nevertheless, I have to ask the honourable senator to give us his assurance that we will be back on Bill C-62 in the event that all these things do not happen.

Senator Frith: Yes.

Senator Doody: By that I mean almost immediately, or immediately.

Senator Frith: Well, it will, depending on what happens to my motion.

Senator Doody: I know. That is what I am getting at. Even Agatha Christiewould not have tackled this!

Senator Frith: Let us get this clear, then. If I am granted leave to return to "Notices of Motions", I want to make it clear that there is no ulterior motive in the sense that this is not an attempt to get us off Bill C-62. The motion that I am asking about deals with Remembrance Day.

Hon. Allan J. MacEachen (Leader of the Opposition): It is a motion to get us off!

Senator Frith: It might "get us off", but it will not get us off the GST. So there is no ulterior motive.

Hon. Efstathios William Barootes: You are not jumping head first into an Olympic pool, are you?

Senator Frith: First, I must have leave to revert to "Notices of Motions". If you give me that, you will still not have given me leave to move the motion until you hear what it is.

The Hon. the Speaker: I see, honourable senators, that confidence reigns. Is leave granted?

Hon. Senators: Agreed.

REMEMBRANCE DAY

NOTICE OF MOTION TO OBSERVE OFFICIAL HOLIDAY BY NOT SITTING

Hon. Royce Frith (Deputy Leader of the Opposition): Honourable senators, I ask leave, seconded by Senator Molgat, to propose the following motion:

> THAT, as an expression of respect to Canada's War Veterans and War dead the Senate observe Remembrance Day on the official holiday, November 12th next, by not sitting on that day.

I have not checked to see whether I need to give notice, but I suspect that I do. I would not want to proceed with it unless I have everyone's consent anyway.

Hon. D.G. Steuart: Just like mother love!

Hon. C. William Doody (Deputy Leader of the Government): I guess we are in the same situation. I do not think that anyone here wants to sit on Armistice or Remembrance Day, but we do have a situation with regard to the GST and the debate that we are into. We have to receive some assurance that the time limits will not be affected by this motion. Perhaps Senator Frith could explain.

Senator Frith: Yes. I am proposing the motion—and why I had hoped that it would receive support on all sides—based on the assumption that we all think it would be a good idea, to quote the motion, "as an expression of respect to Canada's War Veterans and War dead" to observe the official holiday, November 12th next, by not sitting on that day.

We have a situation in which the Governor General will be outside the country on that day. It is not a good idea for us to exacerbate that situation by having the next element of Parliament, namely, the Senate, sitting on that day.

I do not think we should talk about it in terms of assurances that deal with our legislative calendar. I say that because it is one day. It will happen however it happens. I say that because I assume that the Conservative Party and the government wish to pay their respects just as much as the Liberals do.

Perhaps I misunderstand Senator Doody, but I do not think the government would respond by saying, "Well, we will do that. We care enough for the veterans that we will do that, providing you give something up,"—

Hon. Mario Beaulieu: We can sit tomorrow!

Senator Frith: —as if there should be some conditions. Why should there be conditions? Will the Opposition have to pay in some way? Did the veterans not pay enough? Are we supposed to pay, too?

Perhaps I misunderstand, but I do not understand why the Senate should approach this occasion, on either side, on the basis of saying, "Okay, we will pay our respects to the veterans and the war dead, providing we receive some assurances" from one of the parties in the senate. I cannot see why it should be on that basis. The implication, then, is that the Liberal party cares more about the veterans and, therefore—

Some Hon. Senators: No!

[The Hon. the Speaker.]

Senator Frith: I am glad to hear you say that, because I am sure that that is not the case. The implication of saying that the Senate will agree unanimously not to sit on the official Remembrance Day—that is, to say that "we will do that providing the Liberals give up something" gives the impression—and I know that you do not want to give this impression—that you will be doing the Liberals a favour because they care more about it than you do. I know that that is not true. You care just as much about it as we do.

An Hon. Senator: Do not say it, then!

Senator Frith: Why do we talk about it in terms of conditions? We either do it or we do not. I think we all agree that we should, so why should we put conditions on it? That is the motion that I want unanimous consent to move.

Senator Barootes: You will not get it!

Senator Frith: I will not get it? Is that correct? One senator says "no"? Does Senator Barootes say "no"?

Senator Barootes: I will wait until I hear you out.

Senator Frith: No; you cannot do that. You have to give me consent to proceed. Are you saying "no"?

Hon. Richard J. Stanbury: Ask for unanimous consent!

Senator Frith: I am asking for unanimous consent. Do I have it?

Senator Stanbury: Yes.

Some Hon. Senators: Yes.

Some Hon. Senators: No.

Senator Doody: Are you finished, Senator?

Senator Frith: No. I am not finished until I hear whether or not I have unanimous consent.

Senator Doody: It is not quite as simple as that.

Senator Frith: But it is!

Senator Doody: But it is not! There we are again.

Senator Frith: Is it not? Do I have it or not?

Senator Doody: There appears to be a fundamental difference in our understanding of the situation.

Hon. William J. Petten: He said "no".

Senator Frith: Who said "no"? If someone said no, then it is over. Is that not right?

Senator Doody: I think he said no to doing it immediately. He wanted to find out exactly what was entailed in this. To you it is a simple situation, Senator Frith. You say that we take Monday off and that is the end of it because it is Remembrance Day and you feel that everyone wishes to pay due reverence and respect to Canada's gallant heroes. I agree with that. No one feels more deeply about that than I do. As a matter of fact, many times, on behalf of my father who was a member of the Royal Newfoundland Regiment, I have placed a wreath at the Cenotaph in St. John's. I am very proud and

honoured to do so. No one has to give me any lessons in the sacrifices—

Senator Frith: No; I am not trying to do that.

Senator Doody: —and the respect that Canada and Newfoundland owe their heroes.

Some Hon. Senators: Hear, hear!

Senator Doody: But I want to say—

Senator Frith: I am not trying to give you a lesson!

Senator Doody: —is that we have a house order that was agreed to by all sides. It sets out a specific time frame of six hours of debate on amendments and six hours on the main motion, and so on. We have been living with that and should like to continue to live with it because it is the whole basis of the civilized way that this place has been functioning over the past few days—a welcome change from the exhibition that we had in early October.

I should like some assurance that that time frame will not be interfered with and that we will manage to keep the amendment process and debate going along the same lines as we have been doing in the past. I am not asking for anything special, I merely want the assurance from people on the other side that the spirit of the agreement that we have will be honoured, We can then all together honour Canada's war dead in a way that we all wish to.

Senator Frith: Honourable senators, when I say that I am asking leave, I am not suggesting that the Provisional Rules or the house order be suspended. I am simply saying that I need leave to move this motion because of the requirement of notice.

• (1410)

I am not asking for the suspension or changing of any rules.

Senator Doody: The best way to demonstrate that is to bring forward the next amendment, and we can debate it this afternoon so that we can take Monday to do the right thing in terms of our veterans. Why not get the amendment on the table now?

Senator Frith: Then there are conditions to the support? Is that what you are saying. So I do not have unanimous consent. The condition is that I must give some assurance that we are not asking for the suspension of rules. We are not asking for any change in the spirit of the agreement. I am simply asking for leave to move this motion. Do I have it?

Some Hon. Senators: No.

Senator Doody: Can we discuss it?

Senator Frith: I thought that is what we were doing. The only issue to discuss is that the government is indicating there must be some conditions for the giving of leave. In that case, say no. Tell me whether or not I have leave. Why is it that we have to accept conditions on this motion and you don't? Do I understand it is the position of the government, if you support the giving of leave, that you are doing us such a favour that we should accept some condition? That is exactly what you are saying. I cannot proceed any further on this unless we have leave. Do I have leave or not?

Senator Cogger: No.

QUESTION OF PRIVILEGE

Hon. Royce Frith (Deputy Leader of the Opposition): On a Question of Privilege, I say it is not desirable for the Senate to sit on Remembrance Day.

Senator Murray: Sunday is Remembrance Day.

Senator Frith: That is correct. That is why the motion indicates that we should observe it on the official day, which is November 12. That is the official holiday. The ceremony in Perth, as is the case everywhere else I assume, is on Sunday. The motion reads, "Observe Remembrance Day on the official holiday." If the response of the government is, "No we are not going to observe it on the official day", so be it. Since I could not get leave to move it that way unless I accepted certain conditions or gave certain assurances—although I did not require any one to give assurances—I think the assurances should be that we want to express our respect to Canada's war veterans and war dead by observing Remembrance Day on the official holiday, November 12. I feel that puts the Senate in a bad light and I raise it as a Question of Privilege. I know there are many veterans on both sides of the chamber. I do want to turn this discussion into an odious comparison.

Senator Phillips: You are really labouring at it, aren't you?

Senator Frith: Senator Phillips indicates that I am labouring at it. I do not really know what he means by the word "labouring"? I presume he means that by saying that I do not want it to be partisan, he considers that to be labouring. I do not understand what "it" is. I presume "it" is my motion. Am I working hard on my motion, which is another meaning of "labour"? Yes, I am.

I believe that some senators on both sides are embarrassed by the fact that the Senate is not observing Remembrance Day on the official holiday. That is why I brought the motion forward, because I think it affects all of our privileges, in that sense that we have taken calls from veteran's organizations asking, "why are you not observing the official holiday?" To that extent, I intend to be at the Cenotaph in Perth on Sunday. I said "some senators;" I did not say "all senators." I did not mean to include Senator Barootes, who does not feel embarrassed by the fact that we are not taking a holiday on Monday.

Hon. Efstathios William Barootes: I want to honour Remembrance Day as I have always done, and you won't tell me whether or where. It will be on November 11 at eleven o'clock in the morning.

Senator Frith: I must say that Senator Phillips is right. I am being forced to labour at this. Let me make it clear; I am not trying to tell Senator Barootes when he should be at the Cenotaph on Sunday, or if he should be. That is up to him. I will decide about that, just as Senator Barootes will decide when he goes to the ceremony on the eleventh.

What I am saying is that I find it embarrassing to try to explain the letters and phone calls that I have received, asking why it is that the Senate is making an exception, when the rest of the country is celebrating Remembrance Day on the official holiday.

Senator Murray: Not true. The overwhelming majority of Canadians will be at their jobs on Monday.

Senator MacDonald: What is our primary responsibility?

Senator Cools: To honour the living.

Senator Frith: I will propose a motion under Rule 33. I see there are some sentors opposed to it. It is as if we are told that the Senate deos not care about the veterans.

I am trying to deal with the interventions. The first intervention was that my motion is politically motivated. Then, when I speak to the implication that I do not care about Remembrance Day, that I am only interested in politics, everyone gets upset. But you are the ones who said that my motion was politically motivated, not me.

Senator Barootes says this is nonsense. If this is nonsense, then he can vote against it. I find this similar to what we were told about the co-ops. We were told that we did not care about the co-ops, that all we cared about was a partisan motion, and therefore whatever we were doing was contributing to partisanship. So be it. If you feel that we should sit on Monday, because any motion to have us not sit on Monday is merely a partisan Liberal move, then vote against the motion. I tell you that it is not. I expect some of you to take my word for it. I don't expect Senator Cogger to, nor Senator Barootes. If you believe there is no purpose in our adopting a motion to not sit on the official holiday, obviously you will vote against it.

● (1420)

REMEMBRANCE DAY

MOTION TO OBSERVE OFFICIAL HOLIDAY BY NOT SITTING NEGATIVED

Hon. Royce Frith (Deputy Leader of the Opposition): Honourable senators, I will now move my motion under Rule 33, which provides that:

> When a matter or question directly concerning the privileges of the Senate, of any committee thereof, or of any senator, has arisen,

—and I have raised such a question—

> a motion calling upon the Senate to take action thereon . . .

—which I move—

> may be moved without notice and, until decided, shall, unless the debate be adjourned, suspend the consideration of other motions and of the Orders of the Day.

[*Translation*]

The Hon. the Speaker: Honourable senators, it is moved by the Honourable Senator Frith, seconded by the Honourable Senator Molgat, that as an expression of respect to Canada's War Veterans and War dead, the Senate observe Remembrance Day on the official holiday, November 12th next, by not sitting on that day.

Is it your pleasure, honourable senators, to adopt the motion?

[*English*]

Hon. Orville H. Phillips: Honourable senators, I resent the cheap, crass way this motion was made. I am a veteran and I saw as much action as any member of the Opposition, and—let us make no mistake about this—I can point to others on this side—to Senator Doyle, Senator Sylvain, Senator Kelly, and Senator Barootes, whom you were so anxious to blame—who saw far more action than you did, Senator Frith. Senators on this side, such as Senator Marshall, have as much respect and understanding for veterans as you have over there, despite—

Senator Frith: Exactly what I said.

Senator Phillips: —of your crass, political attempts.

Senator Frith: Exactly what I said. If you had been listening, you would have heard me say that there is as much care on this side as there is over there.

Senator Phillips: I want to make it clear to you that November 11th is Remembrance Day.

Senator Frith: I know that.

Senator Phillips: You were in this chamber when that rule was made, Senator Frith. You were the one who insisted that November 11th would not necessarily be a complete holiday. I remember your remarks in committee. You did not want November 11th to be a full holiday. Look up your remarks to Senator Davey. When you were Deputy Leader of the Government, Senator Davey asked you to introduce legislation to have the stores and schools closed on Remembrance Day. Did you do that? No, you did not. Then today, you stand and adopt this cheap, crass political attitude of yours.

The idea that you were asked to give up something in return is completely wrong. You were given the opportunity to move your motion today, and you were given that opportunity earlier in the week; but you refused to act on it until today.

Senator Frith: That is not so.

Senator Phillips: That is quite correct.

Senator Frith: It is not.

Senator Phillips: I make you this offer. If you move—

Senator Frith: What are you talking about.

Senator Phillips: —your amendment today, we will sit beyond 5 o'clock—

Senator Frith: What are you talking about?

Senator Phillips: —to give you the time to complete your amendment and—

Senator Frith: What are you talking about?

Senator Phillips: —we will take Monday off, if you would like to do that.

Senator Frith: That is not true.

Senator Phillips: That is true. There were discussions—

Senator Frith: It is not true. What the devil are you talking about!

Senator Phillips: Come on, now!

Senator Frith: Explain what you are talking about. No one came to me and told me to make a motion like this. Never!

Senator Phillips: No, no one would dare tell you to make a motion like that.

Senator Frith: What are you talking about?

Senator Cogger: Move your amendment on Bill C-62.

Senator Frith: No one ever suggested that at all. All of our discussions were quite clear as to what was going to happen to the amendments this week; and you, in fact, said the same thing to Senator Petten. You knew what was going to happen.

Senator Phillips: We have now made you that offer. There is nothing wrong with it. You have three hours this afternoon. We will stay until 8 or 10 o'clock tonight and give you the opportunity.

Senator Frith: You want conditions?

Senator Phillips: It is not a condition. It is an opportunity for you. Take it.

Senator Frith: If you want to do something, then you will do this.

Senator Phillips: Take it or keep quiet, Senator Frith! Take it or keep quiet!

Senator Frith: Just vote for it, or vote against it. Do not give us conditions.

Senator Phillips: I asked the Table to find out how many times the Senate and the House of Commons had sat on November 12th, and I think you will find there are a number of times. I sat in the House of Commons and in the Senate on November 12th, if my memory serves me correctly. I do not like the way the Honourable Senator Frith is treating the memory of the fallen. I do not like the way he is respecting the survivors by being crass and political about it. It is cheap, and, of course, we should not expect an awful lot better from him.

Senator Frith: You are lowering the whole thing to a personal question.

Senator Phillips: Your idea is to take cheap, political advantage whenever you can. Now, I would expect that of you, but I am rather surprised at the Leader of the Opposition. He is, at least, a Maritimer, even if he is not a veteran. I am sure he shares that deep respect that Maritimers have for veterans, and I am surprised that he would take advantage of that.

Senator Hastings: Talk about cheap, boy!

Hon. Gildas L. Molgat: Honourable senators, I deeply regret the tone that this discussion is taking on an issue that should not be dividing us as Canadians. There is a very practical reason for not sitting on Monday. It is fine for the people who live in Ottawa, or in Toronto or Montreal. There is no problem getting back to Ottawa for Monday, but for those who live in distant regions, the matter is not the same. I wonder, for example, how someone from Vancouver can attend any activities in that city on Sunday and be in the Senate on Monday. Even for others who do not live as far as Vancouver, it becomes extremely difficult.

In my own case, in my regiment, we have a standard practice on Remembrance Day. We hold the ceremony at 11 o'clock in the morning in our armouries, and the rest of the day is spent visiting those of our veterans who are at home and who cannot participate in the activities. The senior officers of the regiment spend the whole of that day travelling through Winnipeg to the various hospitals, homes, and private homes, wherever there are veterans who are unable to attend. It then becomes extremely difficult for me to get back to Ottawa in time. I can manage it, but it is not that easy. Winnipeg is not a difficult point to reach.

There are many others here—I can think of Senator Marshall from Newfoundland, and others—who will have extreme difficulty in participating in the ceremonies on Sunday and be here for Monday. So there is a very practical reason why we should support this motion.

There is a further reason. It has now been established that the holiday stipulated for November 11th, falling this year on a Sunday, will be celebrated on Monday. Our staff technically are on holiday on Monday. Members of the Public Service will not be working on Monday. Banks and businesses are closed on Monday. Why is that? The reason is that they wish to honour the November 11 celebration properly.

Let us not get into arguments as to who has more war service or whether someone is more of a veteran than someone else. That is a degenerating attitude. We should not approach the issue in that way. What is it that we are trying to do? We are trying to honour those Canadians who served willingly. I would point out that Canadians who served in both World Wars were strictly volunteers, young Canadians who chose to serve. That was not the situation in most other countries that participated. This is a Canada. This is a great honour to Canada. We owe these people respect.

• (1430)

I should like to ensure that those senators here who want to participate in Remembrance Day activities can do so to the fullest extent and return to work on Tuesday. I submit that that is what we should do. Let us not get involved in partisan discussions on this. Let us not get involved in discussions of who is more of a veteran than someone else. That is not the issue.

The issue is to permit members of the Senate to participate in their regions in the ceremonies on Sunday and to properly honour the veterans of this country.

Hon. Richard J. Doyle: I agree with Senator Molgat that the tone of the debate is not perhaps what it should be. Honourable senators, I am going to risk being irreverent myself when we are discussing such a deep and solemn matter as the question of Remembrance Day.

I would like to take a moment of your time and take you back to 1942, which was during the war. At that time I was stationed at a British Commonwealth Training Camp in Jarvis, Ontario. On Remembrance Day, we were called upon to provide a guard of honour at the cenotaph at Simcoe. We marched down Main Street in Simcoe to the cenotaph. We were wearing jackets because, while it was cool, it had not been particularly bad weather for that time of the year. Quite a snowstorm was blowing up. Indeed, through the hymns and the sermon the snow came down. When we got to the two minutes of silence, we stood with bowed heads while a squad of approximately 200 school kids practised throwing their snowballs on the back of our necks.

At the risk of being irreverent, I will never go back to Simcoe without making sure that there are no snowballs. I feel the same way today, Senator Frith.

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, a point of privilege has been raised by Senator Frith. It has been demonstrated in this place that a motion of privilege cannot be put until a *prima facie* case has been determined. The Speaker has to decide whether or not a *prima facie* case of privilege has in fact been proven, in which event the motion can be put. We have precedents to establish that. That is the procedure that has been followed on many occasions and that is the procedure we should follow at this time.

If indeed there is a *prima facie* case, then we will have a vote on the motion. At this point it is up to the Speaker to determine whether a privilege has been breached.

Senator Frith: Honourable senators, I take it that Senator Doody is raising a point of order. I specifically moved my motion under rule 33, which I will read again. Rule 33 states:

> When a matter or question directly concerning the privileges of the Senate, of any committee thereof, or of any senator, has arisen . . .

which it had,

> . . . a motion calling upon the Senate to take action thereon . . .

which my motion does,

> may be moved without notice and, until decided, shall, unless the debate be adjourned, suspend the consideration of other motions and of the Orders of the Day.

The motion is before us. I heard the Speaker put the motion. I have just spoken to the Clerk. I went to the Clerk and asked, "Has the motion been put?" He said, "Yes, we are on debate."

Why are people shaking their heads? What sort of Alice in Wonderland is this place turning into? The motion has been put. The motion is before us and is being debated now.

[Senator Molgat.]

Senator Doody: It has to be determined if a *prima facie* case has been established. Senator Frith argued that that was necessary; Senator Olson argued that that was necessary; Senator MacEachen argued that that was necessary. It was proven to be necessary. We, on this side, were found to be wanting in terms of proving a *prima facie* case regarding the Banking, Trade and Commerce Committee and its consideration of Bill C-62. The Speaker followed the logic, reason and force of the arguments put by senators on the other side. He ruled that no *prima facie* case had been established by us and, therefore, our complaints about our treatment in that committee were out of order, were not well founded and there was no privilege. We took the Speaker's ruling for what it was and that is the procedure we have been following ever since. I see absolutely no reason why it should be changed this afternoon to accommodate honourable senators opposite.

Senator Frith: Honourable senators, Senator Doody has overlooked a couple of points. After the debate that he is talking about, the point was specifically raised by me and others that questions of privilege should be determined on the basis of Rule 33, which is a specific rule of the Senate.

Previous to my calling attention to Rule 33, I said that I had overlooked Rule 33. The proceedings in the House of Commons, which place the Speaker in a position of authority on the question in making the decision Senator Doody has referred to, do not apply here. There is no need to look at the proceedings in the House of Commons because Rule 33 is a clear rule in the Senate. Whatever has happened, my motion is made under Rule 33. Moreover, the motion has been put by the Speaker. So there is a motion before us and that is the motion.

Hon. Heath Macquarrie: Honourable senators, I have not spoken often in this place in the last six weeks. To be candid, there are times I have felt uncomfortable even being here.

I would never proselytize or tell other people what to do, but I feel very uncomfortable because we seem to be moving from a discussion on how we observe Remembrance Day to partisan confrontation and prolonged discussion about rules and orders. In all my years in Parliament, not much was gained by appeals to the Speaker or long and protracted discussions on order. Common sense and good will is usually a far better guide to a legislative body, just as it is to humankind in general.

We will enter into the spirit of an important day if, rather than pushing together Remembrance Day and our procedures and confrontations here, we keep them separate. There is a grave danger that we are living in a time when our young people may well be in a confrontational situation in which there will be wounded veterans and, God help us, dead veterans. Surely on this day we can make a quick decision about what we are going to do on Monday and not prolong the discussion. Let us arrive at a clear view of our respect for this day and be done with it, one way or the other.

• (1440)

Hon. Senators: Hear, hear!

Hon. Finlay MacDonald: Honourable senators, encouraged by Senator Macquarrie's remarks, I would like to say that

surely there is no one in this chamber who has any disrespect for the significance of that day, and no one would rather have Monday off than I would. As a World War II veteran, the only thing that inspired me was the matter of duty. I do not see how anyone can accuse anyone here, now that we are parliamentarians, of thinking that our duty to the legislation before us is paramount. There are some things we must sacrifice, and sacrificing Monday to do that which we would like to do is secondary to our duties as members of Parliament.

Some Hon. Senators: Hear, hear!

Hon. Sidney L. Buckwold: Honourable senators, we have heard the word "sacrifice" from Senator MacDonald, and that is what inspired me to stand up. We all had comrades who made a sacrifice, and some of us are prepared to honour them in observing Remberance Day. I draw honourable senators' attention to the remarks of the Leader of the Government, who said that the overwhelming majority of Canadians do not observe the holiday on Monday. In fact, in many provinces in this country it is a statutory holiday. If the holiday happens to fall on a Sunday, the observance of the holiday—not necessarily involving the ceremony at the Cenotaph—takes place the following day. In my province Monday will be a holiday.

Those of us involved with veterans organizations are busy Sunday participating in a variety of events honouring our comrades. As Senator Molgat pointed out, it is very difficult, if not impossible, for those of us who live far away to participate in those events and return in time for the sitting of the Senate on Monday. It is not physically possible. I suggest it is not unreasonable that we in this chamber—the chamber that represents all Canadians—should do our duty to those who, as Senator MacDonald has said, made sacrifices, and we should pay our respects by not sitting on that day. There should be no deal involved. It should not be "We will do this if you do that." It seems natural and normal that we should respect this important observance and support the motion moved by Senator Frith. Personally, I hope we will not fight over one day extra—which our friends across the way are worried about—which will result in the debate being delayed by a few hours. We owe it to our veterans to support the motion.

Hon. Paul Lucier: Honourable senators, I would like to speak as a non-veteran. I think I represent a fair number of people in this chamber who are not veterans of any of the great wars. I would not like to hear it suggested—it almost was in a couple of cases, although not intentionally—that if one were not a veteran, then one was less than others in this chamber when it came to dealing with this motion. I want it clearly understood that I was not a veteran. I was too young to serve in the war, and probably I would have been too chicken to serve had I been old enough. But I had five brothers who served in the war; so the family made a contribution without me.

I would like to make a small point, strengthening what Senator Molgat and Senator Buckwold said about the regions. I direc my remarks particularly to the eight new senators who were appointed by region. The Senate is supposed to represent regions of the country other than central Canada, and we have made gains in recent years with increased representation from outlying regions. It may be simple for those members from Ottawa, Montreal or Toronto to visit their regions, but it is not that simple when one lives in Whitehorse. Whether the holiday is on Sunday or Monday, I cannot hope to visit my region and return within a day or so. It cannot be done even from Vancouver. Unless one takes the "suicide special," which arrives at 9 o'clock in the morning after flying all night, one cannot do it.

Honourable senators from British Columbia do not all live in Vancouver, where the airport is located. Some live in other parts of British Columbia. Senator Marchand is from Kamloops, and sometimes it takes as long to get from Vancouver to Kamloops as it does to get from Ottawa to Vancouver. When you are dealing with this kind of issue, do not assume we all live in the Golden Triangle, because we do not. Thank you.

Some Hon. Senators: Hear, hear!

Hon. Anne Cools: Honourable senators, I, too, would like to speak to the motion before us, not only to honour those here who fought and remember those who died, but to remind us that the reason we would like to have Monday to celebrate the dead is, in point of fact, to celebrate the living.

In this country we find ourselves at a point in history when it appears that we may be on the verge of being involved in another war. We may be entering into another situation in which more lives will be lost. For those of us who are pleased that Senator Frith has expressed his concern, I would like to review some of the matters I raised yesterday in response to Senator Marshall's speech.

Before doing so, I would like to refresh our intellectual memories with some of the words that have been traditionally said about war. For example, I would ask senators to be reminded of Goya's famous painting "The Disasters of War," which is a magnificent piece of work. Another masterpiece by another master, Picasso, is "La Guernica."

• (1450)

These are pieces of art that depict the disasters and horrors of war.

Senators could cast their eyes to the painting that is above our heads, which was donated by Lord Beaverbrook. It is called, "The Cloth Hall at Ypres." Another of the paintings depicts Flemish peasants returning home. It is named, "Returning to the Reconquered Land."

Honourable senators, I want to put this matter in historical perspective. The purpose of Remembrance Day as a symbol, is in the long run to avoid war. I see Senator MacDonald looking at me with great attentiveness. Senators have all heard of Flanders Fields. Those senators who served in the war are well aware that it took 35 human lives for every square meter to regain the area called Flanders Fields.

Senator Marshall, Senator MacDonald and other veterans know the names of the battlefields of both wars: Passchendaele, St. Julien, Ypres and so on. Senators know of the monument erected at St. Julien called "The Brooding Soldier". We know very well that that monument was erected in honour of

18,000 Canadian soldiers who withstood the gas attacks in World War I.

Senators know that around the altar in the Memorial Chamber in these Parliament Buildings are the following words, taken from *Pilgrim's Progress* by John Bunyan:

> My marks and scars I carry with me to
> Be a witness for me that I have fought
> His battles who now will be my rewarder,
> So he passed over, and all the trumpets
> Sounded for him on the other side.

We know that in the Throne Speech of 1984 the government promised us renewed Canadian internationalism. The experience of many honourable senators is that, for the most part, war has been a very ugly and awful business which has been carried out and fought, for the most part, by men. Many honourable senators know, for example, that when soldiers were killed, frequently they were found in a particular position, holding their hands to the left side over their hearts, where they would often keep pictures of their mothers, their wives and their children. Honourable senators, that is why we remember them at the 11th hour of the 11th day of the 11th month.

I am a woman and I have been very fortunate in that the disasters of war have not been visited upon me. I have never had to fight in a war. Most women do not discuss—and the women's movement ignores—the disasters and the torment that men have had to endure as they have faced combat. Very few authors have written about that torment. Personally, I have never had to experience that torment. I have admired all of those who have endured it, those who have survived it and those who have shared that experience with us in the hope that we never have to go to war again.

As we remember, let us understand the phenomenon of Monday and the wish to observe it, looking towards the future while redeeming all those who have perished. In that way, we may learn our lesson and never return to war.

As I look at Senator MacDonald, I realize that I promised him faithfully that I would look up a statement written by the famous poet Rudyard Kipling, who spent weeks upon weeks in the fields of Flanders in search of his own son who had perished there.

War is a nasty business and the intention of war is death. War in this contemporary century is unthinkable. Honourable senators, some weeks ago some of us felt terribly reduced and violated when the Speaker locked us out of the chamber. I remember that night, on a question of privilege, saying that this particular country had chosen to find political solutions rather than military solutions. This country was conceived as a country in an attempt to avoid conflict. When we think about the disasters of war, let us understand that because of people like General Sherman, after whom Sherman tanks were named, the Fathers of Confederation contemplated the design of Canada so as to avoid war and conflict. General Sherman and others like him introduced war to the modern era in a way that no one ever thought was possible.

[Senator Cools.]

Honourable senators, we stand poised perhaps on the brink of another war. Perhaps that is a part of the human condition; I do not know. Perhaps it is a part of man's inhumanity to man. However, it is something that we should think long upon, ponder and pray on.

I hope that honourable senators will not view any of this as a ploy. I hope that honourable senators will decide not to sit on Monday. I hope that honourable senators will use Monday to reflect, to meditate and to muse on the disasters of war. I hope that senators will pray that we may never again go to war.

[*Translation*]

Hon. Eymard G. Corbin: Honourable senators, I would like to speak to the motion of Senator Frith and perhaps comment indirectly and in a non-partisan way on his question of privilege.

I believe I have always taken the position that Remembrance Day is a day that belongs to all Canadians. We want to commemorate those men and women who made the supreme sacrifice of their lives, who lost their limbs or suffered psychological harm and made so many other sacrifices, they and their families, to save democracy.

Remembrance Day belongs to all Canadians, although veterans and the men and women who now serve in Canada's Armed Forces appropriate this day as their own, and rightly so.

It was Canada and Canadians who during the World Wars contributed in so many ways to the final victory and helped crush the totalitarian regimes that wanted to impose the night of fascism on this century.

Honourable senators, I was born in 1934. Of course, I was not old enough to enlist. Like other senators in this Chamber, members of my family served in the armes forces, but they were too young at the time to serve overseas during the Second World War.

However, I have a brother, who has died since, who served in Korea. I have another brother who served with the UN Forces in Cyprus and elsewhere and was a member of the Black Watch Regiment, now disbanded. Personally, I am very receptive to the feelings of veterans, their families and members of the military.

I think it is unacceptable for the Senate of Canada not to take the time, like the rest of the country, to pay tribute to the sacrifices made by our valiant soldiers who died or were or were otherwise affected.

If the Canadian people cannot, are not in a position to . . . yawn all you want, sir, I will get back to you in a few minutes! I think you are particularly ill-mannered to yawn, particularly ill-mannered!

Hon. Thérèse Lavoie-Roux: Do we need your permission to yawn?

Senator Corbin: My remarks make him yawn, Madam. You continue to read!

If you want to stand up, do so and make your speech. Stand up!

Hon. Paul Lucier: He lacks courage!

Senator Corbin: That is the kind of attitude we are faced with today.

I will address my colleagues on this side of the chamber if the others feel like yawning!

Dear Liberal friends, if Canadians cannot turn to the Senate and us to commemorate and honour Remembrance Day with dignity, what is going to happen to other institutions in this country?

What is going to happen to our democratic institutions? Talk about giving a good example to the younger generation! Such is the kind of example they want us to give. Why, I cannot say.

I do not want to impute motives. I do not want to interpret anybody's feelings about this issue but this is the first time in my life and in my numerous associations with the wide variety of undertakings as well as private and public companies with which I have been associated that an attempt is made to prevent us from commemorating Remembrance Day with dignity.

I worked in the Province of New Brunswick. I worked in the Province of Quebec, in the City of Montreal for companies which did not rank particularly high in terms of social justice, working conditions and what have you. But there was always heart-felt respect for Remembrance Day. We were given time off to commemorate the memory of the dead.

And the Senate will not do that? I think it is quite inappropriate and quite unnacceptable, and I do not want to be associated in any way with that kind of attitude.

Thank you, honourable senators.

● (1500)

[*English*]

Hon. H. A. Olson: Honourable senators, I have two points I wish to make. I want to follow on in the spirit and the tone set by Senator Macquarrie, in that we should make a decision on this matter without dragging in all the arguments about who is a more loyal and patriotic Canadian or who is more loyal and patriotic toward the veterans and their right to be respected. Such arguments could go on for a long time. I do not think either side of the house has any greater claim than the other.

I find it difficult to understand that we have to renegotiate the agreement that we made prior to bringing in the provisional rules. It took a long time for those discussions and those negotiations. Surely, senators opposite could have seen that today, Friday, we would come to this spinning out of the provisions of the agreement that were made and that it would not have to be renegotiated to come up with certain things which were not provided for in the agreement.

Senators opposite knew very well yesterday that under the provisional rules there was the possibility that the motion made by Senator Frith yesterday to suspend the sitting until today would have to be dealt with. There is no question about that. Surely, senators opposite cannot deny that they understood that. They knew very well that we were to meet today at 2 p.m. They also knew very well that at 5:15 p.m. we would have the right under the provisional rules to move a motion for adjournment or to suspend the sitting until Monday. Senators opposite must also know that from 2 p.m. to 5:15 p.m. is not six hours; it is but three hours and 15 minutes. Under the rules that are in place, if such a motion were made then senators opposite would be forcing us to do one thing or the other, that is, either to debate the amendment in three hours or else to go beyond the time that was agreed upon. I do not understand people making deals like that. There are all kinds of funny names—and I will not use them—to describe reneging on a deal like that, something which senators opposite are doing.

I say very sincerely to all senators that if they want to have it that way, if they want to respect the official Armistice Day, which is Monday next, then let us just do it.

Senator Barootes: But it is Sunday.

Senator Poitras: Work today.

Senator Olson: It is nice of honourable senators opposite to say that. I said to myself before rising to speak, "Keep cool, Olson, this is not one of those partisan debates that you get in to". But senators opposite must understand that I live 2,000 miles from here.

I know Senator Lucier lives a little further away than that. If I am to get to the area that I come from and then to Calgary and back here, then I have to go the day before. There is no other way. I am not complaining about that, but surely you cannot sit here and say "You could get back here if you fly all night." I used to do that but I do not do it any more, and I do not feel obliged to do it any more, because you want to renege on your agreement.

● (1510)

It is sad but true, but that is what you are doing. You do not intend to follow the rules we agreed to unless we give up something. That is what it really boils down to. You are saying to us "You must agree that will move that motion one day ahead of when you are required to so we can have the vote on Tuesday instead of Wednesday." That is what you are saying, so you are reneging on the agreement, and I think that is sad.

How do you expect to generate any confidence in this place? The people who negotiate these matters should respect each other and stick to the deal they make. If we are to accept this motion, let us do so without conditions. That is what Senator Frith has asked for, so why not just do it.

Senator Simard wants to make my speech again. I never got very far by following his instructions on how to make my speeches.

Senator Simard: You heard what I said.

Senator Olson: I know what you said in Edmonton, too, and you should never have said any of it.

There is another matter I want to discuss. Senator Doody keeps bringing up this business of a *prima facie* case of privilege with respect to Rule 33. I think Senator Frith

explained that very well. We do not have to have a *prima facie* case of privilege established or determined by the Speaker or by anyone else. That is not what the rule says. We operate a little differently here than they do in the House of Commons and we always have. In many respects, it is better here.

You keep tightening up the rules, pulling the strings tighter and tighter with your majority, thinking you can squeeze out the opposition so that we cannot do our duty. But you will regret it in the end.

Senator Simard: Do your duty here and pass this legislation. What have you been doing?

Senator Olson: Senator Simard always wants to tell us how to behave ourselves.

Senator Simard: Get ready for January 1.

Senator Olson: We are doing what the overwhelming majority of people want us to do.

There are some rules in the book here about senators keeping quiet while someone else has the floor. Have you noticed that? If not, read them, or do you want me to read them to you?

Senator Simard: You said you had no use for the book; throw it away.

Senator Olson: I think the word "asinine" describes what Senator Simard is doing now.

Senator Simard: We do not have that word in French.

Senator Olson: Look it up in the dictionary. It will increase your vocabulary where it needs an increase.

Honourable senators, I hope Senator Doody never brings that up again because what goes on in the House of Commons with respect to a question of privilege is not the same as what happens here, and ought not to be. Therefore, do not ever try to argue that we have to use the rules and procedures and practices of the House of Commons. That is all he is trying to do. We have a perfectly good rule under Rule 33 to deal with questions of privilege.

In conclusion, I hope honourable senators opposite will see that what we need here is a very simple expression of whether or not we intend to honour Remembrance Day on Monday. I hope you will do as Senator Macquarrie and I have tried to persuade you to do, and that is either vote for or against the motion on the basis of what it contains and not on some other basis.

Hon. Len Marchand: Honourable senators, I will not keep you long. I have just a few things to say. It follows on what Senator Molgat said a little earlier about some of us who come from far-flung regions of the country and who cannot always get home on short notice. I come from Kamloops and, as Senator Lucier mentioned, it always takes extra time for me to get home.

I want to put on the record what has happened in my case concerning this Remembrance Day. On the basis of the negotiations and discussions that had gone on in this Chamber up to this point, and the plans to sit today and possibly on Monday, I decided that I could not attend the ceremonies in Kamloops on Sunday and get back here to Ottawa in time. I like to attend those ceremonies, and I have many times, to honour the many veterans from the area. All of us here have cousins, brothers, sisters or other relatives who have gone to war.

This Sunday in particular was one occasion when I wanted to be home, because the Kamloops Indian Band, for the first time, is holding a special ceremony honouring local native veterans. They asked me a few days ago if I would come home and be with them, and lay a wreath at the reserve on behalf of the many who had died. I am very sorry that I will not be able to attend the ceremony. If we sit on a Friday and again on the following Monday, I cannot get to Kamloops and then get back here in time on Monday.

I an sure everyone here will join with me in congratulating the members of the Kamploops Indian Band for holding this ceremony to honour the many native veterans. There are a number of those veterans who are from the Kamloops Indian Band Reserve and a number from other reserves close by, including the Savona and Vernon areas. Certainly, there were a number who were killed in the war.

There is a cousin of mine who went through almost the entire war. He was one of the lucky ones. He started off as a gunner in 1940 and went right through to the end in 1945. The Kamloops Indian Band is to be commended for their efforts in putting together a special ceremony to honour the many natives in that area who spent important years of their lives in the war, and the many who gave their lives in the war.

Hon. Charles Turner: Honourable senators, I was not in the service because I was working on the CNR. The railroad did not have enough employees, so the CNR had to get deferments for us. We were working day and night, 16, 18, 20, 24 hours a day in the yard. When we went out on the road we were gone for two or three days, sometimes five or six. We hauled troop trains and prisoners of war. I saw with my own two eyes the prisoners of war. They ate the best of meals in the CNR dining cars. We hauled gas trains which were filled with guards who looked after those trains when we stopped for water and coal.

● (1530)

We hauled train loads full of trucks and army tank cars. All the railway cars were full of ammunition, trucks and cars—you name it and we had it—and the dispatcher would send you any place but home. We had to get off the engine after five or six days on the road. Relief came for the dispatchers wo that they could go home for a change of clothes.

I hauled thousands of troops from the army camps and air force stations located all over southwestern Ontario. Jarvis, St. Thomas and Fingal had air force trains running out every Tuesday and Thursday and returning on Wednesday, Friday and Sunday with train loads of air force people going to new bases.

I met airmen, sailors and soldiers from all over Canada and many parts of the United States of America. We all had one

objective in mind: to do the best job possible with the least loss of life.

During my political career I have always given veterans and armed forces personnel the best of service when called upon for a helping hand.

Honourable senators, I take my hat off to all the veterans of all the wars in which Canada has been involved, because they gave their all so that all the members of Canadian society, the British Empire, and all our Allies could have the freedom we have enjoyed for many years.

I think we should take Monday off. We can then all work a little overtime and give the government the extra time it requires.

My brother-in-law served in the forces along with many of my friends and school chums. Many of my personal friends never returned. I sincerely believe that we should take Monday off and remember them, wherever in the world they are laid to rest.

The Hon. the Speaker: Honourable senators, it is moved by the Honourable Senator Frith, seconded by the Honourable Senator Molgat:

> THAT, as an expression of respect to Canada's War Veterans and War dead, the Senate observe Remembrance Day on the official holiday, November 12th next, by not sitting on that day.

Is it your pleasure, honourable senators, to adopt the motion?

Some Hon. Senators: Yes.

Some Hon. Senators: No.

The Hon. the Speaker: Will those honourable senators in favour of the motion please say "yea"?

Some Hon. Senators: Yea.

The Hon. the Speaker: Will those honourable senators who are against the motion please say "nay"?

Some Hon. Senators: Nay.

The Hon. the Speaker: In my opinion, the "nays" have it.

And two honourable senators having risen.

The Hon. the Speaker: Please call in the senators.

• (1540)

The Hon. the Speaker: Let the doors to the chamber be locked.

Motion negatived on the following division.

YEAS

THE HONOURABLE SENATORS

Cools	Frith
Corbin	Graham
Hastings	Marchand
Hébert	Molgat
Kenny	Neiman
Kirby	Olson
Lawson	Petten
Leblanc (*Saurel*)	Robichaud
Lefebvre	Stanbury
Lucier	Thériault
MacEachen	Turner
	Watt—23

NAYS

THE HONOURABLE SENATORS

Atkins	Grimard
Balfour	Hatfield
Barootes	Kelly
Beaudoin	Lynch-Staunton
Beaulieu	Lavoie-Rioux
Bélisle	MacDonald (*Halifax*)
Berntson	Murray
Bolduc	Meighen
Buchanan	Nurgitz
Castonguay	Oliver
Chaput-Rolland	Phillips
Cochrane	Poitras
Cogger	Ross
Comeau	Robertson
David	Rossiter
DeWare	Simard
Di Nino	Sylvain
Doody	Teed
Doyle	Tremblay—39
Forrestall	

ABSTENTIONS

THE HONOURABLE SENATORS

Muir

The Hon. the Speaker: I declare the motion negatived.

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
W EXCISE ACT
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMEND—THIRD READING—DEBATE CONTINUED

On the Order:

Resuming the debate on the motion of the Honourable Senator Kelly, seconded by the Honourable Senator Beaudoin, for the third reading of the Bill C-62, An Act to amend the Excise Tax Act, the Criminal Code, the Customs Act, the Customs Tariff, the Excise Act, the Income Tax Act, the Statistics Act and the Tax Court of Canada Act.—(*Honourable Senator MacEachen, P.C.*).

Hon. Allan J. MacEachen (Leader of the Opposition): I yield to Senator Marchand.

Hon. Len Marchand: Honourable senators, in rising to speak in the debate on the main motion, as so many other senators have done, there are a number of things to say about the GST, the goods and services tax. Like so many senators, I have received thousands of letters from people in my area about this tax. People have been telling me about a whole range of things concerning this tax. Before the Gallup poll was issued, which indicated that about 76 per cent of Canadians were opposed to this tax, it was not difficult to see, from talking to a number of people in the area, that it was an unpopular tax. Pior to the poll I thought about 80 to 90 per cent of people were opposed to this tax.

After listening to people in my area, and after reading the many letters that I have received from Canadians across the country, it is clear that the overwhelming majority of taxpayers are opposed to the implementation of the GST. They are opposed to the tax for a number of reasons, but mostly they feel that it is a tax that is discriminatory and regressive.

In talking to people on the street in my hometown, a number have said that they were concerned about the deficit. They said, "If Mr. Mulroney had come out in the beginning and said that the tax would go towards paying off a lot of the deficit, we would have gone along with it." Many people have come up to me and said "We are concerned about the large deficit. We want to see it go down, but Mr. Mulroney did not come out and tell us that this tax would go towards paying off the deficit."

Both Mr. Mulroney and Mr. Wilson said, first, that the tax was revenue neutral. Later in the debate they said it was not really revenue neutral, but that it would go toward paying off the deficit. If Mr. Mulroney and Mr. Wilson had come clean in the beginning, they would have found that many more Canadians would have been sympathetic toward the GST. Even though it is a bad tax—and the people with whom I have talked have all told me that is it is a bad tax—people would have appreciated hearing that from Mr. Mulroney and Mr. Wilson.

A number of people have told me why they feel that this is a bad tax, and why they oppose it. The GST will not be revenue neutral, as Michael Wilson first led us to believe. He then told us that the GST was an intregal part of the Conservative deficit reduction plan. Mr. Wilson's budget indicated that the GST rebates to corporations in 1990-91 would increase the deficit for the first two years. How are Canadians to believe that the GST will be used to reduce the deficit?

[The Hon. the Speaker.]

Under the GST, Canadians will pay more taxes and corporations will pay less. The GST removes about $4.6 billion in sales taxes from corporations and transfers them directly to average Canadians. Is this fair? A Canadian family with children, on an average income, will pay approximately $684 more every tax year under the GST. Why must Canadian taxpayers take the load and the manufacturers get off? These are some of the things that people in my area have been telling me.

Another group that has approached me are the representatives of small business. Much concern exists in the Kamloops area about what this tax will mean to small business. One person sent a letter to Mr. Brian Mulroney. She runs a small business called Lynne's Special Place. In conversations with Lynne over the last few weeks, she told me that if this particular tax goes through, she does not know how much longer she will be in business. She sent a letter to the Prime Minister on April 16, 1990. It reads:

> Dear Mr. Prime Minister:
>
> Attached is a photo copy of a petition that I gathered from my store in Kamloops, B.C. Our M.P. Mr. Nelson Riis has the original.
>
> These names were gathered in just two weeks.

She goes on to state:

> I truly believe that Canadians would take whatever measures necessary to assist in reducing the deficit. What is truly sad is that many federal government employees commented to me about the waste they witness within their own departments. Everyone wonders how much unnecessary spending is taking place throughout the country, when we consider the stories we hear, and witness the inefficiencies in our own little area.
>
> The money that is collected through taxation is money that belongs to the people of Canada. The federal employees are people entrusted with the responsibility of taking that money and providing necessary services for Canadians. On one side there should be trust and comfort, and on the other side there should be a feeling of pride and responsibility.
>
> From talking to people, we all feel that our money goes into a pot that the federal government thinks is theirs, and seem to think has no bottom.
>
> Once elected, it seems that many politicians lose sight of how the common person lives, and throw all financial caution to the wind. You are not royalty. You have been elected to represent me, and I can tell you, your lifestyle is far from mine. I would like you to represent me with dignity and respect.

● (1550)

> But if you want to throw my money around and away, then I would rather you develop those habits with your own personal money.

> Using common sense, and taking the position of looking for the win for all sides in a situation would be a tremendous asset in making your decisions.

There are many names from the city of Kamloops and surrounding area and I would like to put just a few on the record.

(*Names of Signatories read*)

One of the signatories has been a Conservative from day one. He used to work very hard against me in my campaign.

Honourable Senators, that is just a sampling of the many people who signed this petition, indicating that they were fed up with this type of tax that is being imposed upon them.

A few days ago a number of senators from western Canada met with the Federation of Saskatchewan Indian Nations. They came to us with some immense concerns, feeling that the GST was going to contravene their treaties, that the GST was in contravention of the treaties. Here are some of the things they had to say:

> The Federation of Saskatchewan Indian Nations (FSIN) is opposed to the application of the Goods and Services Tax (GST) to Treaty Indians. The FSIN is of the opinion that the limited exemptions granted by the current legislation do not go far enough in protecting the immunity from taxation enjoyed by Indians with Treaty and inherent rights.
>
> Section 35(1) of the *Constitution Act, 1982*, has the effect of constitutionally recognizing and confirming existing inherent and Treaty rights. Unfortunately, the GST legislation takes an extremely narrow view of the inherent and Treaty rights of the Indian people to be immune from taxation. In fact, the GST legislation makes no mention of the tax treatment of Indian people. Rather, this important issue is left to the relevant sections of the *Indian Act* and such policy documents as may accompany the GST legislation.
>
> The FSIN believes that at the time of first contact, its member nations were autonomous, independent nations. This status was ratified by the *Royal Proclamation of 1763*, and further confirmed by the fact that the Crown of Great Britain and, later, the Government of Canada, chose to deal with Indian Nations by way of Treaties—a type of agreement relegated solely for use with equal sovereigns. The *Indian Act*, a piece of legislation which was drafted and promulgated without the input or advice of Indian people, makes a half-hearted stab at protecting the pre-contact status of Indian Nations. However, in the view of FSIN the *Indian Act* does not go far enough in protecting and promoting the autonomy of Indian Nations.
>
> This is not to say that the FSIN advocates any form of complete sovereignty such as was demanded by Mohawk warriors earlier this summer. To the contrary, the FSIN believes that its role, and the role of its member Bands, is within a larger Canadian federation whose attributes will, in time, be properly defined in concert with the wishes and aspirations of the First Nations of this great country.
>
> Similarly, the FSIN does not advocate the setting up or perpetuation of "tax free" zones such as those sought by the Mohawk peoples at Akwisasne. In fact, in relation to the Goods and Services Tax, suffice it to say that Indian businesses will, like any other businesses, collect GST from non-Indian customers on or off reserve.

● (1600)

At the time of the execution of the Treaties, the leaders of the Indian Nations were assured that they, and their citizens, would not be subject to taxation or conscription. This statement is corroborated by the statements of the Treaty Commissioners who negotiated, for example, Treaty No. 8 in their report to Parliament in 1876. Similar promises were made to all of the leaders of the treaty nations in the province of Saskatchewan, and this is echoed in the memories of our elders.

The FSIN view is that Indian nations and their people prepaid for the right to remain immune from taxation when they agreed to share their land with the federal government. Accordingly, immunity from the GST is not a grant of special status to Treaty Indians but, rather, a recognition that this was, in part, the consideration paid by the federal government for the ability to use the land provided by the treaty nations for the purposes of settlement.

Policy analysts of the Department of Finance have indicated to the FSIN that bands will not be taxable in respect of their purchases of goods and services. This immunity, according to the analysts, flows from sections 87 and 90 of the Indian Act. Unfortunately, the immunity which has been recognized is insufficient from the point of view of the FSIN. First of all, immunity flows from the inherent sovereign status of Indian nations, not from sections 87 and 90 of the Indian Act. Second, tribal councils and creatures of bands such as development corporations, children's aid societies, school boards, FSIN institutions, and the FSIN itself, should be the recipients of similar immunity. All of these entities, be they Indian governments or Indian institutions, rely almost solely upon moneys appropriated by Parliament for their funding. The inherent right of first nations to govern themselves and the notional situs provided by section 90 of the Indian Act should protect them from the incidence of taxation.

The imposition of the GST will cause Indian people in the province of Saskatchewan, and across Canada, severe hardship. Many Saskatchewan Indians, especially elders, are unaccustomed to the filing of income tax returns. They will, accordingly, fall through the cracks of the system and not receive their GST credits. More importantly, however, from a philosophical point of view, it might not be appropriate to apply for credits since this may be construed as implying that Indian people have embraced the GST, and are willing to pay the tax. This is simply not the case. Indian people will apply for GST tax credits as a result of economic desperation, not due to any notion that they have agreed to give up their inherent or treaty rights.

Immunity from taxation is a right which is specific to the person. It ought not to have as its prime determinant the

location of the person on reserve status lands. The latter proposition, which seems to be the *modus operandi* of the Department of Finance policy analysts, makes treaty Indians the prisoners of their reserves by denying to them the right of mobility from reserve status land to other locales within the country.

Indians are already the most economically deprived group within Confederation. Most Indian reserves are not large enough, or lack the economic infrastructure, to make them attractive havens for economic activity. In fact, in Saskatchewan, major reserve-based economic enterprises consist of farms, convenience stores, laundromats, school bus services, medical taxis and the like. Hardly the type of activity which can be counted upon to create a great number of jobs or other economic activity.

Indian people have little choice but to leave their reserves in order to find a better life in the urban centres. In most cases their quest is not met with success, and urban Indians either drift back to the reserve or are forced to seek welfare. Many of them turn to crime, out of desperation, and are incarcerated.

In the province of Saskatchewan it is likely that the GST credit, like its counterpart, the Child Tax Credit, will be taken into account by the provincial department when calculating family income for the purpose of determining the quantum of welfare credits. In this manner the intended recipient of the credit gets no advantage and, instead, the federal government subsidizes the provincial government in respect of the province's obligation to provide social services.

It is the view of the FSIN that Indians are a federal responsibility regardless of their residence. Saskatchewan's treaty Indians should have absolutely nothing to do with the provincial Department of Social Services or, for that matter, any other provincial department.

It should be noted that if treaty Indians are forced to pay GST off the reserve, eventually more and more businesses will be located by Indian entrepreneurs on reserve. While this may be desirable from the vantage point of Indian economic development, it will do nothing for the communities surrounding reserves whose businesses depend very heavily on Indian customers for their livelihood. The town of Meadow Lake is but one of many examples of a community whose lifeline is inextricably linked with its surrounding Indian reserves. Meadow Lake, like its many counterparts in Saskatchewan and elsewhere, will feel the brunt of any enforced imposition of GST on treaty Indians.

The Chiefs' Assembly has instructed the FSIN to take legal action to protect the treaty rights of their constituents in the area of taxation. Prior to taking such a precipitate step we wish to engage in a course of dialogue with the ministers in charge of Indian affairs, finance and revenue, with a view to finding a political solution to the problem.

We would respectfully request that the federal cabinet impose a moratorium on the imposition of GST vis-à-vis Treaty Indian people until a political solution is found to this fundamental philosophical and legal problem. In the event that we are unable to agree upon a solution, perhaps the matter could be turned over to the Office of the Treaty Commissioner for his input and recommendations.

Honourable senators, I told the Federation of Saskatchewan Indians when they met with us last week that I would put this on the record for them, and I am glad that I have had the opportunity to do so. I understand that there have been some discussions going on around the room, and I think I will end my remarks there.

Senator Nurgitz: I understand—

Senator Frith: Do we have to put this in Senator MacEachen's name again?

Senator Doody: The debate, no, we can yield to Senator MacEachen on Monday. We do not want it, I assure you.

Senator Frith: Just before you do, I move the adjournment of the debate on this order in Senator MacEachen's name.

Senator Nurgitz: Honourable senators—

Senator Frith: Is that agreed by all?

Senator Doody: I think Mr.—

Senator Simard: Can we not hear him? Do we know what he is going to say?

Senator Frith: Yes, I do. What he is going to say, I think, is going to be to move a motion under Provisional Rule 2, but I thought we had agreed on the main motion that it was to stand in Senator MacEachen's name each time because the amendments had to be moved either by him or by me. This is all. I was just trying to get it into his name, and I think that is the right order to do it in.

On motion of Senator Frith, for Senator MacEachen, debate adjourned.

ADJOURNMENT

Hon. Nathan Nurgitz: Honourable senators, I appreciate that Provisional Rule P-2. requires that the clock shall show 5 o'clock p.m. Although it is not yet that time, I move that the Senate do now adjourn.

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

Hon. Royce Frith (Deputy Leader of the Opposition): Agreed, under Provisional Rule P-2.

Hon. the Acting Speaker: Pursuant to Provisional Rule P-2, the sitting of the Senate is suspended until Monday, November 12, 1990, at 2 p.m.

The sitting of the Senate was suspended until Monday, November 12, 1990.

[*Editor's Note: For continuation of proceedings see Issue No. 108C.*]

THE SENATE

Thursday, November 8, 1990

[*Editor's Note: Continuation of proceedings from Issue No. 108B.*]

The sitting of the Senate was resumed at 2 p.m., Monday, November 12, 1990, the Honourable Senator Bélisle, Acting Speaker, in the Chair.

REMEMBRANCE DAY

"LEST WE FORGET"—SILENT TRIBUTE

Hon. Royce Frith (Deputy Leader of the Opposition): Honourable senators, for reasons you will understand, I hesitate to make this suggestion, but please hear me out.

Debates of the Senate for Friday last concerning Remembrance Day will record only the animated discussion that took place. I mentioned to Senator Doody that perhaps our record for today should show that we started our proceedings, since this day has a certain official standing for Remembrance Day, by observing the traditional two minutes of silence to respect and honour our war dead.

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

Hon. Senators: Agreed.

Honourable Senators observed two minutes of silent tribute.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): I think the record might also show that there were very appropriate, excellent remarks delivered in anticipation of Remembrance Day by our colleagues, Senator Marshall, Senator Bonnell and Senator Cools.

BUSINESS OF THE SENATE

ADJOURNMENT MOTION WITHDRAWN

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, on behalf of Senator Nurgitz, pursuant to Provisional Rule P-2, I ask leave to withdraw the motion proposed by Senator Nurgitz on Friday, November 9, relative to the adjournment.

The Hon. the Acting Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Motion withdrawn.

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE ACT
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMEND—DEBATE ON THIRD READING CONTINUED—MOTION IN AMENDMENT

On the Order:

Resuming the debate on the motion of the Honourable Senator Kelly, seconded by the Honourable Senator Beaudoin, for the third readingof the Bill C-62, An Act to amend the Excise Tax Act, the Criminal Code, the Customs Act, the Customs Tariff, the Excise Act, the Income Tax Act, the Statistics Act and the Tax Court of Canada Act—(*Honourable Senator MacEachen, P.C.*).

Hon. Philippe Deane Gigantès: Honourable senators, on behalf of Senator MacEachen I have the honour and pleasure to move:

That Bill C-62 be not now read the third time but that it be amended by changing the tax credit threshold provided thereunder

(a) by striking out clause 46 on pages 293 and 294 and substituting the following:

"46.(1) Section 117.1 of the said Act is amended by adding thereto immediately after subsection (2) thereof the following subsection:

Indexing

"(2.1) The dollar amounts referred to in subsection 122.5(3) shall be adjusted for each taxation year after 1990 so that the amount to be used thereunder for the year is an amount equal to the aggregate of

(a) the amount that would, but for subsection (3), be the amount to be used for the immediately preceding taxation year, and

(b) the product obtained by multiplying

(i) the amount referred to in paragraph (a)

by

(ii) the amount, adjusted in such manner as may be prescribed and rounded to the nearest one-thousandth, that is determined by the formula

$$A/B - 1$$

where

A is the Consumer Price Index for the 12-month period that ended on September 30 next before that year, and

B is the Consumer Price Index for the 12-month period immediately preceding the period mentioned in the description of A."

(2) Subsection (1) is applicable to the 1991 and subsequent taxation years." and

(b) on page 296, by striking out lines 39 to 41 and substituting the following:

"(ii) $24,800.00."

The Hon. the Acting Speaker: Honourable senators, it is moved by the Honourable Senator Gigantès, for the Honourable Senator MacEachen P.C., and seconded by the Honourable Senator Corbin, that Bill C-62 be not now read the third time—.

Hon. Senators: Dispense.

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

Hon C. William Doody (Deputy Leader of the Government): Are copies available, senator?

Senator Gigantès: Presumably, copies will be made available as soon as a photocopier can produce them. That is an excellent suggestion of Senator Doody's who comes to the rescue of the party at all times—one of the reasons why he is so lovable and why we like him so much.

Senator Doody: There goes my reputation.

Senator Gigantès: That is not a remark that applies universally. It applies only universally in describing those who like him but not as the object of the verb "to like."

Honourable senators, paragraph (a) of this amendment establishes that the maximum amount of GST credits and the turning point shall be indexed to the rate of inflation as measured by changes in the Consumer Price Index. At present the bill provides for indexation at the rate of inflation less 3 percentage points.

Paragraph (b) of this amendment establishes that the turning point of the GST credit will be set initially at $24,800.

The government has argued that the regressivity of the GST—regressivity in the sense that it does not tax ability to pay but that it taxes the expenditures of people regardless of their income—is overcome at low- and middle-income levels because of the system of enhanced tax credits. With only partial indexation against inflation, the real value of these credits will erode over time and the GST will become increasingly regressive at lower income levels.

It is quite easy to demonstrate what happens if it is indexed at only 2 per cent. In effect, the predominant rate of inflation in the past few years has been 5 per cent. Assuming, optimistically, that it will be only 5 per cent in the years to come—say in the next 10 years on average—we arrive at this calculation: If we take the quarterly rebate for the poorest people, which is $66, and we index it for 5 years at 5 per cent, it will become $84.

• (1410)

In other words, if the inflation rate is five per cent, and if the people who receive this rebate should be able to buy the same amount in five years as they buy now, then they should have a rebate in five years of $84 per quarter. However, if it is indexed at only two per cent, the rebate becomes $73. In other words, over five years, in terms of purchasing power, the people at the lowest end of the scale who receive this rebate will have lost 13 per cent of the purchasing power of this rebate, or $11 out of $84.

If we look at it over ten years, indexed for an inflation rate of five per cent, their rebate ten years from now should be $108 quarterly. However, indexed at only two per cent, three less than the inflation rate, they will get only $80, which means they will have lost $28 out of $108, or they will have 26 per cent less purchasing power from that rebate than they have today. That is a considerable blow.

By the way, the formula I used for calculating this is $A=C(1+\text{Interest})^t$, where "A" is the final product and "t" is the number of years. It is the standard formula used in calculating interest and growth of capital.

So let us look at the cut-off point. The $24,800 cut-off point, indexed at five per cent over five years, should rise to $31,652, if the same people at the lowest end of the scale are to benefit from the same equity five years from now, and from the same protection against regressivity five years from now as today, or when this tax goes into effect. However, suppose it is indexed at only two per cent, which is the inflation rate minus three, what they will receive five years from now will be $4,271 less than they would have if the cut-off point were fully indexed for inflation. It means that, in today's dollars, five years from now the cut-off point will have gone down by $4,000. Poor people, who will be protected in the first five years, will not be protected five years from now. We are not talking about rich people who can afford this extra tax. We are talking about the poor. The number of poor, poor in today's terms, will be considerably reduced because the level at which they receive rebates will have been pushed down $4,271 in five years.

Let us now look at ten years. The $24,800 cut-off point, indexed at five per cent for ten years, if we assume inflation of five per cent, becomes $40,397. So, ten years from now, for the cut-off point to mean what it means now, $24,800, as a measure of the level of well-being—or not well-being—of poverty of these people who are supposed to be cushioned from the ravages of the tax by the rebate, that cut-off point should not be $24,800 as it is today but $40,397. Now, let us suppose that for ten years they have received only two per cent protection against the five per cent inflation. The cut-off point will go, at two per cent per year, from $24,800 to $30,231. So even more families will fall below the point at which they are protected; $10,166 lower down the scale of income is where the cut-off point will be applied. Clearly, this will be a very heavy drain on these people. We are not talking people who buy caviar untaxed. We are talking of people who have to think

twice about whether to buy their kids a new pair of winter boots. If the boots are too small, because the child has grown, the parents may decide they cannot afford another pair. It is these people, for whom a small amount of money counts, who will have this amount of money taken away from them.

We are told that if the government finds that it is visiting hardship on these people, on the poorest of the poor, it will then change the figures to give them relief. Well, which government? If it is a Liberal government, it will have abolished this sort of GST. If it is a Conservative government, we have to consider the record of this Conservative government with regard to taxation. The Tax Foundation has convincing figures which show that, in the past six years, those in the upper income brackets pay no more than they paid six years ago, but all those below pay considerably more in stable dollars after inflation. So the record of this government is one of making concessions to the rich and hitting the poor. If anyone really expects this government to push down the incomes of the rich in order to benefit the poor, then they have not read the record of the past six years. The government simply is not going to do it, and, therefore, we propose an amendment that will protect the poor by fully indexing the cut-off point and, therefore, fully indexing their rebates.

I really do not expect that Mr. Mulroney or his Minister of Finance will be responsive to such a proposition, and I do not know how many senators opposite will vote with their conscience, or make speeches about their conscience and then vote Mr. Mulroney's way. Admittedly, there is a certain loyalty due to someone who appoints you to the Senate, but there is also a certain loyalty due to fellow citizens, especially the weak.

Those who say that society is known by the way it treats its weakest members have a point, because it is Remembrance Day, and many people from the lower strata of the income scale gave their lives as willingly as those from the upper scale in all the wars this country has fought. They served this country as loyally as the rich, and they served this country under conditions that were often worse than those encountered by the rich. In Her Majesty's Royal Navy I had a cabin; I was a young officer. Ordinary sailors, who faced as much danger as I and who lived on a much lower income than I, were packed like sardines in tight, smelly, always-wet spaces, sleeping in hammocks, in tiers of three.

The poor have always served their country well, and they deserve protection. This amendment is designed to try to protect the poor from having this protection taken away by the philosophy of the government, which is best represented by one of the first statements Mr. Wilson made, as Minister of Finance, which was that this country needs more rich people.

Senator Frith: "Let them eat cake"!

Senator Gigantès: Yes, or, of course, there is the trickle-down theory. You feed oats to the rich horse and perhaps one of them comes out at the other end for the poor sparrow to pick up.

Senator Murray: More rich people and fewer poor people! We want the poor to become rich.

[Senator Gigantès.]

Senator Frith: This ain't the way to do it!

Senator Gigantès: Let us look at the tax on corporate profits. I mean, people who head corporations and make profits are not generally considered as being poor. Not only are there many of them who can defer taxes, and not pay them at all, but there are enormous loopholes and the rates are lower. At one committee meeting Senator Barootes disputed this, and I showed him figures from Statistics Canada, from the OECD, and from the Bureau of Labour Statistics in the United States, which compared taxes on corporate profits in Canada and in the United States. I know that one can play tricks with rates, but there is one way where the comparison stands and where the rates really do not matter; and one does not have to consider what is provincial, federal or state.

• (1420)

What proportion of the gross domestic product in each country is represented by corporate profits? What proportion, in terms of fraction of the gross domestic product, is taken from the corporate profits as tax? The second figure divided by the first gives one the rate, the real rate, regardless of what are the published rates, at which the aggregate of corporate profits is taxed in each country.

The tax on corporate profits as a percentage of the GDP is lower in the United States. In every year since the first Tory budget, corporate profits tax has been lower; and if the profits of corporations in Canada had been taxed at the same rate—no higher, just at the same rate as profits of corporations are taxed in the United States—the government in each of the years 1985, 1986, 1987, 1988 and 1989 would have made respectfully an extra 6.7 billion, 2.5 billion, 2.7 billion, 1.2 billion and 7.8 billion in revenue. Those figures are not fantasy. They are actual figures. People immediately say, "Oh yes, but everyone is going to flee to the United States, because this is not as good a country as the United States in which to invest." Well, I do not think so. When it comes to investing, this is a country that has enormous resources, an educated electorate, a well-trained workforce, and much more peaceful cities than those in the United States—where in the large U.S. cities there exists practically a civil war—and a country that has a magnificent record, not just recently, but over the years. If honourable senators care to look back, they will find that Canada has outperformed most other countries in most respects. If, honourable senators, you do not want to believe me, believe this statement: "We believe the success of our efforts is reflected in the fact that over the past five years Canada has enjoyed the second highest rate of economic growth among the G-7 countries and the fastest pace of employment growth." This record speaks for itself. That was before the recent downturn, and the author is Mr. Wilson writing to the *Wall Street Journal*.

We cannot, at the same time, say that our very patriotic corporate giants will flee to the south if we tax them at the same rate as corporations in the United States are taxed, or that we will face similar problems that exist in the large U.S. cities, with their crime rate and tense race relations, and say that we are also the best performer. They are not fools; they

know we are the best performer. They know there is space, that there is an abundance of resources; so we could have taxed them at the same rate.

The total of extra revenue in billions of dollars for the years 1985, 1986, 1987, 1988 and 1989 was 21 billion which the government could have accumulated had it taxed corporate profits to the same extent that they are taxed in the United States.

I then went on to do another calculation. I took the debt of each year, starting with the debt in December 1984, and I added to it the 1985 deficit. In this case, the debt was 160.8 billion in December 1984, the famous debt that they inherited from us and which, of course, is at the source of every single problem.

I will digress. I remember speaking to a group of Greeks on the 28th of October, 1989. That date in October is the anniversary of the Italian attack against the Greeks in the Second World War. On the occasion of the first attack, they suffered because the Greeks pushed back the Italians and overran Albania before Germany came in to help the Italians: I was asked at that lecture, "What happened during the occupation of Greece? Why were the efforts of the Greek resistance movement less successful than one might have expected?" I said, "Well, you know, they could never agree among themselves on a set of rules or on obeying that set of rules"; and one of the fellows in the audience said to me, "But, senator, you forget that Greece had been five centuries under the Turks." I said, "Please, that is 160 years ago. I mean, are we going to go on blaming everything on the Turks? Isn't anything our responsibility?"

I would like the Conservatives opposite to ask themselves. Isn't anything their responsibility? Have they mismanaged not at all? Have they been the image of perfection at all times: just, efficient, honest, perfect, guessing everything wonderfully, calling every shot perfectly, playing 1000 in baseball and doing an eagle on every hole? Is that it? Do they want us to believe that?

Senator Stanbury: That is certainly what the people of Canada think.

Senator Gigantès: Yes. So, there was the debt that the government inherited from us. These are the figures of Statistics Canada: 160.8 billion, national accounts figures. Because there are games played by the government when it wants to talk about the debt left by Liberals, it refers to the general accounts basis. The government refers to the general accounts basis when it speaks of debt and borrowing requirements. When the government wants to refer to the Liberals, it uses other figures to make the bill bigger. Here I am using the same figures for the last Liberal year as I used for the Tory years. The debt was 160.8 billion at December 1980, according to Statistics Canada. The 1985 deficit was 31.5 billion. If we had used in that year, the same interest rates as in the United States—and the same argument applies—we would not have to have higher interest rates than the United States. We are as good a country as the U.S.A. in which to invest money, especially in terms of the Free Trade Agreement. So we have to subtract from that deficit 2.8 billion, because the interest rates would have been lower, and we then have to subtract the 6.7 billion dollars in higher revenue if corporate profits had been taxed at the same rate as in the United States. Having done this operation for each year, I come out at the end with a figure which shows that the national debt today would have been $85 billion less than it is now if the Conservatives had used the same rate of corporate taxation as is used in the United States, and if they had used the same interest rates as are in place in the United States.

• (1430)

It is difficult to cut expenses, especially those that are tied into agreements with provinces, such as fixed program expenditures. However, there is one category of expenditure which the federal government has the right to cut. I refer to the purchases of goods and services for the federal government alone, leaving aside what it gives the provinces for medicare, post-secondary education and social security. Those are the actual costs of running the federal government.

If one takes the trouble to look at the historical figures put out by Statistics Canada every year in the month of July, one will see that the rate at which Tory expenditures on goods and services increased from the time they took power in 1984 until today is twice the rate at which the same category of expenditures increased under the Liberals in the six previous years. We have a strange government which tells the poor that it has to fight a deficit which it has created by pleasing its friends. If taxes on corporate profits are cut, then the people who generally support the Conservative government are pleased. The government supporters are ready to jump and say, "Ready, aye ready" and say that whatever policy the Mulroney government wants is best for the country. They are certainly best for the government's corporate toadies.

The government tells us that the GST will be good for the country. It is transferring part of the tax burden from corporations and financial institutions to the lower middle class and the working class whose taxes have increased substantially in the past six years, whereas the taxes of those in high income brackets, the top 5 per cent, have not increased. Why do we have these big deficits? Why do we have $85 billion more in accumulated deficit than we need to have? It is because corporate taxes were cut and because interest rates were higher here than they were in the United States.

Why do they need to be higher? The Latins always said *cui bono*?, in whose benefit is it? Who is interested in having higher interest rates? Those who have money to lend. It is not the poor who lend money. It is not the lower middle class who lend money. People from those groups are borrowing it. Who is raking it in? The supporters of Mr. Mulroney who take out full-page ads in newspapers to say that his policies, especially his taxation policies, are wonderful for them. I understand that. However, a Prime Minister is not elected to serve only a small coterie. He is elected to serve the country as a whole.

I listened to the brief delivered by the Quebec Chamber of Commerce which was against the status quo. The arguments

put forward were pretty pertinent. The Chamber of Commerce refuses to take a position on sovereignty. What it objects to is the size of the national debt and the high interest rate policy. That has had an effect on national unity. Through the types of policies which ignore the masses and help the few who are rich, which policies ignore the middle class, the government is affecting the ties that bind the country together.

The GST and the almost total disintegration of the cutoff point is typical of this government. It forgets the poor, saying they should not exist. Why does it not go to euthanasia directly? That would be one way of getting rid of these people. This is a government which tries to make people believe that if things get bad it will increase, eventually, the cutoff point; adjust it to take into account the rate of inflation. We need an explosion of grey power in this country to make this government rescind its ignominious, despicable and heartless decision to de-index the pensions of the old. It is bad enough to be old. If anyone doubts that, all he has to see is that I am old and they must put up with me. It is bad enough to have me around at my age to be annoying; but when one gets old, must one also have one's small pension de-indexed? What is it that we want in ten years? Do we want our old people dying of hunger in the streets, as they used to in the time of Dickens in the early part of this century?

A senator opposite, whose name I will not mention, because that senator is not present, gave a solution to youth unemployment in a committee meeting. The solution was the deductibility of payments to domestic servants. That particular senator wanted the young to go to work as maids, valets and chauffeurs in the houses of the rich. The rich, who would pay for these services, would be able to deduct their payments to these young people. Hundreds of thousands of jobs would be created, said the senator. I do not think our young people want to be servants. It is not funny to be a servant. Not every master or mistress of a servant is as perfect as Tories would believe. A servant has to put up with bad temper, with smells, bad behaviour, harassment, insensitivity and a feeling of being subjected to the will of someone else on a one-to-one basis. People do not want to be servants. Yet, a Tory senator thought that this approach was a way to solve the problem of youth unemployment. The solution was to turn our young college graduates who cannot find jobs into housemaids, valets and chauffeurs. In this way, the Tories could feel a little more comfortable, at least those with money. In admiring her new dishwashing machine a Tory lady once said to me, "It's a great device, but a housemaid is a hell of a lot better." Yes, but the young do not want to be housemaids and valets licking other people's boots.

● (1440)

When the government says it will adjust, I do not think anyone in the country believes it. Tories manage mentally to insulate themselves from the misery around them. All of us who are more or less well off are insulated from the misery around us. Look where we live. Where I live in the Gatineau hills there are no poor people around. All of my neighbours are in my income bracket. We do not see the poor. We get in our car in the morning and drive down here to our big offices, and there is not one poor person around except for the cleaning lady who comes to our house once a week, or to the houses of my neighbours a little more often because they are a little better off. I am glad to say there is not a Tory among them. There are even some well-off Liberals, but Liberals, at least, feel uncomfortable about the poor around them. Tories feel uncomfortable if there are no poor around them.

No one is going to believe that a Tory government is going to redress the injustice it is perpetrating in Bill C-62 by de-indexing the cut-off point. Everybody is absolutely and totally right not to believe it.

We are objecting to this aspect of the bill, but we object to the bill as a whole. You say: How can we deal with a growing national debt? I have just given honourable senators some arithmetical proof that with better management and different policies—not Tory policies; I admit, that is a problem—the national debt today would be $86 billion less than it is. That is an extra $86 billion added to the national debt which the Tories could have avoided by pursuing reasonable policies. They did not; but, of course, they are Tories.

Now, that is only one aspect of the bill. I personally object to the bill as a whole, because any system of taxation every now and then must be re-examined as to whether it is still viable. Do we have to change it? It is like a car. There comes a time when we look at our old jalopy and we say: "Do I trade it in, get a new system all together, or do I keep the old one?" The Tories are saying, "Let's keep the old one for a while, but let's improve the upholstery where the master is sitting. The mechanics, and so on, have to deal with this, but the upholstery must be nicer. Maybe we can improve the heating system for them for the winter. Let's add to the old jalopy an air conditioning system." But it may no longer be the right car. It may be reasonable to want to change it, not to improve the lot of their friends but to improve the shape of the whole economy.

What the Tories are doing in Bill C-62, as with their other tax measures, is shifting the burden from the rich to the poor. They are ignoring the evidence coming in that the consumption taxes, which have been used in Europe and elsewhere, are not producing the expected results. What I mean by results is a beneficial result of growth and development of the economy. Already there is an intellectual revolt all over Europe against these taxes because of their insensitive treatment of the economy.

When we raise our objections, there are automatic responses in some editorials. Most editorials are written in newspapers whose editors respond to the wishes of a publisher, who responds to the wishes of an owner, who is generally a friend of Mr. Mulroney. So the editorials on economics, especially in the *Globe and Mail*, are very conservative. Even if they were not, our young economists, some of whom are now middle-aged and are editorial writers, have been taught in Canadian universities where the textbooks are American and where Keynesian theory lost its credibility because of the mishandling of those theories by Lyndon Johnson in particular.

As well, everyone is feeling the grip of the Chicago school. The Chicago school is very much the economic descendant of Spencerism. Herbert Spencer, at the end of the last century or the beginning of this, put into economic and social terms what Calvin had said. In effect, if you are rich you are the elect of God. The converse therefore must be true: if you are poor, it is because you do not deserve to be the elect of God. It is better for an economy not to take care of its weak, but to let them sink because we will be healthier.

If you project that sufficiently far, you should let your own mother and father die. You should let a sick child die. You should let the poor die. That is the Spencerian philosophy. It imbues the teaching of the Chicago school. That teaching was greatly influenced by Fredrich Von Baer.

Yes, it is, in a sense, efficient in cold, calculated economic terms; but society is made up of those impossible, unpredictable, pesky human beings whom you cannot easily put in a mathematical equation. Input, output, econometric models—those things deal with abstractions. Ordinary human beings do not want to be servants; they want to have something approximating the luxury of those who like to flaunt their luxury.

I remember wondering why Chrysler was objecting to increases in pay for its workers back in 1957 when its advertising line was: Move up to Chrysler. Abandon your Plymouth and move up to Chrysler. All advertising in this marvellous market economy of North America is telling us to move up to something or other. At the same time, do not ask for more money. That is the economics of Spencer, and Toryism in general.

There is no logic to it, because in the long run it will not work. There is a rebellion against the consumption tax, because that tax, like it or not, is inequitable. It taxes the poor more harshly than the rich. The Tories think they can slip one through by saying: "We will give you a rebate." That rebate will disappear, because it is only partially indexed. It is typical Tory thinking about rebates.

There is no logic to it, because in the long run it will not work. There is a rebellion against the consumption tax, because that tax, like it or not, is inequitable. It taxes the poor more harshly than the rich. The Tories think they can slip one through by saying: "We will give you a rebate." That rebate will disappear, because it is only partially indexed. It is typical Tory thinking about rebates. If people were less demanding, and if they were prepared to accept the prevailing available rate of wages, then there would be no unemployment. So in 1985, we had in Saskatchewan—and I am sure the 1985 figures are comparable with those of today—an allowance for a four-member family on welfare of $600 per month—$600 per month for four people. Every dollar that the father or mother earned on the side to make the lives of the children a little better was immediately taken away. That is 100 per cent taxation.

• (1450)

Mr. Jacques Parizeau demonstrated, in his green paper introduced in the last year that he was finance minister in Quebec—that is not so long ago—that the take-away rate—in other words the taxation rate of the earnings of someone on welfare—was much more than 100 per cent, because those people not only lost the whole amount of what they earned in excess of their welfare, but they also lost free dental care for the children, subsidized rent, and so on. Then people turn around and say, "They tried to hide this. They are cheaters." Hell, if the children were starving and the parents cheated to ease the hunger of the children, I take my hat off to them. Those parents are good citizens and good parents. Of course, they do not have expensive accountants and expensive tax lawyers to do their cheating for them in a socially-acceptable way so that they may live high off the hog at the expense of other taxpayers. The gnashing of teeth, the wailing and lamentation when someone tries to suggest that expense account luncheons should not be deductible, is unbelievable: "My God, we will not be able to make business deals unless we are bombing one anothers' minds with Perrier. We have to be allowed to go to an expensive restaurant. How else can we be true Tories, unless someone's face is ground under our heal?" I am talking about the extremes of the Tory philosophy, but it is at the bottom, at the pit of the stomach of Tory economic and political thinking. Compassion is not there.

However, I do not expect compassion from Tories, but I would like to see some scholarly understanding of the issues. There is no doubt that, although the Tories hate and have always hated it, income tax is superior to direct taxation. One of the great experts on taxation in North America is not a Canadian. However, what he has had to say is relevant because what we do here in Canada is so influenced by the United States. For example, when they went to open classrooms, we went to open classrooms. However, we went to open classrooms 10 years later when the United States had discovered they did not work. We seem to pick up every bad habit of the Americans with a lag and imitate it after they have found that—excuse my cough; I am not losing my voice. I do not want any of you to fear that I will not be able to regale you endlessly on every subject under the sun—

Senator Frith: Good. I was getting worried.

Senator Gigantès: Thank you. If I have to be brought here in an ambulance I will be here, all the time.

In any event, there is a piece by Professor Richard Goode in a collection of essays called "What should be Taxed, Income or Expenditures?" It is quite brief, honourable senators will be glad to know. The quotation is only about 23 pages, so it will not take too long. He is arguing the superiority of the income tax over the consumption tax, and this is what we are talking about. I shall give the *Hansard* reporters the titles, and I shall read *verbatim* unless I am interrupted. However, I do not see Senator Simard or Senator Barootes, although Senator David, who occasionally interrupts, is here.

Senator David: How many pages will you read?

Senator Gigantès: Not very many, about 23 or 24. Mind you, it is in small type and there are many lines. In any event, Professor Goode has this to say:

> Although the possibility of a direct tax on consumption expenditures has attracted support from distinguished economists since John Stuart Mill, it has not figured prominently in public or political debate. Recently efforts have been made to broaden interest in the subject in the United States, the United Kingdom, and Sweden. The report of the U.S. Department of Treasury, *Blue Print for Basic Tax Reform* . . . and in the United Kingdom, the Meade committee report supported the principle of expenditure taxation and treated in some detail the design of an expenditure tax and its effects. In Sweden . . .

Even socialists go wrong; that is why I am a Liberal. Professor Goode went on:

> In Sweden a Government Commission on Taxation requested a study of the expenditure tax, and in its final report, presented in 1977, noted advantages of that tax, though it remained uncertain whether personal expenditure is a more suitable tax base than income. These reports and other recent discussions may help attract the attention of moulders of public opinion and politicians.
>
> Only two countries—India and Sri Lanka (formerly Ceylon)—have actually experimented with an expenditure tax.

This was at the time that Goode was writing, in 1980. He went on to say:

> In each country the tax was adopted as a minor supplement to the income tax, in response to a persuasive report by Nicholas Kaldor.

There were two Hungarian economists operating in Britain. One was called Kaldor and the other was called Beloff, and they were known as "Buddha and Pest." One worked for the Tories and the other for the Labour Party. Goode goes on:

> Both countries abandoned the expenditure tax after brief trials. Sri Lanka tried it again in 1976, but in 1977 decided to give it up a second time. In proposing its repeal for the second time, the minister of finance of Sri Lanka characterized the expenditure as "unworkable and impracticable in an economy like that of Sri Lanka."
>
> This paper argues that the income tax is superior to the expenditure tax. After brief comments on the nature of the two taxes, there follows a comparison of them with respect to equity, efficient allocation of economic resources, and compatibility with the full utilization of resources.

These are the key points economically, because if there is no equity there will not be sufficient compliance, and if there is no efficient allocation of resources and compatibility with the full allocation, the economy will not work well. Goode is going to argue and, in my view, prove that expenditure taxation is much less efficient than income tax.

> The discussion is conducted initially on the assumption that both taxes are well designed and administered and without regard to the special problems arising from the existing remediable defects of the income tax or from the transition to an expenditure tax. Consideration is then given to some of these problems and to the complications caused by inflation. They lead to some remarks on the practicality of the expenditure tax and on the combination of that tax with other taxes.

[Senator Gigantès.]

• (1500)

> These sections, however, are greatly abbreviated, since the technical features of the expenditure tax and the possibility of using the expenditure tax as a supplement to other taxes are treated in more detail in other papers.

I would highly recommend that reading. This particular book is called *What Should Be Taxed: Income or Expenditure?* edited by Joseph A. Pechman—*Studies of Government Finance: The Brookings Institution.*

This book goes on to state:

> The income tax is initially assumed to be a comprehensive tax, with income defined essentially as proposed by Schanz-Haig-Simons (S-H-S) and many other supporters of the tax. According to this definition, income is the accretion to power to consume. It consists of a person's actual consumption plus or minus any increase or decrease in the value of his power to consume in the future as measured by his net worth.
>
> The base of an expenditure tax has been less discussed. Here it is initially assumed to equal S-H-S income less net saving (or plus net dissaving). Broadly, net saving is equal to the increase in a person's net worth (net dissaving, to the decrease in net worth). Certain difficult conceptual problems, having mainly to do with the distinction between intermediate and final goods and with fringe benefits of employment, relate to the definition of both income and consumption. But some of the troublesome problems in the measurement of S-H-S income would be irrelevant or unimportant in the measurement of taxable consumption. The most prominent of these are depreciation (capital consumption) allowances and increases or decreases in the value of investments held at the end of the tax period (accrued but unrealized capital gains or losses). Appreciation in the value of a dwelling, a work of art, or another durable good used by the owner should be taken into account in assessing his taxable consumption because the appreciation implies that the annual service value of the durable good has increased.

I am sure that those of you who are interested in such matters are following this excellent text by Mr. Goode in some detail, although I do not have very high hopes. He goes on to say:

> Except for increases in nominal values caused by inflation, however, these gains appear to constitute only a small part of consumption. Their omission from the base of an expenditure tax would be far less significant than is the omission of accrued capital gains on all kinds of assets from the base of the income tax.

As you can see, he is very fair in beginning to lay the ground work. He goes on to state:

> Recent discussions have maintained that an expenditure tax is equivalent to an income tax on a base excluding the

yield of capital. This proposition and its implications are examined in a later section.

The author then goes on to deal with the subject of equity. He says:

> An equitable tax system must take proper account of ability to pay. This may be defined as "the capacity for paying without undue hardship on the part of the person paying or an unacceptable degree of interference with objectives that are considered socially important by other members of the community." The idea that ability should be measured by a comprehensive index is attractive. Lately it has been argued that a person's "endowment" is the best indicator of ability to pay. Endowment, in a broad sense, includes not only the value of the marketable goods one can consume but also the value of the time one can devote to leisure activities and household production. The restriction of taxation to marketable activities omits important aspects of welfare and therefore results in an incomplete measure of ability to pay. However, the concept of endowment is nonoperational, since all will agree that no practicable way of evaluating it exists.
>
> *Indicators of ability to pay.* The meaningful question is whether actual income or consumption is a better indicator of ability to pay. In my view, the total increase in a person's power to consume marketable output has greater intuitive appeal as an indicator of ability to pay than the exercise of the power to consume has.

Senator Doody: Are we breaking new ground?

Senator Gigantès: I was asking Senator Corbin to what extent he wanted me to push my instructing. Senator Corbin, being merciful and more attuned, I suppose, to how realistically one can expect senators opposite to absorb any of this while hearing it—it is a difficult subject matter and hard to absorb while hearing it; it really has to be—has suggested that another 15 or 20 minutes will be enough.

Senator Doody: Is Senator Corbin instructing you?

Hon. Eymard G. Corbin: Honourable senators, so that there is no misunderstanding, I do not instruct anyone in this place. I do not instruct the government and I do not instruct my colleagues.

For the information of Senator Doody, I can say that Senator Gigantès simply wanted to know if he was trespassing on my time because I intend to speak at some point this afternoon. He simply wanted to ensure that I will be given enough time to make my remarks. It is an "accommodation," if you wish to call it anything.

Senator Doody: Thank you.

Senator Corbin: We are always very courteous to each other, as we are to you.

Senator Gigantès: Senator Corbin's opinions on exercises, such as the one in which I am engaged, have much more bearing on what I do than he is willing to say. I listen to him with great respect. "Discipline" is what it is called. I am using my naval training. I would not say "military" because people would think I was in the army. I will abridge my remarks to some extent.

Some Hon. Senators: Oh no!

Senator Doody: Say it ain't so.

Senator Gigantès: All right, I won't.

The text continues as follows:

> Advocates of an expenditure tax tend to contrast an idealized version of that tax with the existing imperfect income tax. Experience has familiarized us with the problems associated with the taxation of income but not with those that would arise in taxing consumption. It may be reasonable to prefer the expenditure tax if careful consideration leads to the judgment that it would be easier to apply a comprehensive expenditure tax than to remedy the defects of the income tax. Acceptance or rejection of such a judgment should take into account conceptual problems, practical difficulties, and politics.

That is one thing you did not take into account with this tax. It goes on as follows:

> While recognizing that a more thorough study and extended discussion are needed, I shall touch on some of the issues.

The next paragraph is headed *"Gifts and Bequests"* and it states:

> The treatment of gifts and bequests poses similar problems under the income tax and the expenditure tax. If these items are included in income and consumption, the need for a suitable averaging system is accentuated. In my opinion, gratuitous transfers can be better treated under a separate tax on gifts and estates, or on accessions, than under either the income tax or the expenditure tax.

• (1510)

Perhaps it was a mistake to do away with the inheritance tax.

> Legislators have shown no inclination to classify receipts of gifts and bequests as income, and there is no reason to expect them to consider these items as consumption of the donors.

The next section deals with inflation. It would not be feasible to make the satisfactory adjustment for inflation under the income tax, say those who criticize tax.

> Although some of the main items in the income statements and balance sheets of business enterprises and the basis of assets for capital gains tax could be adjusted—the argument runs—appropriate allowances for changes in the real value of cash balances and certain other monetary assets and liabilities could not be made. Under the expenditure tax it might be advisable to index the rate brackets and personal exemptions, but items entering into the tax base would need much less adjustment than under the income tax. This is a valid argument so far as it goes. But it should be noted that, according to the recommendations of *Blueprints for Basic Tax Reform*, the items that would be most difficult to index for inflation under the income tax—currency holdings and checking

> accounts—would not be registered or qualified assets for the expenditure tax—

as they are not in this tax,

> —and they might not be so classified under the Meade committee proposals.

Those are proposals for moving to an expenditure tax, which have much influenced the thinking behind the GST.

> If they were not registered, saving in the form of additions to cash balances would be taxed as consumption, regardless of whether the additions were necessary to maintain the real value of the holdings.
>
> I find it remarkable, moreover, that advocates of the expenditure tax, who are ready to base tax policy on the assumptions of efficient capital markets, rational planning by individuals, and full employment, presume that inflation will continue. If other problems can be solved or assumed away, why not inflation too?

Honourable senators may remember a speech I gave the other day. I showed you a way of fighting inflation other than by interest rates. Goode continues:

> I doubt that it would be prudent to adjust the tax system to make us more comfortable with chronic inflation. Much can be said for the contention that, in conditions of moderate inflation, an unadjusted income tax helps compensate for inequities and also slows inflation.

This is from 1980.

The next section deals with capital gains.

> The prevailing, though not unanimous, opinion is that the application of the income tax to capital gains and losses on an accrual rather than a realization basis would not be practicable. Taxing gains only when realized diminishes the equity of the income tax and imposes a tax penalty on changing investments. This penalty may lock in investors in appreciated assets. It would not occur under the expenditure tax.

Goode says that there are international aspects of the choice between an income tax and an expenditure tax that extend from technical complexities to sensitive political issues.

> These have been largely neglected by American advocates of the expenditure tax. They have been considered systematically by the Meade committee and by Lodin, but on several points doubts and difficulties have not been fully resolved.

The next section deals with the transition to an expenditure tax.

> Important transition problems would affect persons of mature years who had accumulated savings under the income tax regime in the expectation that these could be drawn down to finance consumption during retirement. They would be faced with a radical change in the rules of the game and would have to pay a graduated expenditure tax on the use of their savings . . .
>
> Unless it were considered acceptable to allow full exemption from expenditure tax of consumption financed out of assets held at the time of transition—which seems to me quite unlikely—widespread tax evasion could occur. At the time of transition a person might conceal his assets and later liquidate them without reporting the proceeds, thereby financing consumption that would not enter into the tax base, computed either by the comparison of balance sheets or on the basis of cash flows.

[Senator Gigantès.]

Goode continues:

> Finally, the items that are commonly classified as examples of the erosion of the income tax base, or "tax expenditures," should be considered. Is it likely that they would be more rigorously and equitably treated under an expenditure tax?

This is something that business people should worry about before they support the GST.

> Although some of them—notably tax deferral through qualified pension plans, retirement plans for the self-employed, and individual retirement accounts—move the income tax in the direction of an expenditure tax, I do not think they reflect a deliberate decision . . . to favor saving, nor do I detect any trend in that direction.

They talk that way but it is not true. What they are doing here, actually, is trying to combine the expenditure tax with other taxes.

> An income tax imposes a check on both consumption and wealth accumulation. Replacement of the income tax by an expenditure tax would allow accumulations of wealth that . . . would be objectionable unless a significant wealth tax were also levied.

Of course, one cannot expect the Conservatives to think along those lines.

> The expenditure tax would impose a check on accumulation only if gifts and bequests were included in the taxable consumption of donors—a step that has not generally been proposed. In the absence of an annual wealth tax or heavy taxes on gifts and bequests or accessions, the substitution of an expenditure tax for the income tax would be likely to result in an unacceptable degree of inequality of wealth.

Now, Kaldor, whom I mentioned earlier,

> . . . visualized the expenditure tax as a comparatively minor supplement to the income tax, and the two countries that accepted his advice, India and Sri Lanka, took that approach.

Which is what we are doing here.

> In the United Kingdom the maintenance of lavish standards of living by rich people using up their wealth impressed Kaldor as a social evil that should be combated by taxation.

In conclusion, since others may want to join this debate—it is quite technical, I admit—when one examines the arguments in favour of the expenditure tax, one finds them incorrect, doubtful or valid but unconvincing.

> The brilliance and literary ability of its advocates cannot be denied. Indeed, they have been far cleverer than the supporters of the income tax. The members of the expenditure tax faction speak of the double taxation of saving and the justness of taxing people on what they withdraw from the common pool. They use harvest metaphors that have a reassuring sound of rustic virtue. They compare a perfect expenditure tax with an income tax whose defects are well known, thanks to the efforts of its supporters. And they sometimes call the tax that they favor an income tax. The members of the income tax faction have not responded by talking about the exemption of unearned income under the expenditure tax or by being ironical about the "abstinence" of the rich. They are preoccupied with financially sophisticated transactions and sound like city slickers. They are acutely conscious of the shortcomings of the existing income tax and are busy measuring and publicizing these. Perhaps they do not bother to attack the expenditure tax because they know they have both good arguments and the weight of inertia on their side.

Goode says he is convinced that the income tax is clearly superior to the expenditure tax, and he summarizes:

> Income is better than consumption as a measure of ability to pay, and the reduction of income inequality is a more meaningful political objective of taxation than the lessening of consumption inequality.

I think it is important to repeat that:

> . . . the reduction of income inequality is a more meaningful political objective of taxation than the lessening of consumption inequality.

If we are interested in political stability and social harmony, it is a very important sentence.

> As regards efficiency of resource allocation, both a comprehensive income tax and a comprehensive expenditure tax have advantages; here a clear-cut choice between the two taxes does not emerge. If full utilization of resources could be assured, any increase in saving that might be desired could more easily and certainly be obtained by reducing the budget deficit than by replacing the income tax with an expenditure tax.

That is what I was saying earlier. You could have reduced your budget deficit by a total of $85 billion over the past six years, but you failed to do it. So now you are going to tax the poor a little more in order to pay for your spendthrift habits.

● (1520)

> Although it would be much less difficult to adjust for inflation under the expenditure tax than under the income tax, some versions of the expenditure tax that have recently been proposed would not go much beyond what would be feasible under the income tax, because they would not exclude from the tax base additions to cash balances needed to maintain their real value. Furthermore, the advisability of inflation adjustment is questionable. A shift to the expenditure tax would involve transition problems and could be disturbing to international tax relations, capital flows, and the movement of people. It is unrealistic to expect that in practice the expenditure tax would be free of loopholes and other special provisions similar to those that have caused dissatisfaction with the income tax.

Tax-free caviar for Mr. Wilson's colleagues on the stock market, but taxed four ounce cans of yogurt.

> The substitution of an expenditure tax for the income tax would open the way to unacceptable accumulations of personal wealth.

I will repeat this.

> The substitution of an expenditure tax for the income tax would open the way to unacceptable accumulations of personal wealth unless special taxes on wealth were introduced.

I maintain that, as in other countries, this is the first step towards moving more and more of the revenue-gathering by government to expenditure taxation, which would, of course, as Goode says, produce unacceptable accumulations of personal wealth—unacceptable from the point of view of social peace, social harmony, but not, of course, unacceptable to Mr. Wilson who says that what this country needs is more rich people.

> Although such taxes would have merits of their own, their use would be inconsistent with some of the principal arguments for the expenditure tax and would entail considerable problems of administration and compliance.

He is talking of special taxes on wealth. If you are going to have expenditure of tax, to try to correct its misdeeds for a wealth tax, you are getting to a system that is too complicated and too difficult.

> Recent attention to the cash flow version of the expenditure tax has not turned up any ideas that, in Goode's opinion, could eliminate the long-held doubts about the practicality of and personal expenditure tax with wide coverage and large yield.

I have skipped a lot, and perhaps I have not done justice to what Goode is saying. What Goode is saying is that an expenditure tax favours the rich. There is no way of getting away from it. It favours the rich and it hits at the poor and the lower middle class. Adam Smith said that in 1776. Adam Smith, if read—and he is not read by those who quote him correctly—was really wary of the tendency of the well off to grind the faces of the poor.

Senator Stewart: That is right.

Senator Gigantès: What we are seeing here in bill C-62 is the first step towards a change in the tax system, and, as another step—because we have the considerable reduction of corporate rates of taxation—the increase in the taxation of the poor and the lower middle class and the non-increase in the taxation of the rich. We are seeing the first step towards moving revenue collection to expenditure taxation more and more, which is part of the pattern that makes for greater

increase in personal wealth, and an increase in the inequality of income which is already grave in this country. If we take the differentials between the salaries of presidents of companies in North America and that of a skilled worker, we find they increase in ratio 40 times. If we look at the same ratios for United Germany or Japan, we see that it is between five and seven times. That is why, I submit, they have more efficient production, because they do not feel they are being run by somebody too high for them to talk to, or too high to care about them, because they have organizational charts that are flat with just one knob at the top, instead of very steep pyramids which are characteristic of North America, France and Britain. The United States, Canada, France and Britain are inefficient economies compared to Germany, and Japan, compared with countries that are making great strides in improving their productivity. There is an element of social justice there, an element of taking care not to have too much inequality in income, because inequality in income is translated, in the minds of those who have to work hard—the servants, in other words—as uncaring behaviour towards them, and they will not produce.

That is why I would like the whole of bill C-62 rejected; but if you insist on putting through this iniquitous tax temporarily—because we will abolish it—then, at least, do not de-index the protection for the poor.

Thank you.

Senator Frith: Hear, hear!

[*Translation*]

Hon. Paul David: Honourable senators, I wonder whether I could ask you a question, Senator Gigantès.

You gave us a remarkable hour-and-a-half long speech. I am not sure I could summarize the last part of your speech which I did find very interesting, nevertheless.

Senator Tremblay: We can't hear you, Senator David.

Senator David: Excuse me. Should I start all over again? I will simply start with a summary of my first question.

At the bottom of the page, the French version of the amendment, small "b" on page 296, reads:

. . . en remplaçant les lignes 39 à 41 par ce qui suit:

So several lines are to be replaced by the following:

"rajusté du particulier pour l'année sur $24 800."

Could you perhaps tell me whether it is a matter of changing figures? You don't seem to have very—

Senator Gigantès: This is not a change in figures, it is supposed to be indexed—

• (1530)

Senator David: Is the $24,800 supposed to be indexed?

Senator Gigantès: Yes, that is the amount that is supposed to be indexed.

Senator David: Thank you. I thought you talked mainly about the tax credit amounts.

[Senator Gigantès.]

Senator Gigantès: I talked about the credits, but both the amount and the credits are supposed to be indexed.

If the $24,800 is not indexed, indexing the credits won't do any good. You have to index this figure which, as a result, indexes the credit, and in order not to reduce the accreditation rate, that has to be indexed as well.

Senator David: If I understand correctly, both the figure itself and the credits will be indexed, so that it all boils down to the same thing if you index both?

Senator Gigantès: It doesn't boil down to the same thing. It will remain at the same level in terms of constant dollars, at the level we indicated today, instead of dropping in value every year if inflation is over 3 per cent.

Senator David: Thank you for clearing that up. You said you had absolutely no confidence in adjustments. In fact, your tone reflected a complete lack of confidence in the present government which never took any action in this respect.

If I remember correctly, and unfortunately, I don't have the figures in front of me, it seems to me there were several adjustments of tax credits and family allowances in recent years. If we compare these tax credit adjustments with indexation, the adjustments were a far better deal for poor families than indexation. However, to be quite sure I would have to check the figures.

I wonder if you could get those figures for me, your knowledge being so great?

Senator Gigantès: I don't have them here. You will recall that various organizations that are concerned about the incomes of Canadians at the bottom of the ladder in our society, told us this year that these people's real incomes, if you consider all the changes that were made, had dropped by $1,500 since the Conservatives came to power.

So, after all these adjustments and all this fancy footwork, the bottom line, as you people are so fond of saying, is that these people have less money today, less puchasing power, than they did before you came to power.

Senator David: You did not answer a very specific question I asked. I told you that as far as I knew, the adjustments that were made were far more worthwhile in terms of the amount they produced than indexation of the initial amounts would have been.

In fact, you failed to give me a straight answer to a very simple question.

Senator Gigantès: Senator David, I am sorry, but do you want me to tell a poor person that what counts is this or that figure? I say that what counts for that person is his purchasing power.

The Mulroney government's actions since 1984 have reduced the purchasing power of low-income Canadians. That is quite clear.

Senator David: My third question is more difficult. You compared at length the Americans' fiscal policy with our policy. You said that if we had imitated or copied the Ameri-

can formula to some extent, we could have reduced the national debt by $83 billion.

Senator Gigantès: It was $85 billion, Senator David.

Senator David: I wasn't far off with my $83 billion!

Senator Gigantès: Not bad at our age!

Senator David: And how! Not to mention the fact that I am older than you are!

Senator Gigantès: No way, you look younger than I do!

Senator David: And this is on the basis of corporate taxes and interest rates.

I simply want to know whether the United States levy two-tier corporate taxes—that is the central and the state administrations—as we do here at two levels, federal and provincial?

Senator Gigantès: Senator David, this is why I referred to total taxes. I had this sheet distributed and I can do so again because I have it in my office. It is the total taxes paid on corporate profits expressed as a percentage of the gross national product. It includes taxes at all levels. Therefore total U.S. corporate taxes on profits are higher than in Canada. The Americans take a bigger corporate tax bite than we do here, yet none of the companies has left the United States to come here, quite the contrary.

Senator David: I appreciate your willingness to send me that table. If I understand correctly, it includes all systems, Canadian and American both, that is provincial and federal taxes on the Canadian side, and all taxes levied by the central and state administrations in the United States.

I did not quite understand your reference to Mr. Parizeau's remarks concerning social welfare in Quebec. You seem to be saying that it is not normal—or something to that effect—that welfare recipients who hold part-time jobs be subject to taxation.

I fail to see where that fits in your argument. I should like to have more information, if only because I probably missed the import of such deep thinking.

Senator Gigantès: I quoted from a Green Paper released when Mr. Parizeau was Quebec Minister of Finance in which he proposed—I am not quite sure but I think it was on an experimental basis—a universal minimum guaranteed income scheme.

Part of this Green Paper describes the inequities and shortcomings of the current social welfare system in Quebec and elsewhere. It indicates that we are confining the very poor people to their sorry plight because of the minimum amount of benefits they received.

Not only do they lack any incentive to work and improve their standard of living, but on top of that, if they try to improve their lot, we tax them. In 1985, in Saskatchewan, they were being taxed at 100 per cent, which means that they were deprived of the total amount they had earned. In Quebec, Mr. Parizeau said that it was over 100 per cent, because they would lose not only the dollars they had earned on top of their social welfare benefits, but they lost also part of their benefits as welfare recipients. He said that this could mean much more than 100 per cent of their earnings.

Mr. Parizeau felt that such a system did not make much sense. He was right.

Senator David: What did Mr. Parizeau propose to replace this incongruous system?

Senator Gigantès: I had an interview with him which I summarized to his satisfaction in the Senate Report entitled *Il n'y a que le travail qui vaille*, published in December 1987.

He felt that we should be moving toward a minimum gauranteed income system. Ideally, there would be an income threshold over which the recipient would pay income tax to the State and under which he would receive benefits.

As I mentioned on previous occasions, I asked the Parliamentary Library Research Service to look into this issue. Mrs. Marion Wrobel carried out a very good study which is available. Her findings were that the problems and the complexity of the whole issue are such that it would be probably impossible to abolish the current system and that we can only hope to improve it. There would be too many exemptions. Then, what would we do? Personally, I had suggested some parameters, namely that a universal guaranteed minimum income scheme should not exceed the current expenditures earmarked for Old Age Security pensions, unemployment benefits, etc. The cost of the garanteed income scheme should not exceed the cost of the current "social safety net".

Such a system would reduce the incomes of senior citizens and of the unemployed reaching, say, age 55. Overnight, after having contributed all their lives to the unemployment insurance fund, they would receive a lot less money that they could rightfully expect, in view of the social contract and the commitment made to them.

Therefore, we could only adopt this system by informing those who are now joining the labour force that when they are unemployed or when they reach retirement age, they would get the guaranteed minimum income, but would no longer be eligible for the Old Age Security pension, the Unemployment Insurance benefits, or the Social Welfare benefits. The situation would be exactly the same for everybody because now they would have entered a new contract.

However, the administrative complexity of having several categories of people operating under different systems was such that the ideal economy Milton Freedman proposed, when he was the first to do so, did not exist. it would have cost more. It would have been too complicated to administer.

● (1540)

[*English*]

Hon. Brenda M. Robertson: Honourable senators, I do not intend to respond to Senator Gigantès's exhaustive treatment of the issue this afternoon. Most of you in this chamber know that my remarks, because of my interests, will be directed to social fairness, and I think the record of the government is important. Senator Gigantès is somewhat concerned about that, and so, before I speak to the amendment before us on the

indexation of the GST credit, I will speak specifically about certain issues related to the Government's record on fairness in the sales tax system. I believe, honourable senators, it is important to get the record straight and understand precisely what has been happening over the last six years.

The achievement of greater fairness in the sales tax system has been a fundamental objective of the government since coming to office. The government has worked to eliminate the special treatment that used to permit those of greater means to pay less tax. Consequently, higher income Canadians and profitable corporations now pay taxes which are more commensurate with their earnings. We converted the personal exemptions and many deductions to tax credits to improve fairness, and reduced or eliminated many special tax breaks. We also eliminated or reduced many special corporate tax breaks and broadened the tax base so that many more profitable corporations now pay taxes.

In the 1989 budget the government announced a new large corporations' tax for Canadian corporate capital in excess of $10 million. Effective January 1, 1991 large corporations' taxes will be increased by 15 per cent. This tax will help ensure that big business pays its fair share of taxes. I think it is important that this happens.

In 1986 the government introduced the sales tax credit where none existed before. This credit was enhanced in 1988, again in 1989, and again in 1990. These increases almost tripled the amount of the credit, far exceeding the rate of inflation.

The proposed goods and services tax is designed to further improve the fairness of taxation in Canada. Under the GST the distribution of the tax burden will be more progressive. Wealthy Canadians will pay their fair share. They will not be able to avoid the GST. They tend to consume more and will therefore pay more on average in sales tax.

With the GST credit, families with incomes up to $30,000 per year will have more after-tax income than they do now. This includes three-quarters of families headed by seniors or single parents, and totals some 8.7 million families and individuals who will receive credit cheques.

Before the government introduced the refundable sales tax credits in 1986, low income Canadians paid much more federal sales tax as a percentage of their income than those in higher income brackets. With the introduction of the GST the refundable sales tax credit will be enhanced once again. The monetary value of the credit will be increased and the income eligibility threshold to receive the credit will be raised. As a result, lower and modest income earners will pay much less as a percentage of their income than those in higher income brackets.

For these reasons, the GST credit has been recognized by experts as a major advance in Canadian social policy, and I believe that is very important.

As well, basic groceries, of course, and residential rates will be exempt under the GST, further reducing the tax burden on lower and modest income Canadians.

[Senator Robertson.]

As to indexation, the intentions and record of the government are quite clear. The GST credit will be reviewed periodically and adjusted as appropriate. This is the approach used with the child tax credit which, since 1985, has been increased in excess of the rate of inflation. Senator David has since left the chamber, but I believe that was one of the points he was referring to in his questions to Senator Gigantès. I believe the actions of the government speak for themselves. Its fiscal initiatives show a commitment to a fairer tax system and to the targeting of assistance to those in need. Therefore, I believe the amendments to Bill C-62 are not necessary.

The new GST credit is a substantial improvement in the design and implementation of fairness in the sales tax system. First, the amounts have been increased. The new GST credit will be set at $190 per adult and $100 per child. Second, single parents will be able to claim an adult credit in respect of one dependent child. In addition, single adults, including single parents and seniors, of course, who maintain their own household, will be able to claim an additional credit of up to $100. This is a major change from the existing system which recognizes the special circumstances of single parents, single adults and students.

Third, the threshold at which the amount of credit begins to be reduced has been raised from $18,000 to about $25,000. This means that many more families will receive credits under the GST as compared to the current system. Surely that has to be fair. The GST credit will be paid before expenses are made in four equal instalments so that Canadians will have their credits in hand before they pay the GST.

Senator Simard: If the Liberals do not stall it.

Senator Robertson: That is right, if they do not stall it too long. We hope to pay it in advance, and a lot of people are waiting for their cheques. This is a major innovation, of course, which substantially improves the fairness of the sales tax system. So you can see that the GST credit is a major improvement over the current federal sales tax system.

Regarding the amendment at hand, whether the GST credit should be fully indexed to inflation is really the issue. The report suggests that because the GST credit is not fully indexed to inflation it will erode over time. The government has ensured that Canadians with incomes less than $30,000 will be better off after sales tax reform than they are now. This figure has been repeated before, but I want to repeat it again. The one-earner couple with two children will be $245 better off.

I know honourable senators will say: Where do you get those figures? When I say the Department of Finance and other consultants to that department, they say, "Well, that does not matter because we really cannot accept the Department of Finance figures."

• (1550)

I think, in fairness, having looked at other studies in this regard, that the first few months of the GST will probably not show the numbers by which people will be better off. It will take a little maturing before those numbers begin to show, and

probably, after the first six months, you will see the savings falling in place quite accurately with the projections of the Department of Finance. After the GST has been in place for six to eight months, it will be interesting to look again at these projections. So much work has been done on this analysis that I do not feel at all uncomfortable with the results.

However, as with other credits and thresholds in the income tax system, the GST credit will be indexed to increases in inflation in excess of 3 per cent. That seems to be the problem. It will also be reviewed periodically and adjusted as appropriate. Let me demonstrate how this approach of reviewing periodically, and adjusting when it is appropriate, ensures that people are better off. It has worked in the past for lower and modest-income Canadians, and I am sure that it will in the future. Since its introduction in 1986, the sales tax credit has been increased regularly. In 1986 the maximum benefits were $50 per adult and $25 per child. These benefits were paid to families with net incomes of $15,000 or less.

The credit was enhanced in 1988 to $70 per adult and $35 per child, and the maximum benefits were then paid to people with incomes of $16,000 or less.

In the 1989 budget further increases to the credit were announced. For 1989, maximum benefits will be $100 per adult and $50 per child. These amounts will be further increased in 1990 to $140 per adult and $70 per child. The maximum income threshold will rise to $18,000. Over all, the value of the existing credit has been increased from about $300 million, when it was first introduced, to somewhere around $1.2 billion for this year. This more than offsets any increases in inflation and adjustments to the tax rates. The important point to note is that these increases are in excess of inflation even though there is no automatic mechanism for introducing them. I am sure that the government will be following the same practice with the GST credit. Likewise, even though it is not fully indexed, because of the goodwill demonstrated by the government in the past, I do not think we have to worry about indexing fully this particular tax credit.

Mr. Ken Battle, the Director of the National Council of Welfare, appeared before the Banking, Trade and Commerce Committee in September and said at that time:

> The main thing that we like about the sales tax, from the point of view of its impact on poor Canadians, is that the government is proposing to substantially increase the credit.
>
> That is nothing to sneeze at; it is something we have been pushing for some years, and we welcome it. The sales tax credit is going to be increased substantially beyond where it would have reached by 1991 under the old Manufacturers' Sales Tax.

Senator Thériault: Read everything he said!

Senator Robertson: That is an interesting comment by Mr. Battle, and I am sure there will be more debate in this regard.

I am sorry that Senator MacEachen is not in the chamber right now. Perhaps he will come later and will be reminded by someone that today is the ninth anniversary of his infamous budget.

Senator Simard: Oh, tell us more.

Senator Robertson: There were so many changes in that particular budget that it was withdrawn totally.

Senator Thériault: And that is what should happen with the last one! Admit that you are wrong and withdraw it!

Senator Robertson: Have you finished shouting, Senator Thériault? Subsequently, as you well know, the Prime Minister had to withdraw the minister as well. It is interesting to note that this opposition—

Senator Corbin: Let's not be partisan now.

Senator Robertson: Oh, please—to the GST is being led by this financial wizard—

Senator Barootes: Wizard or lizard?

Senator Graham: Be careful over there!

Senator Robertson: —who is now trying to prove to the people that it is wrong for the country. There is one sensible thing that came from that budget speech or the documents that resulted from it. One document said the following:

> The federal sales tax which is imposed at the manufacturers' level suffers from a number of structural defects. These have been the subject of extensive review and comment. The most serious consequence of these defects is that they place domestic manufacturers at a substantial competitive disadvantage in relation to importers.

I will not speak about the flip-flops of the new leader of the Liberal Party. He should perhaps be in the pancake business, or something.

In any event, there is another aspect to this debate. Perhaps we should be talking about credibility and honesty, and about hypocritical behaviour. When the Banking, Trade and Commerce committee—I am not a member of it, but I fill in from time to time—reported on Tuesday, December 1, 1987, some of its members were Senators Kirby, Buckwold, MacEachen, Perrault, and a few others. One of the main recommendations of that committee, which was studying the tax position of Canada, was that as soon as practicable the government should introduce legislation to implement a broad-based multi-stage sales tax to replace the existing federal sales tax system.

Senator Simard: A Liberal majority report.

Senator Robertson: Yes.

Senator Simard: That is good stuff, Brenda.

Senator Robertson: I must come back to Senator MacEachen. Surely the public sees through the shallowness of honourable senators opposite as they speak from both sides of their mouths.

Senator Simard: To put it mildly!

Senator Robertson: Let me refer honourable senators to the debate on Bill C-21, and, in particular, to comments by Senator MacEachen on May 22, 1990 as recorded in *Debates*

of the Senate at page 1710. He is talking about closure, and he has said that it was not used at all in the 1970s, that it was used two or three times in the 1980s by the Liberal Government and that for over 22 years in Canadian history it was not used at all. He said that if he recalled the facts accurately, it was used only two or three times by the Liberal Government in the early 1980s. He went on to say:

> We will find that practice fell into disuse and then was revived, because it is part of the Standing Orders of the House of Commons and the Senate, presumably.

I am not sure whether Senator MacEachen or senators opposite see any difference between closure and time allocation, but, as you know, there is more debating time in the other house under closure than there is under time allocation. In any event, Senator MacEachen has said that it was rarely used in the 1980s. I should like to point out to honourable senators opposite that time allocation and closure—we might as well put them together, as they mean the same thing, except that one is more generous than the other with debating time—between 1980 and 1984 were used by the Liberal Government 27 times in that four-year period. From the period 1984 to 1988 they were used by the present government 22 times. I am pointing this out because members opposite have said repeatedly in this chamber that the Senate has to amend bills because they cannot get any amendments through the other chamber because the government is always using time allocation or closure to terminate the Opposition there. My point is that they seem to think that because closure and time allocation are supposedly being used more excessively than ever before in the other place, the Senate has repeatedly to make amendments. They then go on to say that this government never accepts any amendments from the Senate.

• (1600)

Senator Simard: They are twisting the truth.

Senator Robertson: Yes, I do believe they are twisting the truth.

Honourable senators, I have some figures here which date to June 7, 1990. Since there were no desk officers available in the other place, I was unable to update these figures. However, even in this last year—which seems to have upset senators opposite immensely—it has only been used 12 times, and this in a period of very difficult legislation demanding concentration and commitment to the improvement of Canada.

It is being said that the government of the day will never accept an amendment. I had the Library of Parliament compile for me all the amendments from the Senate that were accepted by the House of Commons between 1974 and 1984 and from 1984 to 1990. It is a comparison of ten years to six years. In the ten years I speak of, only nine amendments which came from the Senate were accepted by the Liberal government of the day.

Senator Simard: From the Liberal majority in the Senate.

Senator Robertson: Yes.

Senator Simard: Listen to this.

[Senator Robertson.]

Senator Frith: I can hear it. I can walk and chew gum at the same time. I can read this and listen.

Senator Robertson: You are very talented, senator. In the six years from 1984 to 1990, 15 such amendments were accepted by the House of Commons.

Honourable senators opposite say that we must do things in the Senate that have never been done before, because the House of Commons will not listen to debate. It is said that the government closes down debate and will not accept recommendations or amendments from this chamber. On this anniversary date of Senator MacEachen's infamous budget, it surely is a time to look at the hypocrisy of all of this. If honourable senators opposite wish, they may read the amendments I have just outlined.

Honourable senators, I would like to see a little honesty and fairness around here. I would like a recording of events as they were, not as some may want to remember them. When you are being offensive to someone, it is easy to forget how many times you were offensive to those opposite when you are on the receiving end.

There is another element that I find very strange about the present situation in the Senate. Some senators who worked on Bill C-21 will remember this. How many times did we hear about the infamous occasion when the Honourable John Crosbie said there would be no change in the UI? Because he said that on Friday, October 14, 1988, it was said that Bill C-21 should not pass—that there should be no changes to the UI. Now that we are dealing with the GST we have heard in committee and in this chamber that this tax was an unknown tax, that it was never mentioned during the last election campaign and that, therefore, this government has no business imposing this tax on the people. We have heard that argument at various times.

Senator Frith: We never said that.

Senator Robertson: We heard it in committee and we heard it in this chamber. I will go back and review the record of the chamber and find it.

Senator Frith: We did not know about this specific tax. Are you going to tell us that this specific tax was referred to?

Senator Robertson: It is just the same as using Mr. Crosbie's comment. You cannot use one situation without using the other. Sit still, Senator Frith, for heaven's sake!

Senator Frith: Relax, senator, for goodness' sake!

Senator Robertson: I have about 15 news clippings here of where Michael Wilson spoke to this tax.

Some Hon. Senators: Hear, hear!

Senator Frith: He spoke to this tax?

Senator Robertson: Yes.

Senator Frith: Put them on the record. Table them.

Senator Robertson: Oh, settle down!

Senator Frith: There is a rule in Parliament that if you refer to a document you must table it.

Senator Robertson: I will table everything.

Senator Simard: She will not do it because you asked. She volunteered. We do not need pressure from you.

Senator Frith: I just asked her to table some documents. What are you getting so excited about?

Senator Robertson: Honourable senators, I will not go on much longer.

Senator Simard: Please do.

Senator Robertson: Honourable senators, I wish to quote a writer of whom I am not particularly fond but who has written some interesting things. Some of you may have heard of *Margin of Error* by Claire Hoy. On page 77 he writes:

> "The original idea on trade, which Marty—

He is referring to Marty Goldfarb.

> —suggested in a strategic survey before the election," says Webster,—

I believe Webster was the Executive Director of your campaign—

> —"was to be used to harass the trust and credibility of Mulroney because Canadians did not believe the guy. Our numbers showed us that. Trade was supposed to be used to raise doubts about Brian Mulroney, as opposed to trade itself.
>
> "And the second front on the credibility issue was the national sales tax. We tried some other issues in the beginning, but they didn't catch on. At the end, when we wanted to switch to the sales tax, the leader refused to give other speeches except his free-trade core speech, the 'cause of his life' speech.

On page 133 of this book I found the following:

> On the November 2 show, for example, Goldfarb talked about the "extremely volatile" electorate, said it "looks like the Liberals have a shot at forming a government," but added that the numbers were "fragile." However, Goldfarb went on to talk about free trade and the leaders' personalities being important issues, and said the national sales tax was the "sleeper" that the Liberals could turn into a "big issue, just as they've done with free trade." That, of course, was precisely what the Liberals were hoping to do. Certainly Goldfarb was. He told the author in a post-campaign interview, "We begged him [Turner] and pushed him to get off free trade. We felt from our polling that the value-added tax was the best issue to go to. We tried, we really did. But you're dealing with an individual and he just wouldn't change.

Honourable senators, I quote this to highlight the foolishness in saying that no one knew about this tax. It is simply foolishness and hypocrisy to say that, and I would ask honourable senators to vote against this amendment.

Some Hon. Senators: Hear, hear!

Senator Frith: We did not hear very much about indexation which is the subject of the amendment. Are you going to get to that later?

Senator Robertson: The hypocrisy is worse.

Senator Stanbury: She is in favour of the amendment.

• (1610)

Senator Corbin: Honourable senators, after hearing that speech, I think I will keep to my notes.

Senator Frith: Good! Yes! Let's hear about indexing for a change!

Senator Corbin: I did not find one comment in Senator Robertson's remarks relevant to the amendment that is before us.

Senator Frith: She had fun, though! She had a jolly good time!

Senator Corbin: Yes, she had a jolly time. It would have been an excellent speech, Senator Robertson, for the election process, on the hustings—

Senator Frith: It must be worth something. Perhaps it has a certain therapeutic benefit.

Senator Corbin: —but I think it is totally unbecoming to the august character of this chamber. This is a place for sober second thought, Senator Robertson. It is obvious that you have been served a bad example by some of your old-time colleagues around this place, and I regret that very much, because I had been really looking forward to your positive and constructive suggestions during this debate and I am really disappointed.

[*Translation*]

Honourable senators, today more than ever before, the Tory Government seems to have lost every sense of the daily reality confronting Canadian.

For instance, 92 per cent of respondents in a Gallup poll taken between October 10 and 11 in the Atlantic region, were opposed to implementation of the GST. Neverthless, the government insists on storming like a raging bull through both chambers to impose the GST.

Hon. Roch Bolduc: Would you entertain a question, Senator Corbin?

Senator Corbin: Actually, I would rather you waited until the end of my speech. But I will accommodate you, Senator Bolduc, provided your question is a serious one.

Senator Bolduc: Senator Corbin, you say that the public is very angry, that people are "mad as hell" across the country. However, people in Montreal organized a parade yesterday. That parade was something else! Do you know how many people were there? That is my question. How many people do you think took part in this parade yesterday in Montreal, Senator Corbin?

Senator Corbin: Senator Bolduc, you are asking the wrong person. Yesterday was Sunday, and I attended to my religious duties. If there were any parades, I was not aware of the fact.

Senator Bolduc: You don't keep up with current events.

Senator Corbin: Seldom with what is going on in Quebec. That is your problem, not mine. As a senator I represent the Maritime provinces division: Prince Edward Island, Nova Scotia and New Brunswick. From time to time, I listen to constructive suggestions from Canada's other regions.

At a time when this country is going through a serious recession, the government still does not seem convinced that its GST will have a devastating impact on the Canadian economy. Day in, day out, during the last few months, we hear about plant closures, about businesses closing down, about hundreds, thousands and hundreds of thousands of layoffs and about a great number of bankruptcies. This recession is having a severe impact on millions of Canadians. It took the Minister of Finance a long time to admit that we were, in fact, in a recession. Some economists go even further and say that some regions and sectors of our economy are actually in a depression.

What is the government proposing to alleviate the impact of this crisis? Almost nothing.

It may wake up some day when it is too late. But be assured that the price to pay then unfortunately will be much higher because of all the bankruptcies.

Like a kamikaze heading for disaster, Hon. Michael Wilson, our Minister of Finance, could not care less about the consequences of his policy on Canadians. This Minister of Finance has completely lost the confidence of Canadians ages ago.

By the way, Mr. Wilson and his colleagues could envy the credibility of a shady horse dealer. Although this government is well aware that it enjoys very little credibility and popularity, it is determined to administer on Canadians a very bad medicine which they reject and, what is worse, it does it at the worst time possible.

Canadians will be used as guinea pigs for the economic policies of a government which has apparently lost all credibility. In addition to this recession, the country is living through very difficult times at the constitutional level. Its unity seems to be increasingly in jeopardy.

The man who had presented himself as a great national conciliator who would put our public finances on a sounder footing is bringing Canada to the brink of disaster. Canada is living its darkest hours. History will judge very harshly the administration of the Right Hon. Brian Mulroney.

This famous GST, which has become the hobby-horse of this government, will bring about the worst taxation scheme in the world. Countries with such a taxation system are unitary countries. Canada is a federation with two levels of government and with definitely shared jurisdiction in some areas and quite separate jurisdiction in others.

That i s the very reason why our neighbour to the South have given up on the idea of such a taxation scheme. Under our present federal system, it would be ridiculous to revamp our present taxation system as a unitary one before being first assured of the co-operation of all the provinces.

This lack of co-operation between the federal and provincial governments will surely result in total chaos. Nevertheless, such a likelihood has not dampened the government's enthusiasim for this tax.

Some government members seem much less convinced of the benefits of such a tax. Some senators opposite have given up their principles in the name of party loyalty. Fortunately there are still men and women of principle left in politics.

For instance, let us take the case of Mr. Yves Séguin, a former Quebec Minister of Revenue, who resigned recently because he felt that the GST was an unfair, expensive, complex and hard on an economy in full recession.

Here are some of the things Mr. Séguin said in an article published in the Quebec City newspaper, *Le Soleil*, on Tuesday, October 23, 1990. That article appeared under the heading *Ideas of the day*, and is entitled "A complex, unjust, expensive and harsh tax". It is written by Mr. Séguin, who still is MLA for Montmorency, even though he resigned as Revenue and Labour minister. Here is what he said:

> Today, it is said that the GST will be revenue neutral and that it will even help reduce the taxpayers' burden. That's ridiculous. With the GST, the federal government will collect a lot more money than with the old tax, and it is rather surprising that no one has contested the anticipated revenue mentioned in the official documents. In fact, the GST will bring in 30 billion dollars, as opposed to 18 billion under the old system.
>
> Curiously, the companies which payed these 18 billion dollars—

—and still do

> —will now pay only 9 billion, that is a reduction of 50 per cent. Of course, this important reduction of the companies' tax load explains why they support the GST, but they should worry about its complexity.

I received today, like all senators, a memorandum dated November 8th and sent by the Canadian Federation of Independent Business. During the third quarter of 1990, the Federation asked 10,539 of its members across Canada the following question:

> Do you think that the Government of Canada gave you clear and accurate information on how the GST will affect your business?

Here is the national breakdown:

> Yes—

—responded that, in their opinion, the governement gave them accurate and clear information on how the tax will affect their business.

> Yes: 16.3 per cent. No: 74.4 per cent. Undecided: 7.4 per cent. No opinion: 1.9 per cent.

We can then say that only 16.3 per cent of all respondents believe that they have accurate and clear information on how the GST will affect their business.

Honourable senators, if this is the case for business people, independent businesses, small merchants, what will it be for the rest of Canadians? I exclude however large companies. But what of the other Canadians? Have we not reason to believe

that the majority of Canadians feel even less informed about the impact the GST will have on them?

Mr. Séguin also appeared on French CBC's in-depth analysis *Le Point*, Wednesday, October 24, 1990. He was interviewed along with Mr. Alain Dubuc, who is, I believe, an editorial writer for *La Presse*.

Hon. Jean-Maurice Simard: Senator Corbin, you have said earlier that what is happening in Quebec was not all that significant and that you did not have that much interest in it.

Is it because it suits your purpose at this time to quote Alain Dubuc?

Senator Corbin: I thank you for this clarification, dear colleague. I said I took an interest in serious matters happening in Quebec.

The parades are one thing. There is the St. John the Baptist parade, the GST parade, and there used to be parades by the League of the Sacred Heart and the Children of Mary. I do not consider them as being very serious matters.

It is nevertheless an opportunity for citizens to make themselves heard. Whether or not they are only ten people, it is their business if they want to go on a parade. As for expressing their opinion, I know that the great majority of Canadians, whether or not they participate in a parade, are against the GST.

So in the *Le Point* segment of CBC's french network nightly newscast, on September 24, Simon Durivage was interviewing Mr. Séguin, the Quebec minister of Revenue and Labour who resigned because he opposed the GST and Mr. Alain Dubuc, the editorial writer who apparently is in favour of the GST.

Simon Durivage asked the first question and I quote:

> The first question everybody asks is this: Is it really what one can call a regressive tax—a consumption tax because everybody pays the same tax of 7 per cent whether you are a millionaire or on welfare—everybody pays the 7 per cent, consequently it is unfair as compared to the income tax where the rich pay more than the poor.

I am quoting Simon Durivage. Mr. Dubuc, who is in favour of the GST, I am told, made some remarks and concluded:

> Yes it is regressive, particularly for the middle classes when you compare them to the rich, but not for the poor.

So, Mr. Durivage yields to Mr. Séguin, who says:

> Well, I agree somewhat with Mr. Dubuc—of course, the credits will alleviate the tax burden, but as far as I am concerned, I would qualify that statement; I am somewhat more skeptical as to whether the credits will indeed—in global terms, the credits represent approximately $2.4 billion out of the $30 billion expected from the GST—that . . .

Here, there is something missing.

> . . . not even 10 per cent. The credit amounts to $750 per individual, $100 per child . . .

At this point, Mr. Durivage intervenes:

> You are going a little fast, there. Of the $30 billion that you think the GST will produce, will the government reimburse as credits $2.5 billion to low income families?

• (1620)

Mr. Séguin answers:

> The government will reimburse $2.5 billion as credits. Those credits, as you know, go to families earning between approximately $18,000 and $37,000 only, and I do not think that they will totally make up for the additional taxes, paid by even the low income families. But, of course, I recognize that middle income Canadians, those earning $25,000, $28,000 or $30,000, are going to pay more under the GST scheme.

So, that is what they had to say in this program section. Later, Mr. Durivage went on:

> But who will bear the brunt of the burden? Is it once again the middle class, because low income families have sales tax credits. Even if the credits do not, compensate for everything, at least, they will alleviate some of their burden. Of course, the rich consume more, but beyond a certain point, they stop consuming, and start saving.

Says Mr. Durivage. And Mr. Séguin answers:

> Oh, we are talking about the average consumer. Approximately 80 per cent of those who will pay the tax belong to what we call the average consumer category, that is the average Canadian working family with two incomes of $25,000 or $26,000 each. Those are the ones who really—

And Mr. Dubuc steps in:

> —people who spend to the last cent of their after income tax income—Quebec and Ottawa income tax—without anything left to save will end up being taxed the most one way or another. While of course the richer you are, the more of your income you can spare for—

And Mr. Durivage said:

> Without confusing our viewers—
>
> This exchange was not very clear, I admit.
>
> . . . because I gave examples this week that a family earning up to $35,000 would receive enough sales tax credit to ensure its tax burden is not worse than before. So you disagree with that, Mr. Seguin?

And Mr. Seguin answered:

> No. I think that the figures provided in the background briefings and documents are based on working assumptions.

—and which do not reflect reality.

Mr. Séguin understood that the tax burden of companies decreases while that of average consumers earning between $25,000 and $30,000 increases. Thus, the average Canadians will bear the brunt of the tax burden. That is why one of the measures of Bill C-62 is so important. The sales tax credit system is the major method to soften the impact of the tax on families earning less than $30,000 a year. The problem with those credits is that they are not indexed to inflation. That is

why, today, we present an amendment to index those credits to the consumer price index.

As we all know, having heard many statements to the effect from the Minister of Finance and the Governor of the Bank of Canada, inflation is that insidious evil that threatens our economic well-being. Inflation may well go up many percentage points with the arrival of the GST. But Mr. Wilson does not dwell on that fact. Inflation will also decrease the real value of the non indexed tax credits.

It is important to mention also that the effects of the GST on inflation will not be measured in any comprehensive way. On May 9, we learned from Statistics Canada that the agency had dropped its idea of a monthly report on the impacts on inflation of the tax on goods and services.

The following comments appeared in the newspaper *La Presse* on May 9 last, and I quote:

> Mr. Ivan Fellegi, Chief Statistician, said that that decision was made last week because it was too difficult to measure precisely, on a monthly basis, the extent to which the 7 per cent tax will increase the Consumer Price Index. "Nobody, and I mean nobody, could have actually measured what the Consumer Price Index would have been on a monthly basis without that fiscal amendement", noted Mr. Fellegi during an interview. "That is why we have decided that it would be pointless to try to mislead anyone, ourselves included, with the idea that it was possible to work out the price increase". It was an internal decision by Statistics Canada, he said, adding that the agency had not been subjected to any political interference.

I repeat that last sentence to the effect that Statistics Canada, that is the agency, had not been subjected to any political interference.

Nevertheless, certain malicious comments have been made to the contrary. The following appeared in the *Toronto Star* on May 8 1990, that is the day before the previous article was published in *La Presse*, and I quote:

● (1630)

[*English*]

> Statistics Canada spokesmen deny that the decision to cancel the net price index had anything to do with politics.
>
> However, according to a source—

Another mysterious source, honourable senators.

> —the decision was made in the Prime Minister's Office by his chief of staff, Stanley Hartt, and passed on to StatsCan through the ministry of finance.

[*Translation*]

According to other sources this decision is due to the fact that the minister of Finance insisted to get a monthly computation which would back up his figures. This was mentioned in *La Presse* issue of the 9th of September that I quoted to you.

I can easily understand the government's position. It would have been quite embarrassing to triger a sudden rise in the inflation rate, when you had sworn to fight inflation by all possible means. The implementation of this tax will surely be an inflationary factor and the governments, the experts, the senators are very aware of it.

This fact however is not reflected in the minister of Finance's forecast. To do his calculations, he would have to prove that a family earning less than $30,000 would be better off after the implementation of the GST, using the most favourable scenarios in terms of the product prices. That is an inflation rate not exceeding 3 per cent and the complete removal of the manufacturers' sales tax. I would like at this stage to dwell a bit on this issue. Can we believe that consumers will really be better off with the complete removal of the manufacturers' sales tax?

Here is what Mr. Yves Séguin maintains again in his article published in the 23th of October, 1990 issue of Quebec *Le Soleil*, and I quote:

> In Canada, the corporate tax burden has been decreasing for the last decade at least and is now at 9 per cent. Hence the GST is going to decrease further the corporate tax burden without giving us any hope that prices are going to fall or employment is going to increase, since there is no control mechanism.

I don't quite agree with what Mr. Séguin is saying, and I must assume that he is not aware of the fact that the federal government has set up an effective control mecanism, or so it believes. Mr. Séguin must have overlooked the fact that a Consumer Information Office was created on June 12 of this year to inform consumers about the GST. It will be responsible for monitoring prices during the transition from the manufacturers' sales tax of 13.5 per cent, which will be abolished, to the new GST of 7 per cent. The agency will also examine complaints from consumers about any irregularities during the changeover. But, and this is the snag, this agency has only limited powers.

The government has admitted that it was relying much more on competition to force companies to adjust their prices. Companies themselves are saying that competition will come into play. This remains to be seen since as, in the past, consumers did not benefit from tax reductions. Very often, in many industries and in many areas of the country, prices remained at the same level and increased later.

Consequently, the said control mecanism might be as effective as a toothless watchdog. In this regard, here is an excerpt from an article intitled *The GST's Keystone Kops* published in *The Citizen* of June 15 last. The title is:

● (1640)

[*English*]

> The GST's Keystone Kops:
>
> It's straight out of Kafka.
>
> At a time when we have AIDS patients in desperate need of home care, a hospital crisis and no money for environmental cleanups, the Mulroney government is frittering away $19 million on an agency that's supposed to

tell us, sort of, about the price impact of the goods and services tax.

Officially, the Consumer Information Office will monitor prices for irregularities once the 13.5 per cent manufacturers' sales tax is replaced by the new seven-per cent GST. During his GST sales pitch, Finance Minister Michael Wilson promised that the prices of big ticket items such as cars, household appliances and furniture will go down while the cost of clothing, footwear and most services will increase.

Just what the office will be able to do other than publicize price gouging is mysterious indeed. It has no legal powers of investigation and a staff of 20 to monitor the pricing practices of 1.7 million Canadian businesses.

What's more, even if the price police do stumble across an example of gouging, they can't do anything about it. The office has no power to order price rollbacks and no way of punishing businesses. Legal experts say the office would need an iron-clad case before it could even contemplate naming an offending company. And iron-clad cases aren't easy to come by.

Businessmen across the country must be cowering behind their cash registers at the very thought of such a bold initiative.

[*Translation*]

This blatant lack of control will open the door to abuses. So it would be really ridiculous to believe that the Canadian consumers will have the opportunity to enjoy the full savings or at least a reasonable part thereof, if savings there are.

This context underlines even more the importance of indexing the sales tax credits as proposed in this amendment, which would protect the progressive nature of the sales tax credit. In the report of the committee on Banking, Trade and Commerce on page 25 and 26, two charts show clearly that the real value of the sales tax credit will decrease over time. The hardest hit will be the household whose annual income ranges between $25,000 and $30,000 in constant dollars of 1991.

The absence, in Bill C-62, of a clause providing for the full indexing of the sales tax credits is denounced by the majority of opponents to the GST and even by some of its supporters.

Let us take, for example, the case of Mr. Goodman, a lawyer and sales tax expert, I am told. An ardent supporter of the GST as he is, he recognizes that the bill has some flaws, particularly the absence of a clause on the indexation of the sales tax credit. Here is an excerpt of his evidence to the Committee on Banking, Trade and Commerce, on June 5 of this year, on page 11 of volume 41.

[*English*]

I should not want it to be thought that I do not have misgivings about various features of the GST, because I have a number. First, the system of sales tax credits is to be indexed in order to take account of inflation, but it will only take account of inflation in excess of 3 per cent. The effect of that is that if inflation continues at the rate of 5 per cent a year for 10 years . . .

And no one in this country can predict accurately what inflation will be next month, next year or ten years from now. It continues:

. . . $100 of tax credits will be increased to $122 because the indexing will only be to the extent of 2 per cent a year. But buying power is being reduced at the rate of 5 per cent a year, which means that this $122 in real terms will buy the same amount as $75 would have initially bought at the beginning of the period. There was a 25 per cent erosion in the value of the sales tax credit, assuming only a 5 per cent inflation rate. I submit that this is grossly unfair to the poorest and most vulnerable people in our community.

[*Translation*]

The case of Mr. W. Goodman is not unique. Professor Robert Clark, of the University of British Columbia, a great supporter of the GST, is concerned that the GST credit is not fully indexed to inflation in order to reflect the real cost of living. Here is what professor Clark said before the Committee on August 1st, page 61 of issue 66, and I quote:

[*English*]

My third concern about the refundable sales tax credit is one you have heard in numerous presentations. To allay the anxiety of many recipients of the credit, I urge you to recommend that the government should commit itself in the bill to fully index annually for inflation as measured by the national consumer price index the following: the sales tax credit itself; the maximum net income threshold at which it starts to be reduced, and the maximum total receipts received in a year by a business or a non-profit organization before it is required to be a GST registrant.

• (1650)

[*Translation*]

Mr. Patrick Grady, an economist associated with *Global Economics Limited*, and strong supporter of a goods and services tax, also denounced that inequity in Bill C-62. Let me quote his testimony before the committee on May 30. That quote is taken from page 32 of issue No. 39.

While I think about it, I would like to make a recommandation to the translaters of quotations, particularly when the quotations are from Senate documents. I am quoting from a presentation made before a Senate committee and that text is printed in both official languages in the proceedings of the committee.

Often, when I speak French and quote something in English, that quotation is translated a second time. As a result there is no concordance with the original French version which is the one from the committee. When I quote a text from a Senate document, it seems to me that since all Senate documents are published in both official languages, the quotation should be taken directly in the original translation, which is the one in the committee documents, instead of being translated a second time. Otherwise, there is a risk of mistakes and nonsense like I saw a few times. This is only a suggestion on my part.

[*English*]

> The other issue is that it is important over time to make sure that the sales tax credit and the income threshold levels are fully adjusted for inflation. This is to make sure that low income families don't see their sales tax credits taken away by inflation. If you use the current limitation on indexing only to increase the consumer price index over 3 per cent, and assume that inflation is in excess of that for the next ten years, the currently proposed increase in the credit and threshold would be entirely consumed over a ten-year period, leaving low income families with no real increases in the credit or threshold and facing sharply higher sales taxes. If this happened, the sales tax couldn't be considered to be equitable. That is my first point on the adequacy of the sales tax credit.

[*Translation*]

For his part, Mr. Terrance Hunsley, Executive Director of the Canadian Council on Social Development, is opposed to Bill C-62. You can see how objective I am: I refer to people who are in favour of the GST as well as people who, for a variety of reasons, are against GST, in whole or in part. Mr. Terrance Hunsley is seriously questioning the government's sincerity in its intention to compensate the low- and average-income families, since it is not introducing at the same time a clause indexing credits to the Consumer Price Index. Here is what Mr. Hunsley said, as reported in issue No. 49, dated June 28, 1990, on page 55:

[*English*]

> The other concern with the credit is that it is not indexed to inflation—neither the amount of the credit nor the point at which it starts to phase out. That indicates that the plans of the government are to reduce the value of this credit almost immediately upon its going into effect, and that will mean a regressive impact on low-income people.

[*Translation*]

If that is not the case, the government should respond to Mr. Hunsley's accusation and simply accept our amendment, and all those problems would be solved.

The merit of an indexation clause to the Consumer Price Index is obvious. The example found on page 23 of the report of the Standing Senate Committee on Banking, Trade and Commerce illustrates graphically the impact of not having such a clause:

> A family with an income of $25,000 in 1991, whose income only keeps pace with inflation, will see the real value of its GST credits decline by 50% over 5 years. This is equivalent to about $300 per year.

[Senator Corbin.]

Most proponents of the GST acknowledge the importance of the GST credits system, because credits will alleviate the regressive impact of the GST on Canadian families. However, if we want to preserve the fragile fairness of these credits we must maintain their real value. The amendment proposed today by Her Majesty's loyal opposition in the Senate simply aims at maintaining the value of these credits. The amendment will ensure that the credits do not lose their progressive characteristic.

I urge all Conservative senators to support this amendment whose sole purpose is to lessen the harmful and regressive impact of this tax on millions of Canadians. Thank you for your attention, honourable senators.

Senator Simard: I want to take about ten minutes to debate the seriousness and appropriateness of this amendment which we are asked to accept.

But first, if I may, I should like to report briefly on a trip I made to Madawaska over the weekend, if only to remind you of the background details which, I think, should guide us in this debate.

Over the weekend I had the pleasure of going back to my country to celebrate Remembrance Day and meet with veterans, the eighteenth time I have done this in the last twenty years. I must tell you that nobody enquired why the Senate would be sitting today, supposedly a failure on our part as parliamentarians to give Remembrance Day all the importance it ought to have. There was not a single question on that subject. People expected us to work on Monday, as usual. So I came back to Ottawa to debate the GST with you.

When I was in Madawaska I went to the Canadian Legion as I do every year. I went to meet people who were organizing a telethon for the Victorian Order of Nurses. Needless to say I talked to a lot of people and, of course, the issue of the GST was raised a few times during our conversation. I would not say that they are resigned and willingly accept the bill. They say it is probably inevitable. Considering the information they have been given, they do not seem to be overly concerned about the tax.

What they recall and what the French network of the CBC is making sure that citizens of Madawaska and Canadians in general will never forget, are the scenes that we witnessed in this chamber three weeks or one month ago, those scenes that we can still see on the news. People ask us: are there no rules in government or in the Senate to make the Liberal senators stop what they are doing? This is what people told me. I wanted to report it to you.

First, contrary to what we heard last Friday, people do not resent the fact that we are sitting today. Quite the opposite,

they commend us for it. Second, they are looking forward to this bill being passed after serious consideration.

• (1700)

That is what I wanted to tell you.

Senator Corbin said that this place was a chamber for sober second thought.

Senator Corbin: My exact words were "*de réflexion*"!

Senator Simard: That was what I thought until I came here.

Senator Corbin: I said it was a chamber for second thought because I was quoting Senator Beaudoin. I read two hundred pages from his thick book over the weekend. So, I said to myself that it was a solid foundation to work upon, that is actually a chamber for second thought.

Senator Simard: So, following the speech delivered by my colleague, Senator Robertson—whose comments might well not have pleased him too much—Senator Corbin felt he had to say that because of some speeches, this institution was not always the chamber for second thought it should be. If it is to change us from that petitions reading chamber that it has been for the last three weeks, so much the better!

Since we are talking about Senator Robertson, I must say that I have known her for many years. She worked in New Brunswick for 20 years. She was a member of the New Brunswick government for 15 years. She is still working with the same talent and dedication to thorough research, accuracy and common sense. I think she will get the same results with us. By condemning injustice and opposition propaganda and schemes, as she did in New Brunswick, she will get the same results here.

In other words, when bills are explained, even though they may be hard to accept, people will usually make their judgment based on information they receive from both sides. So, I encourage her to carry on and I congratulate her for that wonderful speech even though it could hardly be accepted by members opposite.

That being said, Senator Corbin told us, and I am getting back to the amendment for a moment, that to show its sincerity, the government should fully index credits to the Consumer Price Index.

If we are talking about showing the government's sincerity, we need only look at the short period during which the child tax credit has been in effect, after being introduced by this government in 1985. This was a new program to deal with a problem . . . I am referring to the $50.

This is a program that started with $50. Senator Thériault doesn't seem to understand. This is a new program.

Senator Thériault: Nobody will believe you!

Senator Simard: It is the child tax credit. It started in 1985, as proof of this government's sincerity. Payments under this program exceeded the level of inflation in 1986, 1987, 1988, 1989 and 1990, even though they were not fully indexed.

Senator Thériault can be as incredulous as he likes, that doesn't change the figures I have here.

So I don't think we need a yeardstick, and I urge my colleagues to vote against this amendment. It is unnecessary to have a clause or legislative provision to ensure that the government will pay enough money to counteract the effects of inflation. That is why I urge my colleagues to vote against this amendment.

Senator Bolduc briefly referred to . . . I will not spend too much time on this event. Because of the weather or poor press coverage, as some organizers of these anti-GST demonstrations said, there were probably several reasons why the crowds expected in Montreal, Ottawa and Toronto were not as big as organizers had hoped.

In Montreal, there were five people. In Ottawa, 500 were supposed to come, but only 200 showed up. This is no problem to me. I said earlier that I would report to you on what I heard during the weekend.

I told you what veterans said. On the way, I was listening to the French network of the CBC on the radio. One of my favourite programs was being broadcast on Saturday afternoon. I was driving from Quebec City to Edmunston. It is an excellent program. I surely would recommend it if you have time to listen to it during the coming weeks. It is a serious program that lasts one hour or 90 minutes and deals with five or six subjects. Experts are invited. The program's title is *Les affaires et la vie*. It is one of those excellent programs that this CBC French network so often produces.

This morning I asked an Ottawa company which does this sort of thing to prepare a transcript of the program. I will have a transcript of both sections.

The first one was a talk with Robert Tremblay, who is president of the *Fédération anti-pauvreté du Québec*. I am sure Senator Chaput-Rolland knows him. So the president of the Quebec Anti-Poverty Federation was interviewed on this program and, to the host's great surprise, he said he agreed with the GST. I am going to be very careful with what I say, but he surely supported the tax quite strongly.

I will distribute to the honourable senators, within the next days, the transcript of the program which lasted about—

Senator Thériault: I would not blame you. This is quite an exceptional situation!

Senator Simard: As I mentioned, to the host's great surprise, Robert Tremblay said on the program that he himself and his group support the GST. He explained why. I think the host could not believe what he was hearing. But Mr. Tremblay explained his position.

He asked: Do you know what the alternative to this consumption tax is? He answered: Liberals and others advocate changes or an increase in the income tax. He went on: This will not affect me personally at all. I do not mind the GST as long as my food and housing are not taxed. I earn $10,000, my pension income is $10,000. I will not be paying more.

Those are his figures. He also said: These same people—probably referring to Liberal senators and former Finance ministers—want to eliminate the GST and increase the income tax. These same people were in power and they made laws to give all kinds of credits to those with high income, the millionaires as Senator Thériault says so often. He said they gave so many exemptions for rich people that they do not pay their fair share.

And he added: With a consumption tax, they will pay something. There will not be too many in our situation. Honourable senators, I told you many times that the middle class is the one that pays. Robert Tremblay said the same thing. He told the host: If you want to go to a restaurant after work, you will go with friends and it will cost you $200 and you will pay tax on that. But I will not have that problem. I will simply go home with my kids and buy food for $25 or $30 with no tax.

He went on: After you go to the restaurant in the CN Tower in Toronto, you will come down and go shopping at The Bay or some other place. If you see a nice fur coat, you will buy it for your wife and you will pay tax on that. That is good. But you can afford it.

He gave more examples. I will give you the transcript.

On a more serious note, Senator Thériault! It was the President of the *Fédération anti-pauvreté du Québec* speaking. He is for the GST. He said: I am going to pay my small share, I will get the credit, but it is the middle and high income people who will have to pay when they buy their fur coats and other things.

He blamed those who, like Dennis Mills, would like to put together a tax scheme under which everybody would have to pay. Then he said: Such people as Senators Thériault, MacEachen and Perreault, when they were there, provided a whole series of credits, including savings credits.

I will conclude with this.

There was also another part of this program which dealt with indexing. At that time, there were no doubt some well-intentioned governments—I was a member of such a government at the provincial level as others were in Quebec—but in the year 1972-73, what did well off governments come up with?

They decided to legislative the quarterly indexation of expenses. Do you remember, Senator Bolduc? As you want to do now, these well-intentioned governments wanted to protect everybody. So they indexed expenditures. It was a great idea! They even decided to do it on a quarterly basis.

They went even further. During the program on Saturday, we were reminded that they had indexed even personal income tax exemptions. The experts said that they had created a system (I am no longer talking about Robert Tremblay, but somebody else) whose transcript I will table.

A system was set up. All the governments were indexing, placing an automatic charge to continue increased payments on expenditures, family allowances and other benefits. Government revenues were cut by indexing personal exemptions, as well as all pension funds.

It seems to me that we should learn from their experience and be more careful before moving amendments such as the one before us today. This is what I invite you to reflect upon.

Senator Hébert, did you understand earlier the message which I am bringing to you from the Madawaska people?

Hon. Jacques Hébert: I am taking a break from you!

Senator Simard: It is precisely that you stop . . . I don't want to exaggerate but I saw at least 200 persons at the Canadian Legion, at the Air Force Club, and another 150 at the VON telethon in Edmundston. I met in all at least 350 individuals.

Some 25 to 30 persons at least came to see me on their own initiative. Introducing themselves with a jolly "How are you today, Jean-Maurice? We are happy to see you. You never miss the chance to see us on Remembrance Day". I told them I was happy to be there.

● (1710)

They said, "Would you tell Senator Hébert to stop fooling around?" They mentioned three or four of the better known

senators. Senator Gigantès' name came up five or six times. So, Senator Hébert, here is the message they gave me; you can do with it as you will. You are stubborn enough to do as you please, and it is okay by me.

Senator Hébert: It is so reassuring!

Senator Simard: You are reassured. I can now conclude my remarks by inviting you to give up on your amendments. Even though the past is not always a promise for the future, considering the government's record as regard to indexation of the child tax credit, having the means to do so, the government could reassess the needs and, in the budget or at another time, increase the GST credit annually.

Senator Corbin: I have a question for my honourable colleague from the Republic of Madawaska. Is he aware of an article published in *The Globe and Mail* on November 10, 1990, under the title:

[*English*]

> Legion angered by Senate's decision to hold session on Remembrance Day.
>
> The decision to sit on Monday has Canadian war veterans up in arms over what they see as the latest slap in the face against the memory of the country's war dead.
>
> Already angered by the planned absence of Governor-General Ray Hnatyshyn from Ottawa's Remembrance Day services, the Royal Canadian Legion condemned the Senate for its decision to sit on the Remembrance Day holiday, a day parliamentarians usually spend in their constituencies.
>
> In a news release from the legion's Dominion Command, the veterans group said it "regards this . . . as another indication of the waning respect for the memory of the 114,000 men and women who gave their lives in military service to Canada during two world wars and the Korean War."

[*Translation*]

Senator Corbin: I know I have no reason to doubt the comments as reported by Senator Simard. I did not go to Edmundston. I stayed in Ottawa. I must admit that I am exhausted. Had we had today off . . .

Hon. Thérèse Lavoie-Roux: My God!

Senator Corbin: What's this? Are you talking to God? Madam, be my guest anytime you feel like leaving by car with me because I have to travel by car to go to New Brunswick. I saw you once in P.E.I. I do not know whether you went by plane or by car, but I met you at a street crossing one evening in the village of Malpèque. You did not know that. I knew who you were. You travelled in the Maritimes. Follow my example—I think Senator Simard does the same—and jump in the car, drive for nine or ten hours, spend a day or only a few hours home and drive back in time for a sitting. I did not feel up to that this weekend.

I notice the heart doctor, doctor Keon, is listening. There are things you cannot do past a certain age. I ran that stupid race between the Senate and my riding every weekend for 16 years. I am not young anymore and I need a little more time.

I would have wanted to attend the Remembrance Day celebrations in Edmundston and see my many friends in Grand-Saut, in Clairs, in Baker Brook, you name it, but there is no way I will travel under those conditions anymore. The question was asked before and this was my answer: It is out of the question for me to travel if I do not have the time to do the trip and recuperate once in a while. As you know, we sit on Friday and have to be here by two o'clock on Monday afternoon. Do you think I am going to travel all night. That is a bit much!

Hon. Roch Bolduc: Talk about it to Senator Frith.

Senator Corbin: The Senate is sitting and the veterans are darn upset at you. As I just said, Senator Simard may say that the people—

• (1720)

[*English*]

Senator Barootes: Have you a question?

Senator Corbin: The question has been asked. Why do you not listen to the interpretation, sir.

Senator Barootes: Are you answering your own question?

Senator Corbin: I am making the allowed commentary. Put the question and then the commentary. I did not make a preamble. I put the question. I am making the commentary. You keep quiet!

[*Translation*]

So, does Senator Simard realize the seriousness of the decision made by his party to force the Senate to sit today for the first time in History? I do not want to be associated to things like that. I am under the impression that the veterans from Edmundston were not aware of your party's dealings to force us to sit today. If they had known, you would not have been congratulated the way you want us to believe you were.

Senator Simard: So you asked me a question and I will give you a very brief answer. It's been a long day. I got up at five, and travelled from Quebec City to Edmundston. I can well understand Senator Corbin. I certainly don't do it every week; even though I can fly to Quebec City, it still leaves three hours of travelling time and that's very hard. One makes the decisions one has to make and so on, but since you asked me a question as to whether he was aware of the decision of the national office for veterans, the answer is yes indeed, and that was on Thursday or Friday when this was brought up; it might even have been on Sunday.

I don't know if people from the Madawaska area were aware of the decision made by this illustrious national group. I think they must have been aware of it because people from Edmundston listen to the radio and watch television, and they know pretty well what is going on. They didn't talk to me about it.

One thing is sure, there was no exaggeration on my part. People were happy to see me there. They were not shocked at all by the fact that we were sitting today. They asked me when I was leaving and I told them: "I will leave tonight or Monday morning at five o'clock." When they asked my why, I told them that we were sitting this afternoon. They said that it was all right. They certainly were not mad at me because I didn't take Monday off even though the school board gave its students the day off, et cetera. They expect senators to do their job.

People from the Madawaska area are guided by their instinct, their feelings and their principles much more than by decisions made by a national group whose head office is in Toronto, Winnipeg or elsewhere. That is how I see things.

[*English*]

Senator Frith: Honourable senators, before the debate ends on this amendment, during the intervention by Senator Robertson, she—I was going to say "brandished"—showed us a sheaf of documents to which she was referring, particularly on the question of Mr. Wilson's clarifying or describing this tax as a part of the last election campaign; and I asked that she table them. She was out of the chamber when I checked, so perhaps she was out making copies; but when I checked with the Table a little earlier I found that they had not been tabled. There is no need for them to be tabled today, but I want to be sure that we understood each other and that she is going to table those documents.

Senator Robertson: I have every intention of tabling them. I was going to table them this afternoon, but those who record our comments have asked for my sheaf of documents, and as soon as they are returned, I will be glad to table them.

[*Translation*]

MOTION IN AMENDMENT—DIVISION DIFFERED

The Hon. the Speaker: Honourable senators, it is moved by the Honourable Senator Gigantès on behalf of the Honourable Senator MacEachen, seconded by the Honourable Senator Corbin:

That Bill C-62 be not now read a third time but that it be amended by changing the tax credit threshold provided thereunder

(a) by striking out clause 46 on pages 293 and 294 and substituting the following:

"46.(1) Section 117.1 of the said Act is amended by adding thereto immediately after subsection (2) thereof the following subsection:

Indexing

"(2.1) The dollar amounts referred to in subsection 122.5(3) shall be adjusted for each taxation year after 1990 so that the amount to be used thereunder for the year is an amount equal to the aggregate of

(a) the amount that would, but for subsection (3), be the amount to be used for the immediately preceding taxation year, and

(b) the product obtained by multiplying

(i) the amount referred to in paragraph (a)

by

(ii) the amount, adjusted in such manner as may be prescribed and rounded to the nearest one-thousandth, that is determined by the formula

(A/B – 1)

where

A is the Consumer Price Index for the 12-month period that ended on September 30 next before that year, and

B is the Consumer Price Index for the 12-month period immediately preceding the period mentioned in the description of A."

(2) Subsection (1) is applicable to the 1991 and subsequent taxation years." and

(b) on page 296, by striking out lines 39 to 41 and substituting the following:

"(ii) $24,800.00."

[*English*]

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

Some Hon. Senators: Yea.

Some Hon. Senators: Nay.

The Hon. the Speaker: Will those honourable senators in favour of the motion in amendment please say "yea"?

Some Hon. Senators: Yea.

The Hon. the Speaker: Will those honourable senators who are against the motion in amendment please say "nay"?

Some Hon. Senators: Nay.

The Hon. the Speaker: In my opinion the nays have it.

And two honourable senators having risen:

Hon. William J. Petten: Under rule P-3.(a), I request that the division be deferred until 5:45 o'clock p.m. on the next sitting day.

The Hon. the Acting Speaker: Is it agreed?

Hon. Senators: Agreed.

POINT OF ORDER

Hon. Allan J. MacEachen: I wish to make a point of order at this point. It has become customary several times now for the speaker to say, "Is it agreed?" The rule is there and it does not require any agreement from anyone. Once the request is made, it is automatic.

Senator Roblin: I thought you were going to say on division.

Senator Frith: Senator Roblin does not want us to explain these things.

Senator MacEachen: This formula has been used at least once earlier, but I do not want the impression to be created that this is now subject to a decision by the house. It is not. Once the request is made, it is automatic.

Senator Simard: Good point.

On motion of Senator Frith, debate adjourned.

BUSINESS OF THE SENATE

Hon. C. William Doody: Honourable senators, I move that all remaining orders stand.

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

Hon. Senators: Agreed.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Tuesday, November 13, 1990

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

[*Translation*]

THE LATE HUGH MacLENNAN

TRIBUTES

Hon. Solange Chaput-Rolland: Honourable senators, I sought the floor for five minutes to pay tribute to an outstanding writer who died last week, Hugh MacLennan, a personal friend of mine.

I realize I am somewhat late, but various events prevented me from paying tribute to him before this day.

Hugh MacLennan was known as a great novelist both in Canada and in other countries.

[*English*]

He was a great writer, a great Canadian and a good friend of mine. He was also known for his book called *Two Solitudes*, which we are still experiencing. Many people thought he invented that phrase to describe English and French Canada, but he took the title from a famous book by a German poet. I am sure most of you know of it, and please forgive me if I repeat it, because I feel it is important.

[*Translation*]

The words came from the book by Rainer Maria Rilke, *Briefe an einen jungen Dichter*, "Letters to a Young Poet", where he wrote "Love is two solitudes that sometimes touch, respect and protect each other".

[*English*]

Love is two solitudes that sometimes touch, respect and protect each other.

[*Translation*]

I think that Hugh MacLennan put that in practice in all his books. He was one of the rare Canadian authors who won five or six Governor General's awards. He did his best to bridge the gap between these two solitudes. We now know that he was unsuccessful.

As a writer and not unlike a good many of you in this chamber, I think we had to mention his name if only to remind one and all that the two solitudes we make up in this institution might forge links of friendliness so that we rediscover the kind of solidarity he suggested in his works.

Honourable senators, thank you for letting me pay homage to the great Canadian write that Hugh MacLennan was.

Hon. Jacques Hébert: Honourable senators, I simply want to say that I too knew Hugh MacLennan. Senator Chaput-Roland, I can assure you that had he been in this chamber the other day he would have voted against the GST, something which you did not do.

[*English*]

Some Hon. Senators: Shame!

Hon. Jerahmiel S. Grafstein: Honourable senators, I appreciated the comments of Senator Chaput-Rolland—

Senator Simard: What about the last comment of Senator Hébert?

Senator Grafstein: —about Mr. MacLennan. Perhaps because this is an oversight on the part of all of us, we should also note the untimely passing of Morley Callaghan, who was an equally great Canadian author. Is it not tragic that two such great authors have passed away at a time when we need their voices, minds and hearts to tell us what Canada is all about? So I share in the condolences to both those families. When we read their eloquent works, we are reminded how small we are and how great they are with respect to their visions of Canada.

Senator Barootes: Let us hear from Senator Hébert on how he second-guesses Morley Callaghan on this matter!

THE HONOURABLE J. MICHAEL FORRESTALL

PROPERTY QUALIFICATION FOR MEMBERSHIP IN SENATE—QUESTION OF PRIVILEGE

Hon. Stan Waters: Honourable senators, I rise on a question of privilege. I should like to relate it to the Orders of the Day, Order No. 8, dated October 26, 1990. The issue concerns the question of Senator Forrestall's property qualification, which, as of today's date, is an unproven accusation. I believe that it casts a shadow over the entire Senate and all of its members. How can the Senate ensure—and that is our responsibility—that justice be done unless it deals with this matter expeditiously? What is to be gained by delay?

In all fairness to Senator Forrestall—and I delayed raising this question of privilege until he was present in the chamber—this is a situation that demands a quick and fair resolution by all honourable senators. Candidly, I am a little disappointed that the issue has not been raised by Senator Forrestall himself, because the accusation is levelled at him. I would like to think that today we can reach a conclusion on how we are going to deal with this quickly and fairly, not only in the interests of Senator Forrestall, which is important, but in the interests of all of us in this chamber.

I close with my usual admonition: that the Senate must be reformed.

[*Translation*]

THE HONOURABLE CLAUDE CASTONGUAY—TRIBUTES ON OCCASION OF NOMINATION AS A "GRAND MONTRÉALAIS" OF THE YEAR

Hon. Paul David: Honourable senators, last Thursday, November 8, our colleague Senator Claude Castonguay was selected as one of the three Great Montrealers of the year. He has now become a member of l'*Académie des grands Montréalais*.

The first official reception goes back to 1978 when the Queen Elizabeth Hotel in Montreal which was then celebrating its 20th anniversary, decided to pay tribute to 20 Montreal men and women. Since then, every year, from one to three people are so honoured. I personally received that distinction back in 1981.

The *Académie des grands Montréalais* was created in 1984. It is made up of about 50 members who every year select three outstanding individuals from the cultural, social and economic areas.

For 1990 the winners are Mr. Denis Arcand, a film maker whose latest movies, "The Decline of the American Empire" and "Jesus of Montreal" attracted considerable attention, Sister Denise Lefebvre, from the Grey Nuns Community of Montreal, who founded and directed for 20 years the first university nursing school in the province of Quebec, and our colleague Honourable Claude Castonguay.

Our colleague was born in Quebec city. He attended Laval University and the University of Manitoba. From 1966 to 1970, he chaired the Commission on Health and Social Welfare. He implemented that reform in his capacity as Minister of Health and Social Welfare from 1970 to 1971, and it is especially during this period of his life that I had the pleasure to get to know him better.

Senator Hébert: Because he was a Liberal!

Senator David: No, not because he was a Liberal, but because he was Minister of Health and I was managing a hospital. Then he became President and Executive Director of "La Laurentienne" Life Insurance Company and chaired its board of directors until he was called to the Senate. At the time of his appointment, he was Chancellor of Montreal University. He has received many honorary degrees and awards including the Order of Canada as a Companion in 1974.

It is therefore with utmost pride and friendship that I beg Senator Castonguay to accept our most heartfelt congragulations and I urge him to share them with his wife and three children. Honourable senators, thank you very much.

[*English*]

STATUTE LAW IN RELATION TO WAR VETERANS

BILL TO AMEND—FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-87, to amend the statute law in relation to war veterans.

Bill read first time.

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

On motion of Senator Doody, with leave of the Senate and notwithstanding rule 44(1)(*f*), bill placed on the Orders of the Day for second reading at the next sitting of the Senate.

● (1410)

THE HONOURABLE J. MICHAEL FORRESTALL

PROPERTY QUALIFICATION FOR MEMBERSHIP IN SENATE—QUESTION OF PRIVILEGE

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I do not want to leave unacknowledged the question of privilege raised earlier by our colleague, Senator Waters. I appreciate the concerns he has expressed, not only as they relate to Senator Forrestall, but to seven other senators who have been named in the motion proposed by Senator Frith.

In the normal course of events, that motion could be placed on the order paper and we would debate that motion and, presumably, vote on it. For reasons that the honourable senators know as well as I, we have not, in the rather extraordinary circumstances under which we have been meeting lately, reached that point. It is always difficult to attempt to arrange the business of the house on the floor of the house, as it were. These matters are usually done in consultation between the house Leader of the Government, Senator Doody, and the house Leader of the Opposition, Senator Frith.

For my part, I would not require much notice to be ready to participate in the debate, and I understand that Senator Forrestall would also be ready to participate.

VOTING ON QUALIFICATION—MOTION TO EXCLUDE EIGHT SENATORS APPOINTED UNDER SECTION 26—DEBATE ADJOURNED

Hon. Royce Frith (Deputy Leader of the Opposition): Honourable senators, I agree that we should not leave Senator Waters' Question of Privilege dangling, as it were. A very important preliminary decision, which the Senate has to decide before proceeding to deal with the motion that is number eight on the order paper, referred to by Senator Waters, is the question of whether the senators whose qualifications are in question would be permitted to vote in their own cause, thereby acting as judge and jury in that cause. In order to assist the process mentioned by the Leader of the Government in the Senate—that is, to perhaps come to an arrangement as to a time when we might be able to debate this question—I will move under Rule 33 on this question of privilege. It provides that:

> When a matter or question directly concerning the privileges of the Senate, of any committee thereof, or of any senator, has arisen, . . .

As has been raised by Senator Waters, I continue:

> . . . a motion calling upon the Senate to take action thereon may be moved without notice and, until decided, shall, unless the debate be adjourned, suspend the consideration of other motions and of the Orders of the Day.

In order to have these two matters brought together—as I believe Senator Waters wishes, and, apparently, Senator Murray also wishes—I believe that we should first decide that Mr. Forrestall and the others appointed under section 26, for the reasons outlined in support of my earlier motion, not be permitted to vote on the question of their own qualifications.

I make that motion under rule 33. I propose that we not now get into a full debate about it, because it is a matter on which I am sure, all senators will want to reflect—including the eight senators more directly concerned, who may wish to reflect on whether they themselves feel it would be just for them to act as judge and jury and to vote on their own cause. Therefore, having made the motion, I propose the adjournment of the debate on the motion.

The Hon. the Speaker: It is agreed, honourable senators?

Hon. C. William Doody: Honourable senators, I should like to impose a caveat that I have proposed prior to this on points of privilege. It has been the custom of this house to present a point of privilege and then prove to His Honour's satisfaction that a *prima facie* case of privilege actually exists.

Hon. Gildas L. Molgat: No.

Some Hon. Senators: No, no.

Senator Doody: Senator Molgat, in his usual calm, reasoned and rational way, disagrees.

Senator Molgat: I do.

Senator Doody: There is a way of expressing that disagreement. Nothing will be accomplished by the mob howling. A precedent has been established in this place. His Honour has ruled on several occasions that a *prima facie* case has to be established before such a debate can take place.

I now present the same case for His Honour's consideration. That is the custom of this place, and that is the procedure that I feel we must follow.

Senator Frith: Honourable senators, I understand Senator Doody's caveat, as he calls it. We have a fundamental disagreement on this issue.

I should like to remind Senator Doody of an occasion when a point of privilege was raised. Senator Ottenheimer laid down the procedure that he thought applied—namely, the procedure to which Senator Doody has referred. The Speaker, after hearing what he considers to be enough evidence, decides whether a *prima facie* case has been made out. Senator Ottenheimer supported that position by reference to that tradition and proceeding in other houses.

I accepted that analysis, and the Leader of the Government pointed out that I had accepted it. I explained later that Senator Bonnell had pointed out to me rule 33, which is the rule that applies in the Senate. It clearly requires no resort to the proceedings of any other house. Rule 1 of the Rules of the Senate of Canada says that if we cannot find an answer in the Senate rules, then we go somewhere else, either to practices in the Senate or rules and practices elsewhere. However, there is no need to go to Rule 1, because there is a specific rule on the question—namely, rule 33—which is absolutely clear and unqualified.

I point out, honourable senators, that the most recent practice that this house has followed was last Friday when, on a question of privilege raised under Rule 33, there was a motion which was then voted upon. That is the most recent precedent in this place.

I understand that Senator Doody has raised this caveat because there is a fundamental difference of opinion on this subject. However, I wish my motion to stand. My motion is that under rule 33, on the question of the qualifications of Michael Forrestall and the other seven senators appointed pursuant ot section 26, those persons not be entitled to vote, because they would otherwise be acting as judge and jury in their own cause.

• (1420)

I am not asking that the motion be put now. I am asking that it be reflected upon and that we can debate it on another occasion.

I am not averse to having a decision made subject to who can vote. Something that we might examine and explore during debate is whether we can agree that it be settled by the independent senators. That is one possibility.

However, at the moment, in order to pull together the remarks of Senator Waters, my earlier motion, Senator Murray's remarks and Senator Doody's remarks, I make this motion under Rule 33 and move that debate on the motion be adjourned so that we can have an opportunity to consider it.

The Hon. the Speaker: May I have a written motion? Perhaps I can read it later on.

Senator Frith: Your Honour, I do not think I need a written motion under Rule 33. A motion can be put at any time. However, if we can adjourn the debate at this time, perhaps I can retrieve the wording of my motion from the blues and translate it into a piece of paper that can be laid on the Table.

The Hon. the Speaker: Honourable senators, is it agreed that debate on this motion be adjourned?

Hon. Senators: Agreed.

On motion of Senator Frith, debate adjourned.

[*Translation*]

GOODS AND SERVICES TAX

PRESENTATION OF PETITIONS ON BILL C-62

Hon. Jacques Hébert: Honourable senators, I have the honour to present a petition signed by 60 residents of St-Paul La Doré and St-Eugène La Doré, Quebec, who call upon the Senate to reject the goods and services tax bill.

Hon. Arthur Tremblay: When was it dated, Senator Hébert?

Senator Hébert: The petition is dated August 1990. I will read you the names of these petitioners.

(*Names of signatories read*)

Honourable senators, we now go to another region, and I have the honour to present a petition signed by 97 residents of Plessisville, Quebec, who call upon the Senate to reject the goods and services tax bill.

(*Names of signatories read*)

Honourable senators, I now have the honour to present a petition signed by 66 residents of St-Ambroise, Quebec, who call upon the Senate to reject the goods and services tax bill.

Senator Simard: Honourable senators, Senator Hébert's mail is late. You say that these residents are asking you to reject the GST. I suggest you stop these dilatory proceedings which are merely delaying the inevitable, and I am referring to the moment when we will be able to start debate on the main motion. Then you will have an opportunity, if you want to take that chance, to let all senators vote. If you have more votes on your side, you will defeat the motion. You will reject the bill as your petitioners asked you to do. I therefore suggest you stop your filibuster and at least give your petitioners a chance to see their wishes come true.

Since I am on my feet, honourable senators, I would like to table . . .

Senator Hébert: That's a bit much . . .

Senator Simard: Excuse me, but it will only take a minute. I know Senator Frith, like all Canadians, wants us to keep our promises. Yesterday, I promised to table a document related to the GST, a transcript of a Radio-Canada broadcast heard last Saturday, on November 10, and I am referring to the radio program *Les affaires et la vie*, when the executive director of the Fédération québécoise anti pauvreté said that he and his group were in favour of Bill C-62. I think that is self-explanatory.

Hon. Royce Frith (Deputy Leader of the Opposition): What date was this?

Senator Simard: I think it is self-explanatory.

Senator Frith: When did you make a reference to this statement?

Senator Simard: Yesterday, and since we on this side keep our promises, I wanted to take this opportunity to show you we intend to keep all our promises.

Copies have been made, and they are available behind the Speaker's chair. You will see that Mr. Tremblay . . .

Senator Hébert: Mr. Robert Tremblay is one individual. With all due respect he is only one individual. I have to talk on behalf of tens of thousands of people.

Senator Simard: You haven't been elected, but he has. For you people, it's important to be elected. He was elected and appointed president of the Fédération québécoise anti-pauvreté, a position which he held for several years. It's more than you will ever accomplish. You have never been elected.

Senator Frith: Can you check and see if the documents to which senator Robertson referred to yesterday were tabled today?

Senator Simard: I am not the runner for our side. Senator Hébert is for the senators opposite. I said I would table the documents, and I did. Senator Robertson will table hers in due course.

Senator Hébert: I get more mail than you do.

Senator Simard: Concerning the same subject which Senator Robertson dealt with, since I am being forced or urged to do so I should like to table a few statements made by the Prime Minister during the 1988 campaign.

Senator Hébert: Are we talking about promises made to Senator Chaput-Roland.

Senator Simard: If you would care to sit down, you seem to be curious, I will do that.

Senator Hébert: I had the floor.

Senator Simard: You asked me a question, but I cannot sit down and answer your question at the same time. I will table a few quotations from statements or interviews given by the Prime Minister on October 1, 1988, November 1, 1988, November 17, 1988, November 10, 1988, November 4, 1988, and November 3, 1988 to various media representatives. The Prime Minister was explaining that there would be a bill to do away with the unfairness of the existing sales tax legislation, and that this bill would replace the current law and repeal this regressive legislation which is killing jobs in Canada and harming Canadian manufacturers. In short, that is exactly what the GST will accomplish. Well, Senator Frith, are you satisfied?

POINT OF ORDER

Hon. Eymard G. Corbin: Honourable senators, I rise on a point of order.

[*English*]

Senator Simard: Are you happy, Senator Frith?

● (1440)

Senator Frith: I am always happy. Are these the documents to which Senator Robertson referred?

Hon. Jean-Maurice Simard: I have said, senator, that I am not responsible for Senator Robertson. She is old enough to assume her responsibilities. She will table them. I am not your postman. I do not work for the post office. I can only speak for myself, and I tabled the documents that I said I would table. She will table those documents in due course.

Hon. Royce Frith (Deputy Leader of the Opposition): Then, in answer to your question, I am not completely happy; but I am also quite glad that you are not my postman. I prefer the one I have.

Senator Simard: Keep him!

[*Translation*]

POINT OF ORDER

Hon. Eymard G. Corbin: Honourable senators, I rise on a point of order. What Senator Simard has done, is doing or is trying to do is totally contrary to our procedures. The Chair called for the reading of petitions, but the honorable Senator Simard is using petitions to introduce a substantive point. That is totally contrary to the practice, usages and conventions of this House. It is called bootlegging, and this is bootlegging of the worst sort because Senator Simard is trying to prevent Canadians from making themselves heard in this House by stopping Senator Hébert reading petitions, giving the names of the signatories and tabling the petitions.

That is the question before us at this point. It is one of the routine proceedings before the orders of the day. That is true in this House as well as in the other place and in the parliament of just about every Commonwealth country where the British parliamentary system was adopted, even partially.

Basically, Senator Simard is telling Canadians:"Shut up." By trying to prevent Senator Hébert from presenting these petitions, he is telling the people who want to avail themselves of their ancient right to petition: "We do not want to hear you. We do not care if you are for or against the GST." In fact, he is denying Canadians their right to petition. This is a very old right prescribed by statute in the *Bill of Rights* of England, which applies in Canada as part of our parliamentary traditions.

It is disturbing and appalling that, almost every time senator Hébert stands up to present a petition, Senator Simard does his best to interfere and prevent him from doing it.

This a an ancient and sacred right that commoners have in this country and I appeal to . . . No, I will not appeal to anyone since I will probably be wasting my time, but I want to say to Senator Simard that what he is doing is wrong. It is wrong because it is contrary to one of the most basic democratic rights that all citizens have in a free nation. I am asking Senator Simard to stop these tactics and to let honourable senators who wish to do so read their petitions and the names of their petitioners. This is in the best parliamentary tradition. Nothing in our rules prevents us from doing it. As a matter of fact, we have the duty to present these petitions.

Hon. Jean-Maurice Simard: Honourable senators, you are accusing me in your point of order of trying to hold up the routine proceeding of presenting petitions. I think that for a month now, it has been more than routine, it is becoming dull. I do not wish to prevent any Canadian from being heard. I was just trying to follow up on the promise I made yesterday of tabling the transcript of an interview relating to the GST given by Mr. Tremblay on the radio.

Hon. Jacques Hébert: This has nothing to do with petitions.

● (1450)

Senator Simard: It has everything to do with the GST. Here is a Canadian who was elected and confirmed as executive director of the Fédération québécoise anti-pauvreté. He has something to say. It may not be to the liking of Senator Hébert and Senator Corbin, but Mr. Robert Tremblay expressed the opinions of his group.

Hon. L. Norbert Thériault: You seem to know him well!

Senator Simard: No, I don't know him. I never met him.

Senator Thériault: You know him a lot better than the executive director of the Federation in New Brunswick.

Senator Simard: I simply ask that his interview be tabled in this Chamber. Senator Hébert, you may proceed. It is always a pleasure to listen to you.

Senator Corbin: On the point of order. Senator Hébert, I would like to refer to the serious error made by Senator Simard. I think that although he may have the right to mention the views of certain citizens with respect to what is going on in the Senate today, he should do so at the appropriate time. He should not rise to prevent Senator Hébert from continuing to read his petitions. It is not the right time to do what he wants to do, and that is the point I am trying to make.

Senator Hébert: Thank you, Senator Corbin. I do think Senator Corbin, if he doesn't mind my saying so, is a bit hard on Senator Simard.

Hon. Philippe Deane Gigantès: Not a nice thing to say.

Senator Hébert: Senator Corbin isn't listening. Senator Corbin, I think you are a bit hard on Senator Simard. Sometimes I try to put myself in Senator Simard's place. I say to myself: Here I am, defending the GST, a very poor cause. Canadians have let us know in every way possible, through petitions and polls, that they are opposed to the GST, and in spite of all that, I must defend it, come what may. And when, in some cases, our colleagues on the other side start having trouble with their consciences, like Mrs. Solange Chaput-Rolland the other day . . . When I put myself in their place, I am really glad to be on this side! Don't be too hard on Senator Simard who is defending a weak cause, with 85 per cent of Canadians against. I realize he must be most unhappy when I rise and tell him that 66 residents of St-Ambroise, Quebec, are asking the Senate to reject the GST bill. He sits there most of the time—of course he talks most of the time—but he sits there and hears, minute after minute, the names of real people who are against the GST and who took the trouble to sign a petition and send it to me with the request to read it here in the Senate, well, Senator Corbin, put yourself in Senator Simard's place. It can't be much fun for him, day after day.

Senator Corbin: Senator Hébert, my problem with Senator Simard is that I have known him for 22 years.

Senator Hébert: In that case . . . !

Senator Simard: Follow the advice of Senator Corbin, Senator Hébert, and go on reading your petitions.

(*Names of signatories read*)

PRESENTATION OF PETITIONS ON BILL C-62

Hon. Jacques Hébert: To continue:

I understand Senator Simard; it is certainly not funny to hear all this.

Senator Simard: Leave me alone, please, Senator Hébert!

Senator Hébert: It would be my pleasure, Senator.

(*Names of signatories read*)

And now, I have the honour to present a petition signed by 90 citizens from the St. Charles de Bourget's region, Quebec, that are asking the Senate to reject the proposed goods and services tax.

(*Names of signatories read*)

Of course, I have 54,000 other names, but if one of my colleagues wants to take over... they all look a little absent-minded!

Hon. Norbert L. Thériault: If I may, Senator Hébert.

Senator Hébert: Go ahead, Senator Thériault.

Senator Simard: You have had enough, Senator Hébert?

Senator Hébert: No, not at all, Senator Simard, I am just generous. I want to allow all regions to express themselves, not only the ones from Quebec.

● (1500)

[*English*]

Senator Thériault: Honourable senators, I have a petition that I am anxious to present and place on the record of this house because it was handed to me and not sent by post. At a gathering I attended, I promised the people who signed the petition that I would place their names on the record of the Senate.

[*Translation*]

I should say, in French, that I did not have time to read carefully the document that Senator Simard sent us.

I ask my colleagues, above all my serious colleagues from Quebec, to read this interview again and to realize by themselves if it has much worth considering the kind of language used by that individual and which did such an impression on Senator Simard. As far as I am concerned, he is welcome to receive his support.

As it has often been said, I can easily understand that Senator Simard has to turn his ears toward Quebec. Polls show, I believe, that 26 per cent of Quebecers support the GST. It is the region in Canada where it gets the highest support. The same goes for the Prime Minister and the Conservative party—26 per cent. I don't blame them for taking advantage of every possible opportunity to prove that someone in Canada supports them.

Seriously, I ask for the second time my French colleagues from Quebec to read this interview again and to judge its worth by themselves.

● (1510)

[*English*]

As I said, I promised that I would read the names of the people on these petitions, because they are representative of the whole Miramichi area, the area from where I come, and is the riding that I represented in the legislature for 20 years.

Senator Frith: It has perhaps the best salmon fishing in Canada.

Senator Thériault: The best salmon river fishing.

Senator Frith: I said "perhaps" because of Newfoundland.

Senator Thériault: It is the best. It is not as good as it used to be, but some day, when they clean up the pollution mess that is occuring in the river at the moment, due especially to the mill in Newcastle, perhaps it will again become by far the best salmon river in the world.

Senator Frith: That saves me. It used to be the best.

Senator Thériault: I will read the names of the petitioners.

(*Names of signatories read*)

There is the name Richard McAllister on this petition. I think that at one time he was a Tory candidate, if I remember correctly.

Senator Frith: Hesaw the light.

Senator Thériault: Another name is Marianne Haché. She was a hospital administrator in Chatham for a long time.

(*Names of signatories read*)

I think I will have to skip the next one because it is so well written that I—

Senator Doody: No, no, say it is not so.

Senator Thériault: Alphonse Way, Newcastle, New Brunswick. By the way, this man, Alphonse Way, is a paraplegic in a wheelchair, and he insisted on having his name placed on this petition.

(*Names of signatories read*)

As I said earlier, that is the promise I made; and now I have fulfilled that promise, as Senator Simard has said, about the Prime Minister. I want to tell you that there is a petition coming that I am sure Senator Simard and Senator Robertson will be anxious to see, because they are forever quoting Premier McKenna. On the last day of their sitting last week, the New Brunswick legislature passed unanimously a resolution praying that the Prime Minister and the Leader of the Government in the Senate stop their bulldozing tactics in trying to impose the GST on the people of New Brunswick.

Honourable senators, like many other senators, I have a large number of letters which I have received over the past weeks and months. I have found that impressive because, as honourable senators will know, I have, like a number of other senators in this chamber, been around for a while. For a number of years, I was part of the government or the Opposition in New Brunswick, and from time to time I am sure there were unpopular measures passed by the legislature. However, never in my life, at the local, provincial or federal level, have I had so many people write to me personally, asking me, as a senator, to do what I can to try to prevent this terrible tax from being imposed on the people of Canada.

Senator Frith: Hear, hear! Absolutely right!

Senator Thériault: Honourable senators, it is incredible. Never before, as the Prime Minister travels this country, as he is doing now—and he has been in office for six years—have people tried so hard to give him a message. One would have thought that someone in this place, or in the other place, would have had enough common sense to admit that there are sections of this legislation that will hurt people very badly.

• (1520)

I know that my colleague from New Brunswick, Senator Robertson, is determined about the work she is doing in trying to help with the illiteracy problem that we have in this country and, in particular, in my province. But she then turns around and votes on a tax on books.

Senator Perrault: Shame!

Senator Thériault: This was an amendment that was made in good faith and honesty by the Opposition. It is an amendment that the Prime Minister himself states he should like to favour. But, no, the government does not want to admit that the tax is wrong. If it does not want to admit that the whole tax is wrong, then surely someone must have enough common sense to admit that there are things included in the bill that should be taken out.

Senator Perrault: Hear, hear!

Senator Thériault: The exemption that we asked for on reading material would amount to peanuts in dollars.

I watched the interview that was mentioned here yesterday with Yves Seguin, the former minister in Mr. Bourassa's government. He stated that he was prepared to bet money that this tax would bring in $30 billion in the first year. Sentors on this side of the chamber, have received numerous requests from different levels of society regarding the taxing of reading material—and the Prime Minister has said that he does not feel good about it; yet the government is still too stubborn to admit that it can accept the amendment.

Yesterday in this house we heard from my colleague in New Brunswick, Senator Robertson, about the MacEachen budget. I do not remember in what year it occurred, but it was presented in good faith by the government of the day, and by Mr. MacEachen, who was then the Minister of Finance. When people got hold of it, however, they started to raise objections to it. As any government should, when the mass of people whom you are elected to govern are dissatisfied with your policy, changes were made to that budget.

What is wrong with a Prime Minister, or a government made up of men and women who are human beings, admitting that sometimes they can be wrong? In this case we have a government led by a person who for the first four years in government would not move unless the polls told him what he should do. He then lost some credibility because he would not do anything unless he was in agreement with the polls. This time, he turns it around—he will show them how tough he is. But he is wrong on both counts.

Senator Perrault: Hear, hear!

[Senator Frith.]

Senator Thériault: He was wrong in the first term by doing nothing, and he is wrong in this term by being so stubborn that he has 80 per cent of the population against him. He is imposing a tax at the outset of a recession, if not a depression, that will hurt the economy across this country.

Senator Perrault: There will be no amendments to this, either!

Senator Thériault: He will also not accept one single amendment, even if it costs only a few million dollars out of a tax revenue that will amount to $30 billion.

Senator Lucier: It is a seamless web!

Senator Thériault: I said this before—and I will repeat it, because I mean it—this country is in terrible shape. People have lost faith in their government; they have lost faith in politicians; and they are cynical of every measure that has been taken, especially at the national level. The country is on the verge of breaking up. At the same time, we have a government that is so determined that it is right and cannot be wrong, and that the people are wrong, that it will not listen to anyone.

Senator Haidasz: It is inflexible!

Senator Thériault: So, honourable senators, I again tell my colleagues across the way that you are the ones who used to accuse the Liberal Party—and perhaps with some justification at one time—of governing with divine right. They were wrong if they ever thought that. In the 30 or 40 years that the Liberals were in government, they never showed the kind of arrogance that this government has. According to some people, Prime Minister Trudeau was the most arrogant person that ever lived in this country. But he never showed the kind of arrogance, stubbornness and carelessness that is being displayed by the government and the Prime Minister today.

Senator Haidasz: You mean stupidity!

Senator Thériault: The government of the day said it wanted to reduce the deficit. According to the government, we have just gone through six of the best years of economic growth that we have seen for a long time; but the government did not take advantage of that economic boom by tremendously increasing the revenues to reduce the deficit, as it should have done and as it said it would do.

What do we hear now? We hear from enator Castonguay, and others in this place, that we are paying because of the mistakes made by the Liberal government six years ago.

Senator Perrault: They are living in the past!

Senator Thériault: Yes. In Ontario there was a change of government just two months ago. I do not hear Premier Rae crying and blaming the former government. Premier Rae, who was the leader of the provincial opposition party, knew what the situation was and asked to be elected premier. The people elected him premier and he has to face the responsibilities inherent in that position.

We had a change of government in my province in 1987. We had a terrible increase in the deficit in the province during the

17 years that the Tories governed, but the Leader of the Liberal Party knew about it. He was a member of the legislature and knew what the finances of the province were. He asked the people of New Brunswick to elect him, and they did. I have never heard Premier McKenna blame the former government. He is the premier, and he has to accept the responsibility. When will you people on the other side accept the fact that you are the government and you have to accept the responsibility for your actions?

If you want to try to make cheap politics out of it, fine; but everyone knows that in 1984, when the Conservative government was elected, we had just gone through one of the worst recessions in the western world since the Great Depression.

● (1530)

But we turned the corner in 1984. In fact, the state of the economy of Canada in 1984 was one of the best we ever had. Six months of that period were under the Liberals and six months were under the Conservatives. Those are the facts. Since then there has been an increase in the growth of the economy, but the deficit has also increased. One of the reasons for this is that the government did not cause a reduction in the unemployment rate. From 1945 to 1984 we had in Canada an unemployment rate of 4 per cent, and the government's economic policies were based on those facts. Now, at the beginning of another recession, we have an unemployment rate of almost 9 per cent. What is going to happen to the country during this recession? Gradually the government has eroded the social safety net that protected the poorer people during a depression.

The other day, Senator Castonguay asked me if I had ever been part of a government that had to budget not according to need but to means.

[*Translation*]

Honourable senators, I can tell Senator Castonguay that the Research Branch of the Library of Parliament has done some research for me, and it shows that during the three years that Senator Castonguay was a minister in the Quebec Government, the growth in the deficit and the public debt was twice as much as that of Canada. During the years you were in government, deficit and debt in the province of Quebec grew twice as fast as deficit and debt in Canada.

After six years of economic boom, you are financially hard-pressed and not in situation where you can care for the poor, the very people who need protection during a recession. You just removed $4 billions from the unemployment insurance fund. In some parts of the province of New Brunswick, people who must rely on unemployment insurance have seen their benefits shrink by half. Today, you are saying that you have no choice, that you must introduce a tax, the GST.

Last week, the Governement of New Brunswick announced an increase in the cost of production of electricity, and also that this increase would have to be passed onto consumers in 1991. There will be three different increases totalling more than 12 per cent. If you add to that the 7 per cent GST, the cost of heating in New Brunswick will go up 20 per cent in 1991.

That is why we introduced an amendment dealing with home heating. I don't know what the situation is elsewhere, but in my province it is the poorest who have to pay the most for their heating. True, rich people have bigger houses, but they are better insulated. Very often, poor people live in the coldest houses, and they pay twice as much to heat them. This is a direct attack on the poorest Canadians.

Once more, I ask you, honourable senators, to reconsider your position and to recognize that if the financial situation of the country is such that this legislation cannot be dropped, at least you should show some compassion and you should have the courage to accept amendments which will not cost very much, but will be very helpful to the very poor. Someone else could go on reading petitions.

[*English*]

Hon D. G. Steuart: Thank you, honourable senators. I enjoyed the petitions that you read, Senator Thériault.

Senator Perrault: Hear, hear!

Senator Steuart: I would like to read some petitions from Saskatchewan regarding the proposed goods and services tax. The petitioners of this document humbly pray the honourable Senate to prevail on the government of Canada to stop the introduction of the proposed goods and services tax.

Hon. M. Lorne Bonnell: Where did the name "Saskatchewan" come from?

Senator Steuart: Saskatchewan is an Indian name meaning "meeting place by the river."

Senator Marchand: Who met by the river?

Senator Steuart: The Indians. Then we chased them up north and took over the land. The first name on the petition is Robert Hey from Strasbourg, Saskatchewan. This is a German settlement that has many hardworking people. I presume Robert Hey is speaking for many others on this petition from Strasbourg.

Senator Bonnell: Were there many German settlers in Saskatchewan?

Senator Steuart: The ethnic German population is the second largest ethnic population in Saskatchewan. They are a large and important part of our population. The next name I have is Lynette Boos, Box 148, Bethune. I am not sure if that town was named after the great Dr. Bethune, who was such a hero to the Chinese people, but I think it was.

Senator Bonnell: Are there many Chinese in that area?

Senator Steuart: One. I think he had a café and then he left.

(*Names of signatories read*)

I have a name from Ottawa Street, Regina, which is in an area that is comprised of low income, hardworking families who are going to be badly hurt by the GST because most of them have an income just above the amount required to get any money back. So they will be hurt, as they usually are,

worse than anyone else in society. The next name on the petition is Alice Hisson, Box 44, Palmer, Saskatchewan.

Senator Bonnell: Where is that?

Senator Steuart: I wish you had not asked, because I do not know. I have been in almost every small town in Saskatchewan, but I missed Palmer. I must have blinked my eyes as I was going down the road.

(*Names of signatories read*)

● (1540)

These names are from another area of Regina where the working people live. This is another indication of how strongly they feel about this, that they would go to the trouble, honourable senators, to sign a petition and send it to Ottawa. They are petitioning the government not to proceed with the goods and services tax. But, as Senator Thériault said so ably, unfortunately the government is not paying attention. I suppose it has no intention of stopping this tax.

The only answer to that, of course, is to defeat the government and bring in Jean Chrétien, who will take the tax off and replace it with a fairer, more equitable tax. That was just an aside.

(*Names of signatories read*)

This petition shows that not all of the well-off people are in favour of this tax. Most of them are against it.

(*Names of signatories read*)

That was at one time a prosperous farming community, but now it is just another farming community, unfortunately. It is not very prosperous.

Senator Bonnell: The same holds true for all of Canada now.

Senator Steuart: That is right, from coast to coast. Just think, free trade saved us, but I don't know from what. The government would not stop and listen to us then, either.

Senator Bonnell: It will stop and listen to us this time.

Senator Steuart: I would hope so.

(*Names of signatories read*)

Turning to the next page of the petition, it again states that the undersigned humbly pray and call upon the Senate to prevail upon the Government of Canada to stop the introduction of the proposed goods and services tax.

(*Names of signatories read*)

Senator Doody: Do you think you will finish reading that page by January?

Senator Steuart: This page? With any luck, yes. You may have to stop me at 5:45 this afternoon, although if you would like me to carry on for two or three days, to enable me to get all of these petitions read, I will do so. If we could get a house order to that effect, that would be true democracy. Honourable senators, I shall continue.

[Senator Steuart.]

(*Names of signatories read*)

● (1550)

Honourable senators, I have another petition on the subject of the proposed goods and services tax. The petition reads:

> The undersigned, your petitioners, humbly pray and call upon the Senate to prevail on the Government of Canada to stop the introduction of the proposed Goods and Services Tax.

(*Names of signatories read*)

I have a document here from Senator Simard that I might read. Will you send us an English copy?

Senator Simard: No, but I have something to add and I will send it over right now. It is from a French newspaper.

Senator Steuart: I hope you send us the English version. I will now continue reading the petitions.

(*Names of signatories read*)

● (1600)

Riceton is a very small town. It does matter whether people are from small towns or large cities, they are against the GST.

I would now like to read another petition on the subject of the proposed goods and services tax. These undersigned petitioners humbly pray and call upon the Senate to prevail upon the Government of Canada to stop the introduction of the proposed goods and services tax.

(*Names of signatories read*]

The next name on the petition is from Kamsack, Saskatchewan. Many Russian people settled in Kamsack in the early part of the century. Many of them were Doukhobors. I believe some Doukhobors went to B.C.

Senator Simard: Are you reading petitions or making a presentation.

Senator Steuart: I am attempting to explain the background of some of these people so that you will understand how widespread the fear and anger is about the GST. We want you to soften your heart and vote with us. Am I making any headway?

Senator Simard: This morning's poll indicates that Mr. Chrétien has lost 33 points in Ontario.

Senator Steuart: Let us know when he is as low as you are and we will change our tactics.

Senator Simard: Mr. Chrétien has not made one single decision in three months, and he has lost 33 points in Ontario.

Senator Steuart: He made a decision that when he is Prime Minister he will eliminate this tax. Did you not see that decision? You have your head in the sand. You are not sure what is going on. Mr. Chrétien will become Prime Minister when Mr. Mulroney gets the nerve to call an election.

Senator Simard: That is his last-stated position.

Senator Steuart: That was only a week ago. He will be ready to take another position next week. I would hate to be in

Mr. Mulroney's position. Some of his positions have been quite peculiar.

I am glad you are beginning to see the light. Unfortunately for the Tories, the light at the end of the tunnel is a freight train.

(*Names of signatories read*)

• (1610)

I have never heard of half these places. I must drive around one of these days. Stan, you are not much of a writer; I will tell you that. Stan Obsowich—I must telephone him when I get to Regina.

(*Names of signatories read*)

That is interesting? The Cramers—I think they became big Tories. I do not know if they are any relation; I hope they are. It will show a softening of their attitude toward the ordinary people. E. Austin, Sanderson Crescent, Regina, may be related to Senator Jack Austin; I do not know.

(*Names of signatories read*)

Is the honourable senator ready to read some petitions?

Hon. Joan Neiman: I am.

Senator Steuart: You are just dying to read some petitions? Perhaps I should yield to the senator from South Dakota or South Regina. Do honourable senators wish me to continue reading?

Some Hon. Senators: No!

Senator Simard: Did you say "South Dakota or South Regina?"

Senator Neiman: Thank you, Senator Steuart. Honourable senators, I want to start off Presentation of Petitions by presenting a number of petitions—289 in all—from the Ottawa-Kanata-Nepean area. This one is a very particular and rather elegant kind of petition. I hope that these people, whose names I will read to you—and even those that I do not read, because I do not think I have the time to read them all—will understand that we tried our best, but given the events of last week, we were not successful. However, I should read their petition, which says:

> The petition of the undersigned residents of Canada who now avail themselves of their ancient and undoubted right thus to present a grievance common to your Petitioners in the certain assurance that your honourable House will therefor provide a remedy.

HUMBLY SHEWETH

> WHEREAS the Government of Canada has seen fit, since Confederation and without hiatus, to apply a zero rate of tax to magazines, books and newspapers, and now proposes to include them in GST;
>
> WHEREAS uninhibited dissemination of the printed word as a cornerstone of democracy, culture, education and a literate and productive society will be negatively affected by GST application.
>
> WHEREFORE the undersigned, your petitioners, humbly pray and call upon the Senate of Canada to reaffirm the historic principles embodied in tax free status for the printed word by proposing amendment to Bill C-62 to include retention of the zero rate AND as in duty bound your Petitioners will ever pray.

As I say, it is a pity that we have not been able to accommodate them, but, as you know, we on this side, and some of our friends among the independent senators, did their best to support this petition. These names, as I say, are all from the Ottawa area, and I shall give honourable senators just a sampling of the 289. Where indicated or where not indicated, they will be from the city of Ottawa proper.

(*Names of signatories read*)

Hon. Jean-Maurice Simard: That is a mixed bag.

Senator Neiman: Indeed, it is.

(*Names of signatories read*)

Senator Simard: How many millions have we spent on this nonsense?

Senator Neiman: Oh, we could spend a great deal longer on it, senator, than we are. I am just giving you a sample of the names we have here.

Senator Simard: May I remind you and your colleagues that according to the latest estimate we are now approaching $3 million in additional expenditure because of this filibuster.

Hon. Royce Frith (Deputy Leader of the Opposition): Latest estimate?

Senator Simard: The figures are not all in yet, so please be brief and save taxpayers some money.

Senator Frith: What were the earlier estimates? The figures are not all in yet.

Senator Neiman: It is very difficult to be brief with the volume of petitions we have here.

Senator Simard: As long as you realize the impact on the taxpayers.

Senator Neiman: Senator Simard, I am a little concerned about your estimate of estimates. I believe that previously they have been somewhat wrong.

Senator Frith: Did any of the petitioners ask us to be brief?

Senator Simard: The figures are not all in yet, according to the staff.

Senator Neiman: I really believe that each one of these petitioners would like me to read his or her name into the record, but I will spare you that.

Some Hon. Senators: Continue; read on, read on.

Senator Simard: I think you have not realized—maybe you have—what you just said. It is not entered in the record. The names are not entered in the record.

Senator Neiman: But we want them to know each name.

Senator Simard: They are mentioned here, but unless you grab them like this, they will never be recorded in the record.

Senator Frith: What they want is for you to listen. You are listening, and that is worth it.

Senator Neiman: Yes.

• (1620)

Hon. Philippe Deane Gigantès: Would Senator Neiman allow me a question?

Senator Neiman: Yes.

Senator Gigantès: Would Senator Simard not save the taxpayers some money by not repeating his objection over and over again—an objection that has to be printed, whereas the names do not have to be printed.

Senator Neiman: That is an excellent observation, Senator Gigantès. He would save time, too, so that I could read a few more names instead.

(*Names of signatories read*)

I should remind honourable senators that each one of these petitions is a petition to ask us to change those portions of the GST that would place a tax on reading material for the first time in our history. Unfortunately, you did not listen. For that reason I must subject you to a few more names, so that you will understand the depth and breadth of your omissions and commissions.

(*Names of signatories read*)

Those are the names of 289 disappointed citizens of our country living right around you and watching how you are continuing to refuse even the most reasonable and most necessary amendments to this bill.

I am back in the Lake District with this group of 348 names in all, mostly from Keswick, north of Toronto on Lake Simcoe, and also from Peterborough and Aurora.

(*Names of signatories read*)

• (1630)

I have another 27 names from the Peterborough and Lakefield areas.

(*Names of signatories read*)

I have another 27 names, almost all from the Lakefield and Peterborough area. I have a name from Warwick, Bermuda, but I will not bother with it, because I do not think he or she really qualifies.

(*Names of signatories read*)

I have a couple of names from Madawaska.

Senator Corbin: Madawaska, Ontario or Madawaska, New Brunswick?

Senator Neiman: This is Madawaska, Ontario, which, as I recall, is in the same area of Peterborough and Lakefield.

Senator Corbin: Madawaska is up the valley. There is a Madawaska River that feeds into the Ottawa River. So it is north of the area you mentioned. A number of members of the House of Commons have cottages in that area. That is probably where they are this week.

[Senator Neiman.]

Senator Neiman: I would think so. I have 27 names from a variety of places on my next petition.

(*Names of signatories read*)

I have another 26 names on my next petition.

(*Names of signatories read*)

I have another 26 names on my next petition from the Peterborough area.

(*Names of signatories read*)

I have another 26 names almost all from the Keswick area.

(*Names of signatories read*)

Finally, I have a petition from another part of the country that I know well from my youth. It is northwestern Ontario. That area is beautiful lake country.

(*Names of signatories read*)

What else can I offer you?

Senator Phillips: Peace and quiet.

Senator Neiman: I have approximately 125 more names, but I will not read them all to you. They appear to be from the Peterborough area.

(*Names of signatories read*)

• (1640)

Here are another 27 petitioners from the area around Peterborough.

(*Names of signatories read*)

Here are 27 more petitioners, all from the Lakefield, Madawaska and Peterborough area.

I have another 26 signatures here. The list is quite endless. These are names, for the most part, from the Toronto area.

(*Names of signatories read*)

Honourable senators, I have 81 petitions from the Hamilton area and all of the little villages around there.

(*Names of signatories read*)

As I say, honourable senators, I have 81 petitions from this general area, all signed by people asking us to defeat the GST, or to do what we can to stop it.

QUESTION PERIOD

NATIONAL REVENUE

JUSTIFICATION OF DEPARTMENTAL EXPENDITURES—REQUEST FOR INFORMATION

Hon. Raymond J. Perrault: Honourable senators, I have received a communication from an employee of the Department of National Revenue on the west coast. It was sent to me here in Ottawa. I have been asked to raise this question in the Senate. It reads thus:

On Nov. 5, 6 & 7, 1990, 75 employees of the Vancouver District Office of Revenue Canada-Taxation will be going to the Delta Mountain Inn, Whistler, B.C. for a seminar.

We have on our premises at 1166 W. Pender St., 4 training rooms on the 16th floor that would be more than adequate. The cost of this outing is unknown to me but 75 people × 2 nights accommodation + 3 meals a day + 2 coffee breaks a day + round trip on a bus & conference room for 3 days is not small potatoes.

As a taxpayer I am outraged at this waste of taxpayers' money, yours & mine.

The waste that takes place in this office alone is unbelievable. For instance such as new desks exactly the same as the old ones except for oak tops instead of mahogany. And they're exactly the same desks. Elaborate work stations that sit empty. To make for more wasteful spending, every employee is to receive 4 hours paid leisure time to pursue an activity, be it sailing, golf, picnic or whatever. 800 employees × 4 hours × $20.00 an hour (average) ₨ $64,000.00 wasted dollars. 3200 wasted hours. (You wonder why you can't get through on the phone?)

Who the hell is making these decisions? How much salary is he making?

Someone has to account for these decisions. It must stop! The public must be told what is going on.

"IT MUST STOP"

Is this happening in every federal government Office?

Honourable senators, I do not expect the Leader of the Government to have a reply to this, but it is a situation that warrants someone looking into as to whether or not there has been a waste of taxpayers' dollars at that office. I am not making a political accusation, but could the Leader of the Government pass this information along to his cabinet colleague to see whether the facts can be ascertained?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Yes, honourable senators, I shall be glad to do so. If Mr. Jelinek wishes to comment, I will be pleased to bring his comments to the attention of the Senate.

Senator Frith: In their usual colourful form?

Senator Murray: Having said that, honourable senators, I think I should point out that the present government has kept the increase in operating expenses of the government to an average of about 3.6 per cent per year over the past few years, which is lower than the rate of inflation. However, there is always room for improvement. I appreciate the constructive spirit in which this employee has got in touch with Senator Perrault.

PERSIAN GULF

POSSIBLE DEPLOYMENT OF GROUND FORCES—OPPORTUNITY FOR PARLIAMENTARY DEBATE—GOVERNMENT POSITION

Hon. M. Lorne Bonnell: Honourable senators, I read in the press that the Minister of External Affairs, the Honourable Joseph Clark, speaking with Secretary Baker from the United States, discussed interviews he has had with other foreign leaders. I wonder whether we can be brought up to date on the situation with regard to Canada. Can the minister tell us what Mr. Clark found out respecting the situation in the Middle East? Can he assure us that ground troops will not be sent to the Middle East until Parliament has had an opportunity to discuss and debate the matter?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I understand that Secretary Baker and Mr. Clark were meeting today in Bermuda. I have not had an opportunity to speak to Mr. Clark or to obtain a report on this matter. I shall endeavour to do so at the earliest possible opportunity and will present the report here.

Senator Bonnell: Can the government leader assure the house that if Mr. Baker asks Mr. Clark, or if President Bush asks Prime Minister Mulroney, to send ground troops to Saudi Arabia, Iraq or Kuwait, that it will not happen without an opportunity for debate on the matter in both houses of Parliament?

Senator Murray: Honourable senators, I should remind the honourable senator that the dispatch of ships and CF-18s to that area was in support of United Nations Security Council resolutions. It has been the subject of an order in council, and of a debate and a motion which has passed the House of Commons.

As far as any dispatch of ground troops is concerned, that is quite a hypothetical question. Certainly the government has undertaken that if hostilities break out there would be another resolution brought to Parliament.

Senator Bonnell: Honourable senators, I have a supplementary question. It is all right to talk about hypothetical questions and to say that a resolution was passed in the other place, but I am talking about Parliament. Will there be an opportunity to discuss this matter in Parliament? Will a debate take place in both houses?

Senator Murray: To what matter are you referring?

Senator Bonnell: I am referring to the matter of sending ground troops to Saudi Arabia, Kuwait or Iraq—to the Gulf. I am talking about their being deployed or sent into battle. Before Canada should declare war, or take part in a war, can we not have the assurance of the government leader that there will be an opportunity for a full debate before Parliament—not the House of Commons, but Parliament?

Senator Murray: The honourable senator has now raised not one but three hypothetical questions.

Senator Bonnell: Well, answer the three of them.

Senator Murray: No minister can answer hypothetical questions.

Senator Perrault: They give hypothetical answers!

• (1650)

Senator Murray: The first question concerned the dispatch of ground troops, which, if it came to that, I believe would be authorized under the terms of the present resolution of the Order in Council and the resolution which passed the House of Commons. The second and third questions concerned a possible declaration of war. I can assure the honourable senators that Parliament would have to be consulted on that.

RECOGNITION OF SENATORS BY CHAIR

POINT OF ORDER

Hon. Eymard Corbin: Honourable Senators, I rise on a point of order. I notice that the Chair is now recognizing people who stand. The standard practice in this house is for members to rise and not wait for the Chair to recognize them, because members do not address the Chair, they address each other across the chamber. I think this practice is, on the part of the Chair—l'on dit "inconvenant", for lack of a better word in English—and we on this side are in a position to accommodate our colleagues. I do not think we need an arbitrator to tell us who will be next to ask questions or, for that matter, to make a speech.

I have the greatest respect for the present occupant of the Chair. However, my friend is now acting as a Speaker and I do not think that the Speaker should take upon himself to decide which of us will put a question. Our system has worked very well in the past and I think it will work equally well in the future.

In other words, we can accommodate each other and police ourselves. I notice that this trend of recognizing people who wish to put questions has been developing during the last week or ten days. I, for one, object to this practice. I hope we will return to our standard practice of rising whenever we wish, of yielding to our colleagues who may be rising at the same time, and work it out on a friendly basis without expecting or asking the Chair to intervene. That is my point of order.

The Hon. the Acting Speaker: May I suggest to Senator Corbin—

Senator Corbin: I did not ask the Chair for a ruling. Honourable colleagues, I cannot see at this point that the Chair must intervene on my point of order. I have not asked the Chair to intervene.

Senator Perrault: Honourable senators, if my colleague wishes to answer the question, I would be most pleased to yield my position to him.

Hon. Orville H. Phillips: On the point of order raised by Senator Corbin, I would point out that the Chair is the presiding officer. I believe the normal practice is that when two or more senators have risen, the Chair recognizes the senator to be heard. I trust that has not caused anyone to lose his right to ask a question. Perhaps the Honourable Senator Corbin is ashamed to have those names called out. That I can understand.

Senator Corbin: May I say, in reply, that Rule 26 is quite clear. It says:

> When two or more senators rise to speak . . .

Presumably there would be a difference of opinion between the two senators as to who rose first. However, the rule says "When two or more senators rise to speak." It does not say "to put a question." The rule continues.

> . . . the Speaker shall call upon the senator who in the Speaker's opinion first rose; but a motion may be made that any senator who has risen "be now heard" or "do now speak".

The convention in the Senate has always been that the rule be put aside, until very recently. A convention has been developed whereby we police ourselves. Are we now to have the Chair police us? I do not think that is acceptable at all.

Senator Perrault: I will yield my position to anyone who wishes to ask a question, but I do have a supplementary with respect to the Iraqi situation.

Hon. Anne C. Cools: Honourable senators, I believe that when Senator Phillips responded to the point of order, he may have misunderstood. The words Senator Phillips used were, that the Speaker should recognize senators to be heard. I believe that the Speaker's recognizing has a different interpretation from that of the actual written word of the rule. The Speaker cannot decide who will speak, which is what "recognizing a senator" means. Thank you.

PERSIAN GULF

CANADIAN HOSTAGES IN IRAQ—PROPOSAL TO SEND PARLIAMENTARY NEGOTIATORS—GOVERNMENT POSITION

Hon. Raymond Perrault: I have a question with respect to the Middle-East situation. The Secretary of State for External Affairs, Mr. Clark, war referring to the visit of the three M.P.'s. whether or not they have yet departed, I do not know. There was some delay this morning, and perhaps the Leader of the Government has some further information. Mr. Clark is reported to have said:

> Such a trip would provide propaganda fodder for Iraqi President Saddam Hussein.

Is there a suggestion that Edward Heath, Willy Brandt, and the former Japanese Prime Minister, Yasuhiro Nakasone, were merely involved in providing propaganda fodder for Iraqi President Saddam Hussein?

The second question I wish to ask is this: Kuwait has never been known as being a model of democracy; indeed, allegations have been made that the Opposition have either been done away with or put in jail.

As part of our negotiations with other nations in an attempt to bring to heel a person such as Saddam Hussein, who is reported to have violated human rights on a very large scale,

have there been any discussions about post-war Kuwait, and whether or not it is to be a democratic nation; whether the certain members of the Official Opposition of the government of that country, if indeed they are in jail, will be released; and whether we will see some attempt by the intervening nations—including Canada—to make certain that the human rights of Kuwaitis will be protected in a post-crisis Kuwait?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): With regard to the second part of the question, Canada, in company with almost every country in the world, believes that there is an even more fundamental principle at stake here, which is the right of Kuwait to have its borders remain inviolate.

In other words, Canada, in company with most other countries in the world, condemns the Iraqi invasion and purported annexation of Kuwait, and demands the unconditional withdrawal of Iraq from Kuwait. As to the particular form of government that Kuwait had, or may have, that is another question altogether.

With regard to the first part of the question asked by the honourable senator, I would appreciate it if he would put on the Table or read the quotation which he attributes to Mr. Clark.

• (1700)

I am familiar with those words. I do not believe they were used to describe the unofficial visit to Iraq by Messrs. Axworthy, Robinson and Corbett.

Senator Perrault: The text is from the *Toronto Star* on November 13. The quote is:

> External Affairs Minister Joe Clark says such a trip would provide propaganda fodder for Iraqi president Saddam Hussein. And it could undermine the tough no-negotiations stance of the American-led coalition in the Persian Gulf.

Senator Murray: If my friend will read the entire article, the reference is to an official delegation from Canada. Canada has declined to send such a delegation, as have most of the other countries that my friend has mentioned. When Mr. Willy Brandt of Germany, Mr. Edward Heath of England, and former Japanese Prime Minister Nakasone went to the Gulf area, they were travelling on a personal and unofficial basis and not as official representatives of their countries.

Senator Perrault: I hope the Leader of the Government is not suggesting that Mr. Heath's journey to Iraq had the full and enthusiastic endorsation of Mrs. Thatcher. It did not, of course.

Senator Murray: It did not. That is what I am saying.

Senator Perrault: Our mission overseas is in that same category; it isto be unofficial.

Senator Murray: Yes.

Senator Perrault: Mr. Clark is quoted as saying that the trip would provide propaganda fodder. You are saying it is in relation to an official visit sponsored by the Government of Canada.

It would be helpful if the Leader of the Government would table the full text of the External Affairs Minister's statement on that subject. If, in fact, Mr. Clark did mention the word "official" in his release, then that would serve to clear up the point.

BREACHES OF INTERNATIONAL LAW—IMPACT ON KUWAITIS—UNITED NATIONS' SANCTIONS—IMPLICATIONS FOR CANADA—EFFECT OF "WATER WEAPON"—GOVERNMENT POSITION

Hon. Jerahmiel S. Grafstein: I should like to ask a supplemental question on the same topic, unless the leader wishes to respond to Senator Perrault.

Reports from Amnesty International in the press suggest that the Iraqi government has committed serious and obscene breaches of international law on the population in Kuwait. Has the Government of Canada made representations to the Ambassador of Iraq here or through the Canadian Ambassador in Iraq with respect to those obscene breaches of international law and the impact they are having on the lives of Kuwaitis remaining in Kuwait?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I would have to make inquiries of the Department of External Affairs, and I shall do so.

Senator Grafstein: Statements have been made by the government that it is appropriate that the world community await the sanctions and the impact that those sanctions would have on Iraq in order to convince the Iraqi government that they should withdraw from Kuwait. Under some appropriate theories of international law, sanctions and the boarding of vessels and blockade are in themselves acts of war. The question I have for the Leader of the Government is this: Has Canada been involved in acts of war through its implementation of the United Nations' sanctions?

Senator Murray: Honourable senators, the short answer to the question is no.

Senator Grafstein: Again dealing with sanctions, the Government of Canada, together with other Western Nations, as well as Arab nations who have been involved in the coalition against Iraq, have suggested that time should be afforded in order for the sanctions to work. An innovative suggestion was made last week by strategists in the United States to the effect that a major sanction, called the water weapon, had not been adopted—a sanction that would cause the Iraqi population to respond more quickly.

The suggestion has been made that the source of the Euphrates, which is in Turkey, could be quickly blocked off. The lack of water would cause tremendous havoc in Iraq. Has the Government of Canada given any thought to this? If not, could the Leader of the Government respond at an appropriate time?

Senator Murray: Honourable senators, I shall inquire as to whether the Minister of External Affairs has any comment to make on that suggestion.

THE ENGLISH ALPHABET

CANADIAN PRONUNCIATION OF TWENTY-SIXTH LETTER

Hon. Keith Davey: Honourable senators, I should like to ask the Leader of the Government in the Senate a simple question. Could he identify the twenty-sixth letter of the alphabet?

Hon. Lowell Murray: "Zed."

Senator Davey: I am delighted with that answer, because one week ago tonight on Baton Broadcasting I watched the Prime Minister of Canada respond to questions over the telephone. To my absolute astonishment and dismay the Prime Minister made reference to going from "A TO Zee." I know that the government opposite is in love with everything American. I understand that is part of their policy. However, are we now preparing to change the alphabet? Is "Zed" becoming "Zee?" If not, would you have a word with the Prime Minister?

[*Translation*]

FISHERIES

LABOUR STANDARDS—GOVERNMENT POSITION

Hon. Jean-Maurice Simard: Honourable senators, I have a more serious question to ask the Government Leader. It relates to the use made of the primary commodity of the Maritimes: fish.

I have here an article published in *L'Acadie Nouvelle* on November 6 about a problem affecting a local business, the Fishermen's Co-operative Association of Lamèque Island, in New Brunswick. It quotes the president of the association, Mr. Rhéal Chiasson, whom I met at lunchtime to discuss this issue.

Mr. Chiasson told us that, even though the problem is not quite as acute now, 17,000 people did not report for work at his plant during the 1989 fishing season for one reason or another. This year there were nearly 9,000. He was referring among other things to the problem created by the Unemployment Insurance Act that we just improved, to the great displeasure of the senators opposite. He said that 800,000 pounds of fish could have been processed at his plant during last year's fall fishing season. However, the production had to be limited to 100,000 pounds because people refused to work for only a week or two days a week, knowing that they would eventually be penalized by the law. We all know that unemployment insurance stamps are based on weekly earnings periods.

Mr. Chiasson told us that the government should perhaps try to solve this problem, for instance by modifying the Act so as to allow the workers to accumulate the hours worked in the plant without being penalized when they work only one or two days a week.

Could your government look at the suggestions made by the members of the Lamèque Co-operative. I think they are faced with a serious problem. We deplored it while reviewing the Unemployment Insurance Act with a view to improving this Act so that plant owners do not have to suffer because people refuse to show up when asked to work only two days a week.

[Senator Grafstein.]

Hon. Norbert L. Thériault: Honourable senators, that question is complicated, but I have the answer.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, the issue of working standards in the fisheries industry falls under provincial jurisdiction.

Senator Simard: It is the Unemployment Insurance Act—

Senator Murray: I know. I am pleased to refer that question to my colleague, the Minister of Employment and Immigration. If necessary, I could provide an answer later.

Senator Simard: Honourable senators, the people from the Lamèque Co-operative have referred that problem to Minister Valcourt. I invite you to examine this case. I know that, once again, the government will want to respond as soon as possible and give the Unemployment Insurance Act the flexibility that we, on this side, all wish. In other words, I would like to provide you with another public evidence that the sympathy, the understanding of the fisheries problems is not coming only from the Liberal side of this House.

Senator Thériault: I would like to ask the Leader of the Government in the Senate, since he finds the question somewhat complicated, simply to review the submissions that have been presented to us in Nova Scotia, New Brunswick and Prince Edward Island while we were travelling with the committee studying Bill C-21. He will find the answer in there.

Senator Simard: I would like to thank my colleague for this suggestion. Why did you not mention this during the committee study?

[*English*]

Senator Frith: He is filibustering our Question Period.

● (1710)

CITIZENS' FORUM

COMPOSITION OF COMMISSION—NORTHERN REPRESENTATION—NATURE AND SCOPE OF COMMISSION—GOVERNMENT POSITION

Senator Lucier: Honourable senators, I have some questions for the Leader of the Government in the Senate on the Citizens' Forum. Before I ask my questions, I would like to comment that I asked some questions last week on the forum and was told by the minister that I hated Keith Spicer for some reason. I explained that I had never met him and never talked to him and really do not have much time to hate him. As I said then—and as I say now—I do not hate many people I do know, let alone the ones that I do not know. The same position was taken with Senator Olson when he asked his questions last week. He too was told that he hated Keith Spicer so much. He also explained that he had never met him or spoken to him.

That brought back for me some memories of Meech Lake. When I first started asking questions in this chamber about Meech Lake, I was continuously told by the minister, and we were also told by the Prime Minister, that if we were against Meech Lake we were anti-Quebec. I did not like that tactic then and I do not like it now.

I would like to make it clear that I am not talking about Keith Spicer; I am talking about the commission, or forum, and I am speaking of the makeup of the forum and the task that it will be asked to perform.

I would say to the government leader that I do not appreciate being confronted with yet another forum where if one is opposed to something one is presumed to hate the person with whom one is dealing. I have no qualms about Mr. Keith Spicer. I just want to make it known that I do not like the forum that has been set up.

Mr. Spicer made his first little trip into the north, which was the first part of his mandate. After listening to the concerns of northern Canadians, he failed a key test on Saturday. The head of the Citizens' Forum on Canada's future was told bluntly that it is not good enough simply to consult with northerners; that they want to be part of the process of shaping the direction of the country. However, Mr. Spicer said that he would not expand his 11member advisory board to add two northern representatives, although he is personally sympathetic and wishes Brian Mulroney had appointed a northerner to the forum.

Senator Frith: Hear, hear!

Senator Lucier: The Prime Minister has said that if Mr. Spicer wants someone from the north on the forum, he can appoint someone. My first question to the Leader of the Government is: Why is there not someone from the north already on the forum? Why can these two people not get together and appoint someone from the north to that Citizens' Forum?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I answered quite a number of questions on this very subject last week. I can only repeat what I said then, that the members of the Citizens' Forum are not intended to act as representatives of any particular group or point of view; that a major purpose of the forum is to ensure that Canadians from all regions, backgrounds and walks of life are given full opportunity to participate directly in the forum and to speak for and represent themselves.

Senator Lucier: Honourable senators, when this forum was first announced, we heard stories that it would be just an advisory group or a forum to go around the country and allow people to speak for themselves. That was bad enough. We are now informed that this forum is really the first of a series, with at least one more forum coming along that is to reshape Canada.

I am reading from the *Citizen* of November 10—

Senator Frith: Maybe that will be the election.

Senator Lucier: Unfortunately, it does not seem to be quite that far down the road.

Senator Frith: The best Citizens' Forum is an election, right now.

Senator Lucier: I am quoting here from an article in the *Citizen* written by Paul Gessell. The headline is "PM preparing Meech Lake II: Overhaul of Confederation in works, says top official":

> Meech Lake, The Sequel is quietly being scripted in the Prime Minister's Office and the production promises to be much more complex and fascinating than the original.
>
> The result could be a radical reshaping of the country.

It then states, farther down in the article:

> The official, one of Mulroney's main constitutional advisers, rarely grants interviews and asked to remain anonymous.
>
> "Canada, in the year 2000, will have to have some important changes in the way in which federal and provincial governments operate and exercise their powers," he said. "We're not talking about changes in the margin."

What I would like to ask the Leader of the Government is this: Is there another agenda that we have not been told about? Is there in fact, another forum being discussed, a forum of academics or constitutional experts, or some other group that is being put together in the background? I think, as Allan Fotheringham said, the Citizens' Forum will provide a 30-second clip for the real action that will come when the next group is put together. If this process is becoming extensive, it seems to me that it makes a lot more sense to have representatives of northern Canada involved in the regional process.

Senator Murray: Honourable senators, in a number of public statements that I have made, perhaps including statements in this chamber, I have not excluded the possibility that at some point the government may wish to have a study done on the specific question of the amending process; nor have I precluded the possibility, as I said in an exchange I had in this place a week or so ago with Senator Marshall, of eventually appointing a royal commission on the whole range of aboriginal concerns.

• (1720)

Senator Lucier: I have a short follow-up question. I know that I will not get a positive answer to this question, but I will ask it again, and again, and again. We seem to be moving in the direction of some serious constitutional reform. I am not disagreeing with that happening, nor am I quarrelling with that or whether or not we need it; but that seems to be the direction we are taking. I again heard the Prime Minister concerning this last night. I do not think he is denying that that is where the thrust will be; but if that is what we are to do, is it not more important that we have some representation from other parts of the country?

In Inuvik, the first place Mr. Spicer visited, the people told him, "Look, we are getting tired of being studied. We do not

want you coming up here asking us how we feel. We want to be part of a process where we are asking the questions."

Senator Bonnell: He read them some poetry!

Senator Lucier: Well, it was great that he read them some poetry. But I do not want to get into a debate about Mr. Spicer himself; I am talking about the process.

Can we not make you understand that as long as we are not part of the process it will not work? It did not work with Meech Lake, and it will not work this time. You should not have to fail every time around.

Senator Murray: Honourable senators, I explained on a number of previous occasions in this place that the Citizens' Forum is not concerning itself with constitutional reforms, nor do we expect that they will bring back a series of recommendations with regard to constitutional reform. There will be no constitutional reform in this country unless we can succeed in building or rebuilding a consensus on some of the more fundamental questions of our national existence. It is for the purpose of promoting and encouraging a dialogue among Canadians on those fundamental questions, a number of which I listed in this place on several occasions last week, that the Citizens' Forum has been appointed.

I regret that the honourable senator does not find my answers to his questions satisfactory, but he cannot dispute that I have addressed all these matters on several occasions in the past week or two. I have done so to the best of my knowledge and ability.

Senator Lucier: Honourable senators, the minister is correct. I do not question the fact that he has attempted to answer my questions, and he is also right that I am not satisfied with the answers. He has said again that the government is searching for a consensus, that if we do not arrive at a consensus of where we want to go, we cannot have serious constitutional reform. That brings me back to what I was saying before: How can you achieve a consensus when you leave out one-third of Canada? That is my point.

Senator Murray: The honourable senator should read the reply that I gave to his very first question today—which I have given on numerous occasions in the past week or so—namely, that the members of the forum are not there to act as representatives of any particular group or point of view. The purpose of the forum is to give Canadians of all backgrounds, regions and walks of life an opportunity to participate directly and to represent themselves.

CRITERIA FOR SELECTION OF COMMISSIONERS—REPRESENTATION FROM NOVA SCOTIA—GOVERNMENT POSITION

Hon. John B. Stewart: Honourable senators, I wish to ask a supplementary question. Senator Murray has just told us that the members of the forum have not been selected as representative of different regions or sections of society. In other words, their function is not to represent views and interests.

[Senator Lucier.]

May I then ask the honourable senator: On the basis of what criteria was Mr. Spicer selected? Also, on the basis of what criteria were other members of this body selected? I assume that there were criteria. For example, why was Mr. Cashin chosen from Newfoundland over other Newfoundlanders? What about the situation in Nova Scotia, for example? Why did we fail the criteria? I assume that this is an important body. It would be interesting to know on what criteria its members were selected.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, the government had a—

Senator Bonnell: Good Tories!

Senator Murray: —long list of . . . Pardon me?

Senator Bonnell: I said "Good Tories".

Senator Murray: If there are many Tories on that commission, I should like to have them identified.

Senator Cools: Not Spicer!

Senator Murray: I have managed campaigns for the Tory Party in the past and I have not seen many—indeed, I do not think I have seen any of those people—

Senator Stewart: You should explain the selection process to Nova Scotians!

Senator Murray:—in the circles in which I travel politically.

Senator Gigantès: Maybe they are fastidious Tories!

Senator Murray: The government selected 12 people from a much longer list. We selected them on the basis of their ability as individuals and their capacity to contribute to this process.

Senator Stewart: Contribute how? You said it was on the basis of their capacity and ability to contribute. I assume that this would apply to hundreds of thousands of people across the land. What are the criteria of "ability"; and what are the criteria of "competence to contribute"?

Senator Murray: Honourable senators, what I believe all these people have in common is a devotion to Canada and an open mind as to the differing opinions and perspectives that will be presented in the course of their hearings.

In the case of Mr. Cashin, who was mentioned, it so happens that he is a former member of the other House. It so happens that he is also a union leader. He was a member of the Pépin-Robarts Commission and must be presumed to have particular qualifications.

If I had their biographies in front of me I could suggest very unique qualifications in the case of each of the members of the Citizens' Forum.

Senator Stewart: Could we now concentrate on Nova Scotia? Would the honourable Leader of the Government in the Senate tell us why the appointee from Nova Scotia was selected?

Senator Murray: Who is that?

Senator Stewart: That is the point! It was no one! No one in all of Nova Scotia met the criteria! We are humiliated.

Senator Murray: I am sorry to hear that.

Senator Barootes: If you were not a senator, we would have sent you!

• (1730)

TRANSCRIPTION OF PROCEEDINGS—AVAILABILITY TO SENATE

Hon. Raymond J. Perrault: Honourable senators, I have a supplementary question for the Leader of the Government in the Senate. Incidentally, we all wish Mr. Spicer well, along with his colleagues. As well, I totally agree with my friend from Nova Scotia that there should be representation from that great province, as well as from northern Canada. Most of the media reports from the north relating to Mr. Spicer's visit have indicated his deep love for poetry, but surely, there must have been more going on there on the weekend than poetry readings. I am positive of that.

An article in today's *Globe and Mail* is entitled, "Spicer Seeks Unity in Poetry". Mr. Spicer said that he was searching for poetry in the Canadian soul. I hope he is looking for other things as well. He said that the committee was going to bring on the people and the poets first. Would there be merit, then, in the submission by the Senate of a rhyming brief to the Spicer commission? It might qualify as poetry as well as representing the Senate's contribution.

Senator Frith: Let's not jump on poetry now.

Senator Perrault: I am not attacking poetry, and the house leader of our party rightly points out the value of the arts.

Seriously, however, my question is this: Is a transcript of these meetings with the people of Canada being prepared? It would be of great use to the members of the Senate to have access to the transcripts of the meetings from various parts of the country. The story in the *Globe and Mail* today emphasized Mr. Spicer's alleged interest in determining whether there is poetry in the Canadian soul. That made a good story, but surely some evidence was presented at that meeting on the weekend regarding the attitude of the people of the north toward the future of Canada as a nation. There is not a word in this story about any substantive suggestions made by the great people of our north. I wonder if we could have the assurance that, if there is a transcript, it will be regularly sent to honourable senators so we may track the progress of this committee.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I shall make inquiries as to whether a transcript is available. As far as poetry from the Senate is concerned, if Senator Perrault writes it I am sure it will be blank verse.

Some Hon. Senators: Oh, oh!

Senator Perrault: Apparently, blank verse or not, as long as it is verse it will have an inside edge—a priority—with the commission. So let us strive for something that rhymes, and the Senate will be heard.

FINANCE

DIFFERENCE BETWEEN CANADIAN AND U.S. INTEREST RATES—REDUCTION IN CANADIAN INTEREST RATES—GOVERNMENT POSITION

Hon. Jerahmiel S. Grafstein: Honourable senators, I should like to ask the Leader of the Government a question with respect to international interest rates. The Canadian interest rates still appear to be at historic levels—

Senator Doody: Could we have order, honourable senators? It is very difficult to hear because so many meetings are going on around the chamber.

Senator Grafstein: Canadian interest rates versus those of the United States appear to be at historic levels of difference. Could the Leader of the Government indicate to us whether or not he anticipates a reduction in interest rates in the short term?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): The honourable senator has raised two matters, one of which is the spread between Canadian and American interest rates, which he alleges is at an historic high. I am not sure if that is true. There has been some narrowing in the spread recently. The second part of the question is whether I expect a decrease in Canadian interest rates in the short term. I would not be so rash as to make a prediction on the short term. I simply observe, as I have done in reply to Senator Olson on several occasions, that the trend has definitely been downward.

SOFTENING OF WAGE SETTLEMENTS—GOVERNMENT POLICY

Hon. Jerahmiel S. Grafstein: Honourable senators, it appears that the motivation of the Bank of Canada influencing its policy with respect to high interest rates is inflation. Can the Leader of the Government give us any indication, based on recent statistics, as to whether or not there has been a softening of wage settlements, which would lead Canadians to believe that interest rates will be, in the short term, subject to a reduction?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): The government shares the concern of the Bank of Canada about inflation. There, too, the trend line has been downward. I would have to ask for some advice from our economic and financial advisers with respect to recent wage settlements throughout the country, in both the public and private sectors, before I could reply intelligently to the honourable senator's question.

Senator Olson: Could you do that?

Senator Grafstein: After consulting with government economists, could you provide the Senate with an indication of what reduction in interest rates would be necessary in order to be

equal to the revenues accruing to the government by the MST?

PERSIAN GULF

DEPLOYMENT OF CANADIAN FORCES—STATEMENT OF THE RIGHT HONOURABLE JOE CLARK—GOVERNMENT POSITION

Hon. Eymard G. Corbin: Honourable senators, I should like to ask the Leader of the Government in the Senate a question. This afternoon I heard the Secretary of State for External Affairs, the Right Honourable Joe Clark, say on television that Canada would not deploy into a battle mode unless the United Nations Security Council passed a resolution to that effect. Is it now the position of the Canadian government that it would support a motion to the effect that Iraq should be attacked and that Canada should participate in that aggression?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): My honourable friend should be more careful with his words and thoughts. The aggressor is Iraq. I have not seen or heard the statement that my friend attributes to Mr. Clark. I would have to obtain advice from Mr. Clark or his department on the matter, and I will undertake to do so.

Senator Corbin: I may have sown confusion in the honourable leader's mind, for which I apologize. Of course Iraq is the aggressor. Canada is now in the Gulf with its ships and planes to enforce an embargo, which is the consequence of a decision of the United Nations. Today Mr. Clark said that that would remain Canada's position until—if and when—the United Nations authorized the next step, which would be taking military action against the aggressor; in other words, going into a battle mode with Iraq. I want to know—and I apologize if I misinterpreted Mr. Clark's comments, but they were loud and clear to me—if the present situation will remain until the U.N. changes its decisions or resolutions. Arising out of that statement of Mr. Clark, will Canada go along with other nations, which think they have waited patiently, and liberate Kuwait from its aggressor? Is that the Canadian position and will that be put forward at any meeting of the Security Council?

Senator Murray: Honourable senators, that question, like previous ones put by Senator Bonnell, is hypothetical. However, I shall obtain further information on the statement Senator Corbin attributes to Mr. Clark, and I will bring in a report at an early date.

● (1740)

TRANS-CANADA HIGHWAY

RECONSTRUCTION OF NEW BRUNSWICK SECTION—REQUEST FOR GOVERNMENT ASSISTANCE

Hon. Eymard G. Corbin: Honourable senators, I have another question. It follows on many questions already put to the Leader of the Government in the Senate and to Senator Doody on previous occasions.

I should like to know whether the federal government at this stage, after many months of study, planning, and deliberating, has arrived at a decision regarding the financing of the reconstruction of some of the worst segments of the Trans-Canada Highway, which are in New Brunswick. The Prime Minister of Canada has admitted that much. Last year or the previous year, I forget exactly when, he did say that New Brunswick had some of the worst sections of the Trans-Canada Highway. He stated that it would have to be rebuilt one way or another.

The answers I have always received in reply to my questions were to the effect that studies were being undertaken and that the government should await the results of those studies before deciding whether it would finance the rebuilding of the Trans-Canada Highway. I ask the Government Leader this: Is there any news on that front?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): I did not hear the last part of the honourable senator's question, but I think I have the general drift of it. I have to tell him that no decision has been made by the government on this matter.

Senator Corbin: If Senator Simard had not been talking to the Government Leader—and he interrupts everybody around this place—the leader probably would have heard my question. Can the Government Leader not do something with him? He is not my responsibility—he is the responsibility of the Leader of the Government. Can you not gag him when it is not his turn to speak?

REMEMBRANCE DAY

ABSENCE OF GOVERNOR GENERAL FROM SERVICES—GOVERNMENT POLICY

Hon. Eymard G. Corbin: Honourable senators, I have another question for the Leader of the Government in the Senate. I am sure he is aware that the Royal Canadian Legion expressed its deep regret, to put it mildly, even its anger, according to an article in the *Globe and Mail* of November 10, 1990, at the planned absence of the Governor General, Ray Hnatyshyn, from the Ottawa Remembrance Day services. My question is this: Will this be the pattern for Remembrance Day services from now on?

Senator Barootes: Come on! What a silly question!

Senator Corbin: Why does Senator Barootes not see his doctor if he has a problem?

Will that be the pattern from now on, that gradually the government will erode—because this is an erosion—the significance of commemoration services on November 11? Will it be that because some event is taking place somewhere else, the top personalities in this country will be allowed to absent themselves from the laying of wreaths at the National War Memorial on Wellington Street here in Ottawa? Will it be that, little by little, the very significance of Remembrance Day will disappear? Will Canada forget the sacrifices of her sons

and daughters who fought in World War I, World War II, the Korean conflict and in peacekeeping missions of the United Nations? Is that the trend the government wishes to set?

Surely someone else could have been sent to Japan for the inauguration of the Emperor. In fact, Senator Murray could have been sent, or the person who occupies the position of the Speaker of the Senate could have been sent. He is a great world traveller sometimes. Why on this occasion was the Governor General of Canada allowed to leave the country for that sacred occasion?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I should point out that the coronation of the Emperor of Japan was attended by the heads of state or the heads of government of a large number of countries. Second, with regard to His Excellency the Governor General of Canada, the Honourable Senator Corbin neglects to point out that on Remembrance Day the Governor General, together with Prince Charles, the Prince of Wales and the Governors General of a number of commonwealth countries, laid wreaths at the graves of commonwealth soldiers who died in the Second World War. I think it was entirely appropriate for the Governor General to have done that.

DELAYED ANSWERS TO QUESTIONS

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I have two delayed answers to questions.

PERSIAN GULF

PRESENCE OF CANADIANS IN KUWAIT AND IRAQ—PROTECTION AND REPATRIATION—GOVERNMENT POLICY

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, the first delayed answer I have is in response to a question raised in the Senate on October 29, 1990, by the Honourable Allan J. MacEachen, regarding Persian Gulf—Presence of Canadians Kuwait and Iraq—Protection and Repatriation—Government Policy.

(*The answer follows:*)

Number of Canadians Present in Iraq and Kuwait

(Consular Breakdown)

Kuwait

22 Canadians: 13 uninational Canadians
9 dual national Canadians

Iraq

52 Canadians: 22 uninational Canadians
35 dual national Canadians
5 humanitarian cases

In the first several weeks after the invasion, the total number of Canadians (uninational and dual national) was 600 in Kuwait and 200 in Iraq. With respect to persons who are there against their will, we naturally want to have them freed.

Representations have been made to Iraq authorities to allow Canadian nationals to leave both Kuwait and Iraq if they so wish. In these representations we have drawn Iraq's attention to a small number of particularly pressing humanitarian cases of elderly or sick Canadians.

The Canadian Government is also looking to see if there is some way in which we can offer help to those Canadians whose families are unable to leave Iraq or Kuwait.

Honourable senators must not forget that Iraq has an obligation to allow all Canadians wishing to leave Iraq to do so. The Security Council has stressed this obligation in its resolution.

Their refusal to allow diplomats who were based in Kuwait to leave Iraq affects both those who travelled to Baghdad before August 24 and those who made the trip on October 19.

The Iraqi Ministry of Foreign Affairs has also refused to recognize these individuals as members of the diplomatic staff of our Embassy in Baghdad and have treated them like other Canadian citizens in Iraq: They are free to move about Baghdad at will but do not, at present, have permission to leave.

As for sending a delegation of representatives to Iraq, the Secretary of State for External Affairs has been categoric in presenting the official government response.

Both privately and publicly he has stated "that there will not be an official mission on the part of Canada to seek the release of these persons because we think that would be used for propaganda purposes by the Saddam Hussein regime."

PERSIAN GULF

CANADIAN RESIDENTS VOLUNTEER FOR IRAQ ARMY—GOVERNMENT POSITION

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, the second delayed answer I have is in response to a question raised in the Senate on October 29, 1990, by the Honourable Gildas L. Molgat, regarding Persian Gulf—Canadian Residents Volunteer for Iraq Army—Government Position.

(*The answer follows:*)

The reports to which the Honourable Senator referred date back to the month of August.

Canadian nationals who join the Armed Forces of a foreign state at war with any friendly state may run the risk of breaking the law.

We do not interpret the law. That is for the Courts and the Law Enforcement Agencies. If anyone wants to know whether or how the Act would apply in a specific case or whether he/she would be breaking the law, he/she should seek legal advice.

As for the Iraqi Embassy's suggested involvement in recruiting for their war effort: we have made strong representations to the Embassy of Iraq indicating that any such recruitment activity is incompatible with the Embassy's role.

ANSWER TO ORDER PAPER QUESTION TABLED AWARDING OF GOVERNMENT CONTRACTS

Hon. C. William Doody (Deputy Leader of the Government) tabled the answer to Question No. 44 on the Order Paper—by Senator Phillips.

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE ACT
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMEND—THIRD READING—MOTION IN AMENDMENT NEGATIVED

The Hon. the Speaker: Honourable senators, it is 5:45 o'clock. We will proceed to the division on Senator MacEachen's motion in amendment to Bill C-62.

Please call in the senators.

• (1750)

The Hon. the Speaker: Let the doors to the chamber be locked.

Motion in amendment negatived on the following division:

YEAS

THE HONOURABLE SENATORS

Adams	Haidasz
Austin	Hastings
Bonnell	Hays
Bosa	Hébert
Buckwold	Kenny
Cools	Kirby
Corbin	Kolber
Davey	Lawson
De Bané	LeBlanc (*Beauséjour*)
Everett	Leblanc (*Saurel*)
Fairbairn	Lefebvre
Frith	Lewis
Gigantès	Lucier
Grafstein	MacEachen
Graham	Marchand
	Marsden
	Molgat
	Neiman
	Olson
	Perrault
	Petten
	Riel
	Rizzuto
	Robichaud
	Sparrow
	Stanbury
	Steuart (*Prince Albert-Duck Lake*)
	Stewart (*Antigonish-Guysborough*)
	Stollery
	Thériault
	Turner
	Waters
	Watt
	Wood—49

NAYS

THE HONOURABLE SENATORS

Atkins	Keon
Balfour	Kinsella
Barootes	Lavoie-Roux
Beaudoin	Lynch-Staunton
Beaulieu	Macdonald (*Cape Breton*)
Bélisle	MacDonald (*Halifax*)
Berntson	Macquarrie
Bolduc	Marshall
Buchanan	Meighen
Castonguay	Muir
Chaput-Rolland	Murray
Charbonneau	Nurgitz
Cochrane	Oliver
Cogger	Ottenheimer
Comeau	Phillips
David	Poitras
DeWare	Robertson
Di Nino	Roblin
Doody	Ross
Doyle	Rossiter
Eyton	Simard
Forrestall	Spivak
Grimard	Sylvain
Hatfield	Teed
Johnson	Tremblay
Kelleher	Twinn—53
Kelly	

ABSTENTIONS

THE HONOURABLE SENATORS

Nil

The Hon. The Speaker: I declare the motion in amendment negatived.

Hon. Royce Frith (Deputy Leader of the Opposition): I see no reason to make an exception in this case. If the nine had not

voted, the difference would have been the carrying of the motion in amendment by 49 to 44.

The Hon. the Speaker: It is now six o'clock. I shall leave the Chair and return at eight.

[*Editor's Note: For continuation of proceedings see Issue No. 109B.*]

THE SENATE

Tuesday, November 13, 1990

[Editor's Note: Continuation of proceedings from Issue 109A.]

At 8:00 p.m. the sitting of the Senate was resumed.

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE ACT
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMEND—THIRD READING—MOTION IN AMENDMENT

On the Order:

Resuming the debate on the motion of the Honourable Senator Kelly, seconded by the Honourable Senator Beaudoin, for the third reading of the Bill C-62, An Act to amend the Excise Tax Act, the Criminal Code, the Customs Act, the Customs Tariff, the Excise Act, the Income Tax Act, the Statistics Act and the Tax Court of Canada Act.—(*Honourable Senator Frith*)

Hon. Leo E. Kolber: Honourable senators, I have the pleasure, on behalf of Senator MacEachen, seconded by Senator Buckwold, to move:

That Bill C-62 be not now read a third time but that it be amended to provide transitional relief to registered traders, by permitting them a rebate equal to the tax value of their inventories, and to provide fairer transitional relief in the case of certain residential complexes and to general insurance companies,

(a) by striking out line 35 on page 14 and substituting the following:

"amount of tax paid on inventory as verified by the Minister or, if the Minister is unable to verify that amount, the amount determined by a prescribed";

(b) on page 16,

(i) by striking out line 27 and substituting the following:

"plex after 1990 and before April 1992,",

(ii) by striking out lines 36 to 45 and substituting the following:

"(e) the estimated federal sales tax for the complex where the complex is substantially completed before 1991 and possession is transferred before April 1992,

(f) 2/3 of the estimated federal sales tax for the complex where the complex is substantially completed after 1990 but before February 15, 1991 and possession is transferred before April 1992, and

(g) 1/3 of the estimated federal sales tax for the complex where the complex is substantially completed after February 15, 1991 but before April 1991 and possession is transferred before April 1992,";

(c) on page 17,

(i) by striking out lines 23 to 27 and substituting the following:

"than 50% completed,

(ii) 75% of the estimated federal sales tax for the complex, where the complex was, on January 1, 1991 more than 50% completed but not more than 75% completed, and

(iii) 100% of the estimated federal sales tax for the complex, where the complex was, on January 1, 1991 more than 75% completed,";

(ii) by striking out lines 39 to 44 and substituting the following:

"more than 50% completed,

(ii) 75% of the estimated federal sales tax for the unit, where the condominium complex in which the unit is situated was, on January 1, 1991 more than 50% completed but not more than 75% completed, and

(iii) 100% of the estimated federal sales tax for the unit, where the condominium complex in which the unit is situated was, on January 1, 1991 more than 75% completed,";

(d) by striking out line 26 on page 276 and substituting the following:

"VII.

Property and casualty insurance

347. (1) Where a property and casualty insurer, in this section called the "insurer", settles a claim after 1990 but before 1998 in respect of an insurance policy issued before 1991 (other than a life insurance policy or an accident and sickness policy), the insurer may claim, in the reporting period in which the claim is settled, an input tax credit as calculated as prescribed.

Meaning of property and casualty insurer

(2) In this section, a property and casualty insurer means an insurer licensed under the laws of Canada or a province to carry on a property and casualty insurance business.""

The Hon. the Speaker: Honourable senators, it is moved by the Honourable Senator Kolber, for the Honourable Senator MacEachen, seconded by the Honourable Senator Buckwold:

That Bill C-62 be not now read the third time—

Some Hon. Senators: Dispense!

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

Some Hon. Senators: Explain!

Senator Kolber: Honourable senators, first a few introductory comments. Above all else, the government has heralded the proposed GST as a fair tax, a tax that will significantly benefit the Canadian economy. Over 75 per cent of Canadians, however, oppose this legislation.

The National Pensioners and Senior Citizens Federation told the Senate Banking, Trade and Commerce Committee that:

> Under the proposed tax ordinary Canadians will be taxed literally from the cradle to the grave. Both diapers and coffins will be subject to more tax, which does not consider the consumer's ability to pay.

Private citizens, small- and medium-sized business, labour organizations and consumer groups have led a crusade against the GST, and as Canadians learn more about this tax, they are becoming even more resolute in their opposition. The government categorically rejects the description of the GST as a "bureaucratic nightmare". Finance Minister Wilson tells us that the new system will be far simpler and far less bureaucratic. Testimony provided to the committee, however, expresses reactions to the GST encompassing confusion, frustration, and, in some cases, complete bewilderment. Much of the confusion has resulted because of the government's inability to provide clear direction.

One of the main findings in the study of the tax conducted by Informetrica substantiates this claim:

> . . . we are bothered by the lack of planning within the federal government, how they are handling these machinations in the use of the GST and their own efforts in general. We are bothered by the misapplication of concepts there.

Many people who appeared before the committee were amazed at how little information had reached the people who are supposed to comply with the tax, and, indeed, implement it. However, even in situations where information had been available, it has been of limited value. For instance, the Canadian Federation of Agriculture came to the unfortunate conclusion that people from Revenue Canada and the Department of Finance were of little assistance. According to a spokesperson for the federation, these government officials "do not understand the industry particularly well and they are not able to answer the questions to which people need answers in order to be able to comply with the tax."

Through a series of amendments, Liberal senators have tried to lessen the negative impact of the GST on Canadians. We have focused on specific flaws and suggested alternatives. In short, we have attempted to introduce an element of fairness into the structure of this tax. The amendment on which I have the honour to speak tonight will ensure fairness for business and provide savings for consumers. We have drawn on the suggestions of witnesses who told the committee that, while they support the concept of fundamental tax reform, they recognize serious flaws in the proposed GST.

● (2010)

This amendment involves a series of measures to provide for fairer transitional relief to industries and businesses struggling to adapt to the proposed tax.

The first part of this amendment, honourable senators, deals with a discriminatory aspect of the proposed GST—namely, the general inventory rebate. The government has repeatedly assured business and consumers that considerable savings will result from the GST. However, if the government insists that business pass on savings to consumers, it must ensure that there are savings to business. Under the proposed legislation, a general inventory rebate of 8.1 per cent is to apply to a business regardless of the level or sector in which it operates. How did the government determine this rate? If a business has already paid the full 13.5 per cent federal sales tax on its inventory, a rebate of 8.1 per cent represents only partial compensation. I cannot think of very many small and medium-sized businesses that can afford to absorb that type of loss. Obviously these businesses will be forced to pass on their losses to consumers.

As a result of the GST, the government has predicted a one-time increase of 1.25 per cent in the Consumer Price Index for 1991. This projection is based on the assumption that manufacturers and businesses will remove all existing tax from prices. Honourable senators, if this amendment does not pass, I do not see how businesses will be able to remove all existing tax from their prices. The tax will have been paid and businesses will have to recover it. The consumers will pay.

If we look to other areas of the world where value-added taxes have been introduced, we discover interesting results. Unfortunately for Canadians, the government has not taken heed. According to a study by the International Monetary Fund, experience shows that price reductions rarely reflect the full tax reduction, and some allowance should be made for this.

The automobile industry was so severely discriminated against under the proposed FST rebate system that the government was obliged to set a special inventory rebate of 11.1 per cent for car dealers. As a word of explanation, car dealers would have already paid more than 8.1 per cent on their

inventory. Why has the government not extended the same allowance to other businesses which can demonstrate that the tax value of their inventory exceeds 8.1 per cent? For a tax which is supposed to be based on fairness, this is an obvious inequity.

This amendment would grant businesses an FST inventory rebate equal to the amount of tax actually paid on that inventory prior to the introduction of the GST. Surely honourable senators will agree that this is a reasonable and equitable proposal. I am sure that other honourable senators will want to discuss this key component of our amendment.

Let me turn now to the second part of our amendment and its impact on a very human aspect of all our lives, namely, housing. Who has not heard touching stories about the serious erosion of every young Canadian family's dream of one day owning a home? I am sure senators from the Toronto area can particularly relate to this point. In that area, buying a first home has been almost impossible, due, of course, in large measure, to high interest rates. The GST will make the dream of owning a home even more difficult, not only because the GST is inflationary and interest rates will be jacked up once again. No, senators, there is more. This brings me to the substance of the second part of our amendment. As Bill C-62 is currently drafted, new homebuyers of homes started this year must take possession of the house before April, 1991 for an FST rebate of 5.6 per cent to be made available. After that date, the GST kicks in, whether or not the supplies used in building the house were subject to the FST. Is there one intelligent person who does not recognize that the housing industry is currently in its worst slump since 1982? Some would even say that the situation is worse now than it was back then. For those who do not fully appreciate the importance of residential construction on the Canadian economy, allow me to give you a few facts.

In 1989 an estimated $43 billion was spent on housing, roughly split evenly between the renovation sector and the new housing sector. Therefore, over $20 billion was spent on new units alone in that single year. That activity generated more than 400,000 person-years of employment for construction workers in Canada. Further, for every construction job created by home-building and renovation, more than two spin-off jobs were created in other industries across the country. We are talking here about 1.2 million person-years of employment, and that is a lot of jobs.

In 1987, residential construction directly or indirectly produced $4.4 billion in combined sales income and corporate tax revenues for the federal government. This is indeed a major industry for Canada. As I said, it is currently a very depressed sector of our economy. One can hardly give homes away, it is so bad.

The nature of the second part of our amendment recognizes this fact of life by extending by a full year, to April 1992, the limit for homebuyers to take possession of a new residence. This will allow the FST rebate to be claimed at a decreasing rate according to the construction stage of the new residential unit on January 1, 1991. Otherwise, Bill C-62 will strike another blow to the housing industry which will be left with a large inventory of unsold houses after April, 1991. These will be new units which contain a certain amount of FST paid on them. As I have said, after April, 1991 the GST would kick in on top of that and make housing affordability even more difficult because new houses will have built into their price a system of double taxation.

I know that honourable senators on both sides of the house will give full consideration to this amendment in order that young families do not lose hope of ever being able to own their own home.

Finally, honourable senators, let me turn to the third and last portion of our amendment. Once again, it is a matter of fairness and equity. However, this time it is the property and casualty industry that will be penalized. Let me explain briefly. Over the years, the insurance industry has contracted liabilities in the property and casualty sectors. It has built up a special inventory of claims that are outstanding and will only be settled next year, or perhaps in the years thereafter. For regulatory purposes, the industry is required to put away a certain amount of money to address those liabilities. At the present time, insurance representatives estimate that there is a $12 billion liability from past casualty and property policies. The premium for these policies was set at a time when the GST had not even been considered; so there was no way the industry could factor in added costs. I am talking here not about the premium per se, which is GST exempt, but, rather, I am referring to the increased costs associated with paying claims such as payments to body shops for auto repairs, homebuilders for new houses and to lawyers and accountants. These expenses will be taxable under the GST even if they are made to settle contracts of insurance that have been made over the previous five to ten years. The GST as it applies to the settlement of past claims will be a retroactive tax for which the industry could never have planned.

• (2020)

Honourable senators, I am not talking about future policies. The property and casualty insurance industry has clearly stated that as of January 1, or whenever the GST takes effect, it will adjust its pricing structure accordingly. In other words, premiums will go up to reflect the inflationary impact of the GST.

According to testimony given before Senator Buckwold's Banking, Trade and Commerce committee, Bill C-62, unless amended, will penalize heavily a key sector of the economy, and the Canadian consumer will ultimately bear the brunt of those financial losses.

What exactly are those losses estimated to be? According to the Insurance Bureau of Canada, Bill C-62 will cost the industry over $350 million. Let me tell you how this figure is arrived at. The $12 billion I mentioned earlier are reserves that are currently required to be established for solvency reasons. There is a net effect when the government drops the 13.5 per cent manufacturers' sales tax and adds the 7 per cent GST. There is no tax today on professional liability insurance for lawyers, doctors and other professionals, but under the GST

the total 7 per cent will be applied, as it will to any other service. However, something like fixing a roof is mixed, for it involves labour and goods. The overall net effect on the insurance industry of the GST is roughly 3 per cent across the board; that is, 3 per cent of $12 billion, or $360 million, has to be set aside and eventually paid to cover outstanding claims.

Honourable senators, this is simply retroactive taxation and is the most unfair and inequitable measure the industry has ever experienced. Unless our amendment is accepted, the impact of having the GST applied to claims arising out of past policy will translate into a significant reduction in the ability of the insurance companies, especially small- and medium-sized ones, to write new business and serve policy holders. It will reduce the ultimate capital and the solvency ability of companies to meet their claims.

Our amendment would ensure fairness and equity for the industry and, in the end, for the consumer. It seeks to provide transitional relief for a limited period of time for a unique situation in a particularly hard-hit sector.

Honourable senators, our three-part amendment restores common sense and fairness in the application of the GST, should it become law. It is worthy of our consideration and support. Thank you.

Some Hon. Senators: Hear, hear.

Hon. Michel Cogger: Honourable senators, on behalf of senators on this side of the house I wish to thank Senator Kolber for his well-thought-out approach to the problem. I have a question to ask of the senator.

I wish to know from Senator Kolber if his intervention should result in one vote, two votes or three votes. It seems to me that in his triple-barreled approach, under the guise of one amendment, he attacks three problems. I do not think it is a foregone conclusion that one could be in favour of the package or against the package. It seems to me that Senator Kolber would wish to leave the option to senators to be in favour of one, and maybe against the other, or in favour of two and against one. Senator, can you tell us what in your view—

Senator Graham: Which one do you support?

Senator Cogger: I will come to you in a moment, senator.

I really wish to know if we are dealing with amendment number 5 or amendments numbered 5, 6 and 7.

Senator Kolber: Senator Cogger, I thank you for your question. It reminds me of when you were inducted into the Senate and I rushed over to congratulate you. Everybody wondered why I was doing that, and I said that until you were summoned to the Senate I was the shortest senator.

To answer your question, Senator Cogger, I think that you are either intimating or insinuating that you are in favour of one of the amendments. If indeed you are, then you can always make an amendment to my amendment. We would certainly welcome that approach in this matter.

Senator Cogger: Senator Kolber, I believe that you have not answered my question. I wish to reflect on your intervention. I assure you that I will devote at least as much time thinking about it as you have spent preparing it. I cannot at this point in time tell you whether I will be for or against point number one, two or three.

My question remains. What are you offering tonight? Is it a take-it-or-leave-it package, or can it be separated, in which case it would call for several votes? That is my only question.

Senator Kolber: Senator Cogger, being the veteran parliamentarian that you are, you surely have heard of omnibus bills. This is an omnibus amendment. You guys on the other side once rang the bells for 21 days on an omnibus bill.

Be that as it may, my suggestion to you is that if you are against all three amendments then say so. If you are against only two, then say that and offer a sub-amendment by which you will carry only one and vote in favour of it. We will certainly be happy to have that. I do not see what your problem is.

Some Hon. Senators: Hear, hear.

Senator Cogger: I do not have a problem. I think you just answered my question. You are telling us that what you are offering us is a take-it-or-leave-it package and therefore what we are looking at is amendment number 5. It seems to me that if you wish us to contemplate amendments numbered 5, 6 and 7, then I think I could talk to my colleagues on this side and perhaps convince them that this is the way it should be. However, you are telling us that we are looking at the fifth amendment, which is a triple-barreled approach, and that it is a take-it-or-leave-it approach.

Senator Kolber: Honourable senators, first, you must understand that we are allowed only eight amendments. The bill is so flawed that we are trying to get in as many as possible.

Some Hon. Senators: Hear, hear.

Hon. Richard J. Stanbury: Honourable senators, if the government will not withdraw this terrible bill, then at least it should make some amendments to make it a little more sensible and a little more just. In this case it is not only the consumers of this great country who are going to suffer, it is also the business people of the country.

I find it somewhat ironic that the Conservative government has found it possible to alienate the people on both sides of the issue, the business sector and the public sector. I have always said that it takes a particular talent to antagonize both sides of a debate. Of course, I have always thought that as far as the Tory government is concerned it has that particular talent.

So many components of certain sectors of the business community have supported or promoted Mr. Mulroney and Michael Wilson and their various initiatives that they are now paying the price for their mistakes. Hopefully, they will not repeat those errors. Judging by the polls, investing in the Tories would now be so risky that I doubt even a seasoned Las Vegas gambler would care to try it.

• (2030)

Many components of the business sector are now asking the members of this honourable institution to do something about their problems. They want relief. Although the tax should be

scrapped in its entirety, if the Tories are going to bulldoze the GST through, the least they could do is seriously consider the impact on the business community, listen to their suggestions for improvement, and adopt some key amendments.

The Standing Senate Committee on Banking, Trade and Commerce heard from many organizations and associations, and a large number raised serious issues concerning the immediate consequences of the implementation of the GST. Some of those consequences are serious enough to warrant our attention. The three key issues which deserve attention and amendment, and which we are dealing with tonight, are, not necessarily in this order, relief for property and casualty insurers, inventory rebate and adjustment, and double taxation of home builders.

When one reads their submission and their arguments it is difficult to understand why the government has been so insensitive and refuses to make the necessary amendments to make this tax more equitable. It is so obviously inequitable. Major problems have been exposed and are predicted to occur. Surely it is the government's duty to listen, pay attention, and do something about it.

Honourable senators, the proposed amendment moved by Senator Kolber deals with the problems the witnesses identified as affecting them. One portion of the amendment would provide transitional relief for property and casualty insurers by providing them with input tax credits for a specified number of years at rates to be prescribed by regulation.

The problem which this amendment will solve is the following. The fact is that property and casualty insurers have undertaken liabilities which will be subject to the GST but for which no rebate provision has been made. According to the industry, the existing provisions of the GST would amount to a tax on the industry's capital of about $360 million.

One of the many witnesses before the Senate committee was a delegation from the Insurance Bureau of Canada, better known as the IBC. As they pointed out, their industry is a significant one. Directly and indirectly the insurance business employs some 300,000 Canadians from the Pacific to the Atlantic. The industry invests billions of dollars every year in the economy through such things as salaries, purchase of supplies, and payment of taxes. Even though the industry is on record as supporting the GST, that is not really surprising because property and casualty industry premiums are exempt from the tax. However, the industry does have a concern about the transition and implementation problems that are bound to arise. As they point out, and I quote, "this is not an esoteric accounting issue" as far as they are concerned.

Although it may sound strange, the industry argues that it is not a financial service and therefore should not be exempt. The reason is that it actually suffers from the tax exempt status it receives. Exempting the service will have the effect of taxing capital and reserves to an amount of about $360 million. Taking this much money out of reserves and capital would put serious limits on the ability of these companies to grow and expand. On the other hand, making general insurance subject to the GST would allow insurance companies to claim an input tax credit while exempt status does not grant this privilege.

[Senator Stanbury.]

The industry has said that it would like some relief in two areas. First, it would like relief from the tax in cases where reserves are inadequate to meet certain potential situations. Situations may develop where a claim is incurred prior to January 1, 1991, and some GST will be levied. Such cases will be subject to the tax but the industry will have had no opportunity to provide for such events by charging higher premiums in the past.

Second, and most important, is the transitional problem. The matter is simple and straightforward. Premiums which are currently being received will be used to fund future claims. The future claims will be subject to the GST. However, for obvious reasons, these premiums have not been adjusted for the GST. Although expenses will rise in the future, revenues will not.

Members of the Insurance Bureau of Canada have underwritten risks prior to 1991 without any knowledge of the GST consequences of doing so. This means that policies have been written with certain expected cost and return structures in place which are implicit in the pricing of these insurance policies. Where those claims are settled after 1990, reserves will have to be increased to deal with the cost of settling the claims that attract the GST; for example, the GST levied on legal fees, body shop margins and other general expenses associated with settling claims.

The financial consequences of the GST on the claims reserves of insurance companies will be, according to the IBC, very onerous. By making insurance premiums subject to the GST these companies would be able to obtain an input tax credit on any GST claims. The reduction in reserves is estimated to take about five years to become fully effective, and 60 percent of the reduction is expected to take place in 1991-92. However, as the standing committee report notes, the really dramatic impact of the GST can be fathomed much better when one looks at the situation of some individual firms. Consider, for example, the impact of the GST on the Laurentian Pacific Insurance Company. Their total profits in 1988 and 1989 were only $1.095 million. The impact of the GST in 1991 and 1992 is expected to total $1.571 million, in other words, $500,000 more than the company's profit in 1988 and 1989.

The total penalty in the case of Royal Insurance Canada, which is a larger company, is expected to be $25 million, which is equal to 3.6 percent of shareholders' equity.

Michael Wilson and the Department of Finance have said that the application of the tax would be fair and equitable. They said that they would smooth transitional problems. This hardly appears to be the case.

I am afraid that I have to agree with the IBC when it says that the GST, by not providing some form of transitional relief to address the above-noted problems, will no longer be a tax on consumption but rather will emerge as a retroactive tax on the surpluses of companies and will decrease a company's ability

to write business and grow. This presumably was not the intended effect of the tax.

As a result of these problems the federal treasury will acquire a windfall gain of taxes. In the process, the GST will be terribly unfair to the insurance industry. The IBC's conservative estimate of the cost to their industry from a lack of transitional relief will be the $360 million mentioned before over a period of several years. I submit that $360 million is a large enough amount of money to warrant the transitional relief which our amendment seeks.

The insurance industry is one of the distinguishing features of a free, prosperous and developed society. The fact is we all need it. The property and casualty insurance industry has been going through some very rough times in recent years. Increased awards in court cases and rising costs have led to what many have referred to in both the United States and Canada as an insurance crisis. The high costs which were transferred to consumers more or less forced the Liberal Government of Ontario to develop a no-fault insurance plan for Ontario motorists just to keep a lid on the out-of-control rise in costs.

• (2040)

The policy of the federal government should be to help the insurance community to serve Canadians better by keeping insurance within everyone's reach. Instead, the government is making life more difficult for the industry, and this will ultimately have an effect on the affordability of insurance in the future. Once again the policies of this government are expected to backfire, and when they do, do not say that we did not tell you.

Another section of our amendment deals with the problems surrounding the inventory rebate. Numerous witnesses have appeared before the committee and exposed the fact that the proposed GST inventory rebate system is inadequate and that they will be penalized. One promise of the government was that in some sectors the cost of goods will actually drop and that these benefits would be passed on to consumers. If that is to be the case, then the government must ensure that savings are passed on to consumers. It appears from much of the evidence before the committee that the inadequacy of the inventory rebate system will ensure that there are no savings to be passed on.

Many of the goods that will be sold in 1991 will have been acquired by the sellers in 1990 or before. The goods in the inventories of sellers after January 1 that were acquired earlier would already have had the federal sales tax applied to them. In order to avoid this double taxation, the government is offering a transitional provision in the form of a rebate of the FST on existing inventory at the end of the year. The inventory rebate rates are determined by regulation and are not included in the bill. The general inventory rebate is supposed to be 8.1 per cent. This is to apply to businesses regardless of the trade level in which they operate. While it may be adequate for some retailers, it will be inadequate for importers who pay the full 13.5 per cent amount on their inventory.

The government has made a special provision for automobile dealers, who would clearly be disadvantaged by the 8.1 per cent rebate. What Senator Kolber's proposed amendment would do is give businesses an FST inventory rebate equal to the amount of tax paid on that inventory, subject to the provision that the minister can verify this amount. Should the amount not be readily verifiable, the FST rebate would be determined according to the prescribable rates, as is now the case in the bill. The problem heard by the committee was that the inventory rebate system is arbitrary in its application. There appear to be inequities in the effect of these rules. Many of the witnesses testified before the committee that they would be penalized by the rebate rates. While the government seems to believe that only automobile dealers can easily calculate and identify the amount of tax in their inventories, many other associations believe that their members can do so just as well.

The broadly-based rebate rules will clearly penalize some while over-compensating others. The Canadian Cosmetic, Toiletry and Fragrance Association appeared before the committee during its hearings and addressed the issue of inventory rebates. According to this association, the shortfall on the rebate will be 4.4 per cent. On a modest inventory value of $100,000, this means $4,400. The government has said that one of the objectives of the tax reform is to make it neutral. That means that business decisions should not be a factor in the tax component because it would make no difference. However, here is a clear demonstration of where the system will disrupt trading patterns, because it will not be neutral. Retailers will attempt to seek relief by a number of alternative measures. The association has predicted that retailers will attempt to seek relief in one of the following ways: First, by requesting compensation for a shortfall of tax recovery from their suppliers; second, return all inventory on hand December 31, 1990 to their suppliers; third, hold inventory on a consignment basis; or, four, reduce purchases during the peak cosmetic sales period of Christmas 1990 in order to avoid having too much left over stock afterwards.

These alternatives will cause severe disruption in the cosmetic industry. According to the association, the disruption of normal trading patterns will have a disastrous effect on the cosmetic industry in Canada. It seems that Tories like disasters. Almost everything they do turns into a disaster. Whether it is national unity, free trade or tax, the end result always appears to be the same.

Now, honourable senators, I want to deal with a situation where the government has truly achieved the absurd. That is in the double taxation of the home building sector. As it currently stands, the provisions of Bill C-62 would apply the GST to the sale of new and substantially renovated houses. However, purchases of new homes will be eligible for a rebate under most circumstances. Those purchasing a unit valued at $350,000 or less will enjoy a rebate of 36 per cent of the GST paid, reducing the effective GST rate to 4.5 per cent. Purchasers of homes valued above $450,000 will receive no rebate, and for homes valued between $350,000 and $450,000 the rebate

declines from $8,750 to zero as the price of the house increases.

Senator Buckwold: That is based on land as well.

Senator Stanbury: As Senator Buckwold has just mentioned, that is based on land as well as buildings.

These rebates are also supposed to be available to the purchasers of condominiums. Avoidance of double taxation of both the FST and the GST is supposed to be achieved through an FST inventory rebate. For new homes, the FST rebate is supposed to be limited to homes sold before April 1, 1991. Such a provision is not a problem in an upward moving market. However, the market trend right now is strictly downward, and there is a problem of double taxation.

For months people have complained that this tax is another example of the government taxing the citizen to death. This situation offers a perfect example. Is it not enough to tax an item once? Is it absolutely necessary to tax something twice? If the government is willing to tolerate double taxation, can triple or quadruple taxation be far behind? One of the many groups that addressed this issue was the Urban Development Institute. The institute represents more than 600 commercial and residential property developers and related companies across Canada. The institute has raised the example of houses that are completed after March 1991 or unoccupied on April 1, 1991. In such cases no rebate will be paid. This situation will result in the eventual purchaser paying both the federal sales tax and the GST—in other words, double taxation.

In the downward-turning market, the spectre of double taxation only means that a miserably slow-moving housing market will become even slower. Developers who need the cash flow to begin their next projects will end up holding properties which they cannot even sell at drastically reduced prices. A good example of how distressing this spectre is on the horizon was brought to my attention in a letter from Mason Homes Limited. Other honourable senators may have received the same letter. This is a developer in the Toronto area who sold about 400 homes in 1988-89. Some of them were completed in 1990. However, some of the newly constructed homes were not presold. The market is in such terrible shape that the developer has not sold a single unconstructed home in 1990. Currently the developer is carrying 16 homes upon which the FST has already been paid. The looming GST will only increase it.

● (2050)

As the manager of the firm told me on the telephone—it is unthinkable that the government would permit double taxation of this kind. The existing inventory should be exempt, regardless of when it will sell. He believes that this provision is contrary to the provisions of the Charter of Rights and Freedoms and he will be pursuing that avenue of approach.

Honourable Senators, the Toronto Home Builders' Association pointed out in its brief to the committee that national housing starts have hit their lowest level since March, 1986. In Toronto, starts were down 59 per cent from May, and 71 per cent from last June. Unfortunately, it appears that the situation will get worse before it gets better.

[Senator Stanbury.]

Rather than dealing the industry a potential knock-out blow, the government should be devising ways of helping to kick-start the industry. The proposed amendment would be a good place to start.

During a recession, many homeowners decide to save money by renovating their existing homes; and many builders decide to renovate rather than build anew. They will not escape the GST either. A Canadian Press article in the *Lethbridge Herald* about two weeks ago describes the problem. The headline is "Home renovation labor GST target". The article reads as follows:

> The kitchen's too dark, the bathroom's too small or the kids are sick of sharing a bedroom.
>
> All good reasons for home renovation.
>
> The timing for those considering such home-improvement projects—from simple repairs to expensive knocking out of walls and adding rooms or garages—may be greatly affected by the new goods and services tax due Jan. 1.
>
> We'll pay slightly higher taxes on building and decorating materials. But the real jolt will be on labor. For the first time, those who are not do-it-yourselfers will pay seven per cent federal tax on any hired labor.
>
> Even those who want to tackle the project themselves and escape the GST on labor will pay the new tax on rentals of equipment such as floor sanders or concrete mixers.
>
> "It'll be a net increase, there's no doubt about that," says David Lawson of the Canadian Home Builders' Association.
>
> The tax breakdown is complicated. The current federal sales tax—known as the manufacturers' tax—on structural building materials such as lumber and bricks is nine per cent. It's 13.5 per cent on interior items such as paint, wallpaper and light fixtures.
>
> Those rates are paid by the manufacturer at the wholesale level and passed to the consumer hidden in the retail price.
>
> When GST is applied instead, however, the buyer pays seven per cent on that retail price—which varies but can be significantly higher than wholesale. That's why the net tax hit on the wallet will usually be greater.
>
> A few examples: sales tax (not including provincial sales tax) paid on sand and gravel will rise by 5.8 per cent; 2.3 per cent on lumber; 2.5 percent on plywood and 4.1 per cent on nails and bolts. That's according to the independent Ottawa-based Consumer Information Office, based on Statistics Canada data.
>
> Tax on plumbing equipment will go up by 1.6 per cent and by 2.6 per cent on cement. . . .
>
> The big new cost of renovations or repairs, tax-wise, is labor.
>
> Lawson offers this example: a contractor sends a worker to install an electrical fixture. The worker charges the contractor $25 an hour.

"But we (the contractor) will bill him to you at $40," Lawson explains.

"You will pay the tax (seven per cent) on his rate at $40. You'll also pay the tax on the materials. If we bought the fixture at $50 and we knock it up to $80, you'll pay the tax on the $80.

"You will pay seven per cent on the total end cost—the service and the goods.

Some Canadians are renovating now to avoid the GST. But most intended to get the work done anyway and have speeded it up to avoid paying the tax, Lawson says.

If the work can be done for $2,000 to $3,000, potential pre-GST savings are marginal, he noted.

"But if it's going to be $10,000 or more, then $700 plus begins to become a significant amount."

Considering that the average homeowner spent about $2,600 on repairs and renovations in 1988, it's clearly on a lot of minds. National spending for the year was $ll.1 billion, says Statistics Canada.

And Frank Clayton, a housing economist in Toronto, expects that will soon boom to $20.8 billion as aging babyboomers decide to gussy up their homes.

The federal government may not ever see a good portion of the GST on renovation labor costs, he predicts.

"The tax will encourage more black-market work," he says. "A lot of renovation work is already done under the table for income-tax purposes.

"They won't be able to avoid the tax on materials—you have to buy them from somebody. But the labour aspect of renovations will become a larger part of the hidden economy."

What a sad story. We are driving our people to dishonesty.

Honourable Senators, in conclusion, the property and casualty insurers of Canada deserve and need transitional relief during the implementation period of the GST. The government owes it to them. Failure to give it will amount to a theft of capital through the guise of tax.

Further, businesses should be able to obtain an FST inventory rebate equal to the amount of the tax paid on that inventory. If they pay one tax and then the government changes the rules, businesses should be able to get the right amount of compensation. It is only common sense and fair play—but we are beginning to not expect that from the Tory government.

During World War II Winston Churchill remarked, with regard to the pilots during the Battle of Britain, that never before in the history of mankind had so many owed so much to so few. Honourable Senators, as the Liberals here try to amend this tax and desperately try to make the government realize the folly and undemocratic nature of what it is doing, I have no hesitation in saying, somewhat immodestly, that at no time during the past six years of Tory rule have so many been so grateful to so few for attempting to insist on some fairness in our tax system.

An Hon. Senator: Shame!

Senator Stanbury: Public opinion polls show that we have the support of the overwhelming majority of the people, not just emotionally but because the GST is bad. The amendments which I have just discussed are wholeheartedly supported by business. One day the Tories will take their own inventory and find that, because they have been so ridiculously intransigent, they have no allies left at all and there certainly will be no credit—either tax or otherwise—for having imposed the GST.

Some Hon. Senators: Here, here!

Hon. Peter Bosa: Honourable Senators, I rise to take part in the debate on the amendment proposed by Senator Kolber and to make a few observations on the anomalies contained in Bill 62. I also want to add that I have never, in the thirteen and a half years I have been in this chamber, received so much mail directed against a single piece of legislation, such as the bill that is before us today.

• (2100)

Honourable senators, in 1991, if all goes as planned by the federal government, Canadians will be faced with a new tax whenever they purchase a wide range of goods and services. This new sales tax will, for most Canadians, be applied in addition to the existing retail sales taxes with which they are now familiar.

Undoubtedly, the single largest expenditure made by families relates to housing. This is true whether they own or rent. The tax treatment of this sector is thus very important to personal finances. My intervention will examine the effect of the goods and services tax on housing markets by considering the way it affects new construction, on the rental market and the resale market.

Initially, the GST was to have been set at 9 per cent, imposing, therefore, a 9 per cent tax rate on the retail price of a new house purchased from a developer or of a substantially renovated house. This includes the land on which the house is built as well as the value added in the construction of the house. Thus, the GST had the potential to increase substantially the price of new houses.

To offset this impact, the government planned to rebate up to one-half of the GST otherwise owing, subject to restrictions on the price of the house. The intent was to impose a 4.5 per cent GST rate on the vast majority of new homes, those priced at $350,000 or less. More expensive new homes also faced higher effective GST rates.

The GST is now to be set at 7 per cent. The government still intends that the vast majority of new houses will have an effective tax rate of 4.5 per cent. Thus, for all new homes purchased at a price of $350,000 or less, a rebate of 2.5 per cent will be offered. Homes priced between $350,000 and $450,000 will be subject to an effective GST rate which rises gradually from 4.5 per cent to 7 per cent. New homes costing more than $450,000 will be subject to the full 7 per cent rate.

Newly constructed homes must compete with the existing stock of homes, which will not be subject to a tax upon resale except in certain circumstances. Buyers see the two as being

relatively close substitutes. In the minds of consumers, the total prices they are willing to pay for these two types of housing are linked. The fact that one component faces a tax while the other does not is irrelevant to them. Thus, the relative price of new and old housing should remain relatively stable with the imposition of a tax on new housing.

Consider a housing market with a taxed and an untaxed sector. Applying the GST to one sector will drive up the price, reducing the quantity demanded and increasing the price spread between the two sectors. Since the two types of houses are substitutes, this increase in relative price will cause some housing demand to shift from the taxed sector to the untaxed sector. However, an increased demand for untaxed housing cannot bring forth any increase in supply, since all new housing is, by definition, taxed. Therefore, prices must rise. The GST will cause new house construction to decline and raise prices in both sectors.

In the future, the stock of untaxed housing will decline as older homes are destroyed or renovated. Population and income growth, along with demographic change, will increase the demand for housing. Yet any net addition to the housing stock must come from the taxed sector. This, then, is the marginal supply at which the price will be determined.

The introduction of the GST on new housing will then raise house prices and confer a profit on owners of existing housing; but the first-time buyer will nevertheless always be a loser, whether he buys a new home or an old home.

The GST will also affect rental accommodations in a negative way. When a building is constructed in 1991 or later, all aspects of the construction will be subject to the GST, as will the cost of the land. Long-term residential rents are to be exempt from the GST. No tax will be collected on these rents and the landlord cannot claim an input tax credit on any GST paid. The tenant will then pay a rent which effectively includes a GST component for all the value added into the rental accommodation, except for this last stage.

Newspaper reports indicate that rent review authorities would consider the GST paid as a legitimate expense in the determination of rents. Any subsequent sale of this building will then also be exempt from this tax.

Buildings constructed prior to 1991 were never subject to a GST, although they were subject to the federal sales tax in existence at the time of construction.

Commercial and short-term residential rentals are subject to the GST. In this case, landlords are eligible for a full input credit on GST paid. Subsequent sales of these buildings are subject to the tax.

Again, the obvious question to consider is the impact of this new tax on the price of rental accommodation. Rentals in new buildings will be subject to the tax, although this tax component will be hidden from the consumer and will effectively be less than 7 per cent. Such a tax does not apply to residential rents in older buildings. From the point of view of the consumer, the relative demand for the two types of rental accommodation will not change and, therefore, the equilibrium price should stay about the same.

The introduction of a new and larger tax on new construction should raise rents across the board. To see how this would work, consider the case where the market is at equilibrium. A stock of older rental accommodation exists and faces some level of demand. This sets a market price. The alternative market consists of new rental accommodation. In this sector, there is also some market price established according to supply and demand. If a tax is introduced into the new sector, the price there will rise and the quantity demanded will fall. However, it should be remembered that older accommodation is a substitute for newer accommodation and, as the tax drives up the price of new apartments relative to old apartments, the demand will shift from one market to the other. However, the increased demand for older apartments cannot bring about an increased supply, so the consequences will be fully reflected in price hikes.

Rent controls complicate this picture, but they do not alter the fact that excess demand will exist in this sector. If it cannot be eliminated via price increases, other adjustments will take place. In any event, it is clear that developments in the taxed sector will also affect the non-taxed sector. Prices will rise in both segments of the market, and the amount of new construction should decline.

The GST will increase costs of operation, even in older buildings. Any materials used for maintenance and repairs will now be subject to a 7 per cent tax. So will purchases of utilities other than water. These additional costs to landlords will definitely be passed on to consumers.

The committee heard much evidence on the impact of the GST on the housing sector, particularly during our hearings in Toronto and Vancouver. The committee learned that in high-cost land markets the effective federal sales tax embedded in a new home is only 2.5 per cent, and the consequent increase in prices due to the GST will be at least 2 per cent, and as high as 3 per cent in the Toronto area. This is significantly higher than the government's estimate.

These high land costs also imply that the GST rebate system could be inadequate in those regions, unintentionally denying a full rebate to some households in this part of the country, to whom the government intended to deliver a rebate.

Witnesses before the committee also spoke of the effect of the GST on soft costs associated with housing. A 7 per cent tax on real estate and legal fees would raise the cost of purchasing a home by as much as one-half of 1 per cent.

● (2110)

According to those witnesses, rental accommodation would also suffer, even though long-term residential rates are exempt from the tax. In Ontario, tenants in new buildings could see rents increasing by $50 per month. New rental accommodation is not granted a GST rebate similar to that offered to new owner-occupied accommodation. In Vancouver, the effect is expected to be between $27 and $56 per month. The Canadian

Real Estate Association gave an estimate of between $41 and $61 per month in increased rents.

The committee also learned that the transitional provisions for the housing sector are not as straightforward and, apparently, not as fair as they are for other sectors of the economy. In many cases, the inventory of homes being held by builders could be subject to double taxation. If possession is not transferred to owners until after April, 1991, no FST inventory rebate is given. Current market conditions make it difficult for builders to draw down these inventories.

Multiple unit buildings under construction at the start of the year will also receive unfavourable FST inventory rebates. The maximum rebate for an unfinished building as of January 1, 1991 is 75 per cent of estimated FST paid. Since not all FST would be recovered, the application of the new GST on such buildings would result in a degree of double taxation.

I received a letter from a company called Paradise Homes, which states:

Dear Sir,

I am writing to highlight a particularly unfair aspect of the GST transition provisions.

Under the GST transitional rules, all industries except the housing industry will get rebates for inventory on hand at December 31, 1990. With new housing, purchasers of new homes started prior to December 31, 1990 will be eligible for an FST rebate of two-thirds of 4.25% of the purchase price if the transaction is closed prior to February 15, 1991. After that date, however, *no FST rebates are available.*

Under the above scenario, double taxation has been built into the system, contrary to the intent of the transition provisions, in that inventory standing at December 31, 1990 will carry the full FST content, and be subject to the full GST if it remains unsold on March 31, 1990.

While I am concerned with this problem of double taxation per se, I am even more concerned that this situation can only prolong the current slump in an industry which must return to health if the country's economic outlook is expected to improve.

The higher than normal inventory levels were not planned (the Toronto-area housing market has been a pre-sale market for some time) but have been caused in large part by the phenomenon of "walk-aways", i.e., people who have failed to close deals which were made some time ago. The walk-away problem has been caused in large part by the current high interest rates.

There is a simple solution to this problem, and that would be to extend the deadlines for the FST rebate provisions or to allow builders the same rebates which are available to purchasers following the March 31, 1991 deadline.

I am not personally opposed to the Goods & Services Tax, however, I am offended by double taxation, and by the short-sightedness of the transition provisions.

I would strongly encourage you to take an objective look at this issue and would appreciate your support in attempting to obtain an amendment in this regard.

Yours sincerely,

Paradise Homes
Eddie Weisz

The FST inventory rebate is designed to ensure that, after December 31, 1990, no double taxation applies to supplies upon which the GST is charged. The general inventory rebate rules do not apply to new housing. In this case, a more complicated and less fair system is put into place.

In no case does Bill C-62 grant a full FST inventory rebate on housing, and in many cases it grants no rebate.

In the case of a single unit home, where construction started before 1991, the maximum FST rebate to be given would be two-thirds of the estimated FST embedded in the price of the home. This would be granted only if possession is transferred before February 15, 1991. If possession is transferred after that date but before April 1, 1991, the rebate is limited to one-third of the estimated FST. If possession is transferred after April 1, 1991, no rebate is granted.

If a house is started in 1990 and completed in 1991 it will have a lower FST content than a house completed in 1990. This is due to the fact that some inputs will be purchased after the FST is eliminated. However, there can be a long delay between completion and transfer of possession, something the bill does not take into account. Given the current state of the housing market, it will be common to see homes built in 1990 being sold late in 1991. The impact on housing prices will be dramatic.

For example, if a house completed in 1990 and sold in 1991 were sold before February 15, 1991, the tax on the house would be 4.5 per cent GST, after the new home rebate, plus 1.42 per cent remaining FST content for a total of 5.92 per cent.

If the house is completed in 1990 and sold after February 15, 1991 but before April 1, 1991, the tax on the house will be 4.5 per cent GST, after the new home rebate, plus 2.84 per cent remaining FST content for a total of 7.34 per cent.

If the house is completed in 1990 and sold after March 31, 1991, the tax on the house will be 4.5 per cent GST, after the new home rebate, plus 4.25 per cent FST for a total of 8.75 per cent.

This double taxation will make it very difficult for builders to sell the existing stock of housing, an inventory which is already carrying a high interest cost. The federal government's argument that the tax will have little impact on house prices also becomes less credible. Just as important, this double taxation penalizes a sector of the economy which has already been hard hit by the recession.

According to the Urban Development Institute, to which my colleague, Senator Stanbury, referred, there are currently thousands of unsold new homes in Canada. Moreover, many

homes which appear to have been sold will never close as buyers walk away from the deal. Most important of all, the transition period that the government has chosen, January to March, is a period in which new home sales are at their lowest. Therefore, if homes are not sold by this December, there is little likelihood that they will be sold before April, 1991.

This amendment attempts to rectify this problem. Sub-amendment (b) allows builders until April, 1992 to sell their inventory and still qualify for a rebate of FST. Moreover, it only limits the percentage of the rebate in cases where warranted, that is, when substantive construction is still being done in 1991. If a house was built before 1991, it could and should receive a full FST rebate.

This problem is not unique to single-family dwellings. In the case of multiple-unit dwellings, no full FST is ever granted under the provisions of the bill, even if a building is completed at the end of 1990. It should be recalled that residential units constructed for the rental market receive no GST new home rebate. Thus, a new apartment complex would have a total effective tax content in 1991 of 8 per cent. That is to say, 7 per cent GST, plus 1 per cent remaining on the federal sales tax. Despite the tax exempt status of rents in such a new building, they would increase by more than the government is willing to admit.

• (2120)

This sub-amendment (c) allows for a 100 per cent federal sales tax rebate on all units which are more than 75 per cent complete as of the end of 1990. With these amendments, new housing would be treated the way other goods are treated with respect to the FST inventory rebate. All actual FST embedded in a new home would be rebated.

Proponents of the GST, those who are presumably supporters of the government, are begging honourable senators to rectify these anomalies in the legislation. Bill C-62 is a cruel piece of legislation. I do not mean to say that you, Mr. Minister, are cruel, but the effect of allowing double taxation to apply on housing is unfair and cruel. I ask you and the government supporters to accept this fair amendment.

Some Hon. Senators: Hear, hear!

Hon. Nathan Nurgitz: Honourable senators, I was thinking that I should tell honourable senators opposite why they are being subjected to me tonight. It is because earlier today, while our whip was casting his eye about for a volunteer, he looked at me. Senators opposite know the government whip and probably call him "senator warmth" as we do. I told him that if I spoke I would take the fifth amendment. Thus, he told me to go ahead.

Honourable senators, I would like to deal first with the property and casualty insurance part of Senator Kolber's amendment. This amendment raises two key questions regarding the application of the GST. These are the treatment of financial services generally, and the particular circumstances where transitional provisions are warranted.

In both areas, the government's approach as reflected in Bill C-62 has been to treat these major areas in ways which are consistent with its fundamental concern that the tax be equitable within industry sectors, so that there is nothing in the design of the tax that adversely affects one company relative to another.

[Senator Bosa.]

With respect to the treatment of financial services, the overall design of the GST in the area of financial services was the subject of very extensive consultation with the financial services industry, including banks, financial institutions such as caisses populaires, trust companies, life insurance companies, property and casualty insurance companies, and brokers, dealers and underwriters in financial instruments.

Clearly, in theory, it would be desirable to tax all services, including financial services, in the context of a broadly-based tax like the GST. However, in the process of consultations with the financial services industry, it became apparent that in addition to posing formidable technical problems, taxing financial services would have been complex, potentially unfair to particular firms both within and between industry groups, as well as unfair to consumers. As well, taxing financial services is something which has never been done before in any jurisdiction with a value-added tax. This would certainly have been a risky—perhaps even imprudent—course of action for the government to take. As a result, it was decided that financial services generally—and I emphasize the word "generally"—ought to be exempt.

The treatment of financial services will be uniform throughout the financial services industry. That is to say, consumers will not be charged a tax on financial services. In the same way as they currently pay the 13.5 per cent FST and the 11 per cent telecommunications tax, providers of financial services will continue to pay sales tax on their purchases.

Clearly, establishing a level playing-field is extremely important given the pace of change and the evolving framework for competition in this industry, and that is what Bill C-62 provides.

The key transitional issue in the property and casualty insurance industry and, more generally, in the financial services industry, is whether there are any special features of this industry that would justify special treatment. In other words, is there a real need to do something?

This issue has been considered very carefully and has been the subject of extensive consultations with industry groups and the most important regulatory agencies. The major conclusion is that there is no compelling reason to provide special treatment for the property and casualty insurance industry.

Indeed, there are a number of reasons why special treatment would not be justified. Property and casualty insurers currently pay the 13.5 per cent FST and the 11 per cent telecommunications tax on many of their purchases and claims costs. Because these taxes will be removed, the increase in insurers' costs will be substantially less than 7 per cent. As a result, there is no reason to believe that the transition to the GST will pose a formidable hurdle for the property and casualty insurance industry.

The industry has the means of adjusting to the GST which will significantly reduce the transitional effect, for example, by rearranging to whom they pay claims. For example, as opposed to providing a new building when a claim is being made for a total loss, if in some way it is structured that the commercial enterprise builds the building, it can then pass through the GST costs. The industry also has flexibility in its pricing.

Honourable senators may recall that when representatives of that industry appeared before the committee on June 14, I asked a question dealing with the very issue of building in the price. In response, Mr. Brochu, one of the representatives of the Insurance Bureau of Canada, and, of course, a private insurer, said:

> As far as we're concerned, speaking for my own company, we launched into the process in the spring this year, looking ahead a little more in March and April . . .
>
> So I think companies have started to do so. There are some that started perhaps a little sooner or a little later, it's a question of degree of market forces.

Later on, I asked Mr. Lyndon, who, I believe, is the President of the Insurance Bureau of Canada, this question:

> Is it now the policy of your industry to do your pricing so that it reflects that kind of ongoing problem? To get away from whether it is or it is not, one has to say there is a—
>
> **Mr. Lyndon:** There appears to be a good chance.
>
> **The Chairman:** A fighting chance.
>
> **Mr. Lyndon:** A fighting chance. I like your phrase. We should be getting on and pricing accordingly.
>
> **Senator Nurgitz:** And are you?
>
> **Mr. Lyndon:** Yes.

The possible effects of the GST on the industry were discussed at length with the office of the Superintendent of Financial Institutions. As a result of these discussions, the government is convinced that the GST will in no way jeopardize the financial health of the property and casualty insurance industry.

Of course, the government realizes that the GST is a major change. As a result, the government will continue to consult broadly with a variety of industry sectors and, of course, on that basis, will continue to work closely with the industry to address any ongoing concerns.

Honourable senators, there is another important factor to consider, that is, the factor of a strong economy, and an increase in economic activity which can only result in increased demand for this type of product for both consumers and business. The increase in economic activity resulting from the GST will result in more jobs, as estimated by the government, and a higher standard of living for all Canadians.

I want to remind senators as well that the benefits of the GST to the property and casualty insurance industry are well recognized by the industry itself. Indeed, the President of the Insurance Bureau of Canada, Mr. Jack Lyndon, wrote to Senator MacEachen urging passage of the GST without delay.

● (2130)

To conclude with respect to this portion of the three part amendment, the government believes there is no reason to believe that the transition to the GST will impose a formidable hurdle to this part of the industry, which is the property and casualty sector. The industry has the means of adjusting, and in many instances it has. In addition, any method of transition that would be contemplated would be inherently arbitrary and overly complex for the industry to implement and the government to control. Accordingly, members on this side consider that part of the amendment should be defeated.

With respect to that part dealing with the inventory rebate, to find out the most effective and fairest way of removing the existing tax, the government consulted extensively with businesses throughout the summer and fall of 1989. The department responsible for the administration of the GST, Revenue Canada, conducted extensive consultations with the business communities on an inventory rebate program. In the course of those consultations, as has been explained to us, it became evident that it would be extremely difficult, if not impossible, for most businesses to identify the actual federal sales tax content of their inventories. Consequently, a tax factor approach was adopted. This method greatly simplified the claiming and administration of rebates for both business and the government.

The basic design of the rebate program is a product of extensive consultation with the business community. Two key messages emerged from these consultations. The vast majority of businesses are rarely, if ever, in a position to determine actual tax paid at an earlier trade level, and it is imperative that the system be as simple as possible to streamline transition. Consequently, the government announced that the calculation of inventory rebates will be based on prescribed rebate factors in all cases. No one will be permitted to claim rebates for the actual tax paid. The number of rebate factors has been kept to a minimum, limited to a relatively small number of major categories of goods.

In order to claim their rebate, wholesalers and retailers will simply apply the relevant rebate factors to the laid-down cost

of their inventories as determined for income tax purposes. The laid-down cost of inventory for retailers and wholesalers is much more than the bare manufacturer's selling price. It includes, for example, federal sales tax, freight costs and other intermediary markups after the tax point.

Because it relies on rebate factors based on average tax paid, the rebate program does contain an element of rough justice. In some cases the program will overcompensate for the tax paid, and in other cases it will to some degree be an undercompensation. Overall, the rebate factors have been set to rebate the total tax on inventories as of January 1, 1991. The inventory rebate program is projected to cost in the range of $2.3 billion. It is a generous program and the best available estimate of the total amount of federal sales tax that will be in inventories at the start-up of the GST.

Now, if I may, I will deal briefly with the question of the housing situation raised by Senator Kolber and other honourable senators. The FST rebate program for new homes was introduced to ensure that the sale of newly constructed homes are not subject to GST and the federal sales tax during the transition period. It is an effort to avoid a form of double-taxation. It will be important to recognize that purchasers of single homes will be eligible for a rebate of the full amount of federal sales tax embedded in the cost of the their homes calculated at 4.25 percent of the selling price.

The Government has been discussing the transition rules related to residential housing for almost two years. In the course of these examinations it has consulted with such organizations as The Canadian Home Builders Association on a national basis and its provincial and local counterparts across the country. It has exhaustively examined the statistical and economic data and has remained convinced that the rebate program as now structured is well-suited to the particular nature of the housing industry. In the government's view, the transitional period as set out in the bill will be more than adequate.

I would point out that the amendment proposed by Senator Kolber really follows along the lines of what is now contained within the GST proposal, except that it extends the time. It applies generally the same kind of formula. So I am suggesting that in this kind of transition period there will appear to be what some will consider perhaps an unfair advantage, but at some point one has to pick a date and live with it. I think the government has listened closely to the advice and concerns expressed by the industry. They have modified their proposal as indicated to us when they were shown a better way to achieve their objectives in the public interest. They will have to continue to further refine this operation when they draw on the practical experience of this kind of tax working. That is a normal course of events for any tax situation.

The structure of the GST as it now stands represents what I suggest to honourable senators is the fairest and most balanced approach that could be devised at this time. Therefore, I urge upon all of you that this amendment not be passed.

Senator Molgat: I was interested in listening to my colleague from the Province of Manitoba defend the present situation insofar as the tax is concerned, and say things, for example, like "There is a great deal of raw justice in what the Government is doing."

Senator Nurgitz: Rough justice.

Senator Molgat: Rough justice. I thought it was raw justice. The result is the same. He also said that "Obviously there are some serious problems here, but we have to accept the good with the bad."

The problem is that my honourable friend did not point out, as I think he should have, representing, as he does, a region like ours, that once again the raw justice, or rough justice, or accepting the good with the bad, has a particularly bad impact regionally, particularly on the region he and I represent.

Once again the GST is going to have a different kind of impact on our region than it does on central Canada. I think my honourable friend—who has long experience in Manitoba and knows what makes our economy tick—if he stopped to look at the whole thing, would have to agree, as I tried to point out the other day when were debating the amendment concerning hydro electric power and heating fuels, that it is a very different thing to be dealing in the winter with heat in Manitoba and heat in Victoria—or, indeed, heat in most of central Canada. It is not the same thing. If one looks at our economy, it is not the same thing.

Essentially western Canada, certainly our region, is not a manufacturing region. Even less so in Saskatchewan. Our regions are now basically distribution regions. They are made up of wholesalers who buy from eastern or outside manufacturers and then attempt to sell on our market. I am focusing now on the inventory question.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): With regard to the regional impact that the honourable senator is talking about, I wonder if he has examined the comparative figures. For example, there is the amount of money that the tax will take out of the economy of western Canada compared to the amount of money that is taken out by the manufacturers' sales tax. Second, I wonder if he has considered the positive impact in terms of increased production in that region and whether he would be interested, when I get the figures, to see them tabled in the Senate?

• (2140)

Senator Hastings: By all the western governments?

Senator Molgat: Honourable senators, I would be interested in any figures that my honourable friend can give me that will indicate that my region will benefit in some way from the GST.

Senator Murray: Good, I will bring them in.

Senator Molgat: At the moment, I have to say that I do not see any benefits. I can see benefits going to central Canada—

Senator Murray: Oh, no.

Senator Molgat: —the central manufacturing base of this nation. That is my concern about the GST. The tax has been designed by bureaucrats in Ottawa who see Canada as one might see European economies—small, centralized, unitary states. The bureaucrats have applied the concept of the VAT system, if you will, which works well in Europe, to the Canadian economy, which is very different for a host of reasons: distance, climate, regional impact and other factors. The bureaucrats have convinced those across the way that this is the answer to Canada's problems. Frankly, as a representative of the province of Manitoba, I do not see it that way. I think that we will suffer unduly by comparison with other regions of this country.

Senator Murray: I think I can demonstrate to the contrary.

Senator Molgat: I see Senator Doody shaking his head. I think Newfoundland will suffer as badly as we will. I think that, once again, this tax is a creation of bureaucrats in central Canada who have somehow or other convinced the present government that this system will be better for Canada. From the standpoint of my region, I cannot see it.

The other day I read into the record a letter from a carpet wholesaler in Winnipeg. The name is McMann, a well-known company in our province. It was pointed out that on their inventory of carpets they will get a rebate of 8.1 per cent under the present system. However, they have paid 13.5 per cent in federal sales tax. They ask: "How can we compete against a manufacturer who owns his own retail or wholesale distribution system, because that manufacturer will not have paid the 13.5 per cent until such time as the goods are disposed of? We will be in a different economic position than he will."

Importers have said the same thing to the committee. Allow me to read a letter dated August 1,1990 from a group in Vancouver called New Look. They were writing to Senator Buckwold, and they had this to say:

Re: Submission to the Standing Senate Committee on

Banking, Trade and Commerce
GST STUDY BILL C-62

Referring to my summary on Federal Sales Tax Inventory Rebate, you will find proof of a shortfall of approximately 3.3% on our inventory. As we expect to have an inventory by December 31st 1990 of some 2.4 million dollars, this would mean a direct loss of approximately $80,000—funds that we have paid the government but would not receive back under the 8.1% rebate proposal, which would definitely create hardship and would be most unfair to us.

It is a complete fallacy to suggest, as some may do, that we pass this shortfall on to the public, our customers. The marketplace and strong competition would simply not allow this; so it will instead be a direct loss for us.

I am asking you, Senator Buckwold and your committee to ensure that fairness will prevail, thus avoiding financial damage to small businesses in the import trade. After all, trade is a two way street—without import we will have no export and vice versa.

So because of this economic structure of our region, because essentially we do not have the manufacturing base that Ontario and Quebec have, because we depend largely on wholesalers representing central Canadian manufacturers or importers representing outsiders, these individuals and other industries will not get back what they have paid out in taxes. I submit that this measure will have a bad regional impact as a result of this aspect, let alone the tax itself.

Therefore, there should be a change, an amendment to what is being proposed. Otherwise, once again, you will be creating something that will have a different impact on different regions in the country. Senator Nurgitz, as I said at the outset, is familiar with the business situation in Manitoba. I ask that, instead of pleading to us to support the measure, he come forward with a better recommendation. I think it is possible for members opposite to propose something that is better than

what is offered by Bill C-62. I am sure that the honourable senator agrees there is unfairness, that in our province, particularly with regard to this one area, let alone others, it will have a larger impact than in other parts of the country. I ask honourable senators opposite: Is that fair?

Senator MacEachen: Brutal!

Senator Molgat: Is it reasonable?

Senator Buckwold: Terrible!

Senator Molgat: Should we not at this point be doing what I understood members opposite to say many times earlier in this debate: Talking about the bill and proposing changes. We are proposing some changes now. If honourable senators opposite do not like the specific changes we have proposed, we are prepared to look at others. Surely they cannot disagree that the GST will have an unfair regional impact. Heating is one of the worst items to be affected, but this amendment has merit as well. I ask that they come forward with a better proposal. I am sure that if they were to submit an amendment to our amendment, we would consider it. If the government is going to proceed with this tax—and I hope that it will not—let us in the final analysis not make it unfair regionally, as it presently exists.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I do not want to be argumentative.

Senator Petten: Far be it from you.

Senator Murray: Earlier my friend and I had a brief exchange on the question of regional output gains from sales tax reform. I appreciate what Senator Molgat has said about the impact of the GST, particularly on items such as fuel, and so forth, but my point in my earlier intervention was that his region would gain considerably in terms of increased production as a result of the tax. I have to tell the honourable senator that the Department of Finance projections indicate that those parts of Canada which depend most on the capital intensive resource industries will be the major beneficiaries of the tax, because the GST will remove the sales tax on capital imports and provide large investment incentives to the resource sector.

• (2150)

For example, the government estimates output gains for the north at 1.4 per cent. Indeed, the average long-run output gain for Canada as a whole is 1.4 per cent. As a result of the tax, my friend's region, the prairies, will enjoy the highest output gain of any region at 2.5 per cent.

There are also statistics—that I do not have in my head but which I will try to obtain and place on the record at a later date—which indicate that, in terms of the amount of money taken out of the economy by the GST in his region, by comparison with the manufacturers' sales tax, his region will be better off under the proposed GST.

Senator Molgat: I would thank the honourable gentleman for his comments, and I will be happy to have those figures when he submits them.

Will he not agree that according to the letter I read a couple of days ago—and I did not give the name of the company at that time—from McMann's of Winnipeg, or the letter I read just now from New Look who, I think are importers, those specific firms will suffer a substantial loss under the proposed system? Further, did I understand the honourable gentleman to say that this would not include the extra costs of heating and electricity?

Senator Murray: I said that I understood what my friend said about particular impacts on particular commodities in particular areas. My point was that his region, the prairie provinces, will benefit considerably from the GST in terms of increased production. Indeed, his region, which depends on capital-intense resource industries to a great extent, will benefit disproportionately.

I also undertook to provide some information at a later date which I think will indicate that in terms of the amounts taken out of the economy by the GST, his province and region will be in a better position than they are now under the manufacturers' sales tax.

Hon. Earl A. Hastings: In light of all these benefits and alleged gains that the government leader indicates will accrue to western Canada, while he is doing his research, would he also indicate why the governments of Manitoba, Saskatchewan, Alberta, and British Columbia oppose this tax and why two of those provinces are taking the federal government to court over the tax? If these alleged benefits will come to pass, why would the governments of those provinces be so unalterably opposed to this tax?

Senator Murray: The honourable senator says that they are unalterably opposed, but honourable senators are aware that there is no provincial sales tax in the province of Alberta and, therefore, the opposition to the tax at the retail level is a strongly entrenched part of the political culture of that province. I understand that Albertans, however, are paying plenty through the manufacturers' sales tax. When the GST comes into effect, they will find that they will be paying less than they are now paying under the manufacturers' sales tax. Likewise, I think it should be pointed out that Saskatchewan, while my friend says it is unalterably opposed, is not far behind Quebec in entering negotiations with the federal government leading to a possible harmonization of its retail sales tax and the GST.

Hon. Sidney L. Buckwold: Honourable senators, we have heard the arguments before about all the great regional gains which will result from the GST, and we have heard them again tonight from the Leader of the Government. He has indicated that he has statistics. However, Senator Poitras knows that we have statistics from the Department of Finance which show the negative impact of the GST on the area we are talking about, as well as province-by-province. Although I do not have those figures on my desk I will, as the Leader of the Government has promised to do, get them. They will indicate a net loss between what these provinces pay under the present manufacturers' sales tax as against what they will pay after the passage of the proposed GST. I am sure Senator Poitras will recall these figures, because we quoted them about 50 times as we went across the country. The figures were used to illustrate a province which would gain but many other provinces will lose.

The Leader of the Government mentioned the increase in production. One of the great justifications of the GST is the extra billions of dollars that will be infused into the gross national product. We heard exactly the same arguments in defence of the Free Trade Agreement. We heard about tremendous gains in our productive capacity as a result of the overall revenue gain to the country and the employment gain. Honourable senators know exactly what has happened.

It is very easy to develop these statistics on the basis of a computer program that churns figures out and to not be realistic about them. I wish the government would stop telling us about the advantages of the GST as it will affect production. Keeping in mind the experience of free trade and the fact that we are moving into a serious recession, this is not, as Senator Murray says, a time when we can expect production to increase. The opposite is going to take place.

Before the government propaganda, as presented by the Leader of the Government, sinks in too deeply—even on the part of those who support the government—I think it is important to know that the statistics are not exactly as the Leader of the Government has said, and I will be glad to table other statistics as they were presented to our committee.

Senator Murray: Well, let's see yours.

Senator MacEachen: Question!

• (2200)

The Hon. the Speaker: Honourable senators, it has been moved by Senator Kolber, for Senator MacEachen, seconded by Senator Buckwold:

That Bill C-62 be not now read a third time but that it be amended to provide transitional relief to registered traders, by permitting them a rebate equal to the tax value of their inventories, and to provide fairer transitional relief in the case of certain residential complexes and to general insurance companies,

(a) by striking out line 35 on page 14 and substituting the following:

"amount of tax paid on inventory as verified by the Minister or, if the Minister is unable to verify that amount, the amount determined by a prescribed";

(b) on page 16,

(i) by striking out line 27 and substituting the following:

"plex after 1990 and before April 1992,",

(ii) by striking out lines 36 to 45 and substituting the following:

"(e) the estimated federal sales tax for the complex where the complex is substantially completed before 1991 and possession is transferred before April 1992,

(f) 2/3 of the estimated federal sales tax for the complex where the complex is substantially completed after 1990 but before February 15, 1991 and possession is transferred before April 1992, and

(g) 1/3 of the estimated federal sales tax for the complex where the complex is substantially completed after February 15, 1991 but before April 1991 and possession is transferred before April 1992,";

(c) on page 17,

(i) by striking out lines 23 to 27 and substituting the following:

"than 50% completed,

(ii) 75% of the estimated federal sales tax for the complex, where the complex was, on January 1, 1991 more than 50% completed but not more than 75% completed, and

(iii) 100% of the estimated federal sales tax for the complex, where the complex was, on January 1, 1991 more than 75% completed,";

(ii) by striking out lines 30 to 44 and substituting the following:

"more than 50% completed,

(ii) 75% of the estimated federal sales tax for the unit, where the condominium complex in which the unit is situated was, on January 1, 1991 more than 50% completed but not more than 75% completed, and

(iii) 100% of the estimated federal sales tax for the unit, where the condominium complex in which the unit is situated was, on January 1, 1991 more than 75% completed,";

(d) by striking out line 26 on page 276 and substituting the following:

"VII.

Property and casualty insurance

347. (1) Where a property and casualty insurer, in this section called the "insurer", settles a claim after 1990 but before 1998 in respect of an insurance policy issued before 1991 (other than a life insurance policy or an accident and sickness policy), the insurer may claim, in the reporting period in which the claim is settled, an input tax credit as calculated as prescribed.

Meaning of property and casualty insurer

(2) In this section, a property and casualty insurer means an insurer licensed under the laws of Canada or a province to carry on a property and casualty insurance business.""

Is it your pleasure, honourable senators, to adopt the motion?

Some Hon. Senators: Yea.

Some Hon. Senators: Nay.

The Hon. the Speaker: Will those honourable senators in favour of the motion please say "Yea"?

Some Hon. Senators: Yea.

The Hon. the Speaker: Will those honourable senators who are against the motion please say "Nay"?

Some Hon. Senators: Nay.

And two honourable senators having risen:

Hon. William J. Petten: Honourable senators, pursuant to provisional rule P-3(a), I request that the division be deferred until 5:45 o'clock p.m. on the next sitting day.

Some Hon. Senators: Hear, hear!

The Hon. the Speaker: Accordingly, honourable senators, the division is deferred until 5:45 p.m. tomorrow.

BUSINESS OF THE SENATE

Hon. Allan J. MacEachen (Leader of the Opposition): Honourable senators, I rise to express a question as to whether it is necessary or appropriate to move adjournment of the debate on the main motion. I know it has been done every time we have deferred an amendment, and it was done last night by my colleague, Senator Frith, but it is my view that moving the adjournment of the debate on the main motion implies that one could debate it at this time despite the fact that there is an amendment which is before the house, and one cannot return to the main motion to debate it until the amendment has been disposed of. If I am wrong, then I think there are implications that we all ought to understand, but I just raise the point to allow honourable senators to think about it. If I am not right, then I would like to be told how we can debate a main motion when the amendment is before us. Deferring the amendment, as I said, does not dispose of it in any way. That is my point.

Hon. C. William Doody (Deputy Leader of the Government): It does not bother me, honourable senators, if the honourable gentleman has adjourned the debate during the past few deferrals. I thought that it might be appropriate to do it again.

Senator MacEachen: Go ahead. We will look at it over night.

Senator Doody: In any event, I move that all remaining orders stand. That is safe enough, is it not?

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

Some Hon. Senators: Agreed.

DOCUMENTS TABLED

Hon. Brenda M. Robertson: Honourable senators, may I table some documents requested by Senator Frith yesterday? Thank you.

Documents tabled.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Wednesday, November 14, 1990

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

PENITENTIARY ACT

REINSTATEMENT OF STATUTORY VISITATION PRIVILEGES OF MEMBERS OF PARLIAMENT—BILL TO AMEND FIRST READING

Hon. Earl A. Hastings presented Bill S-19, to amend the Penitentiary Act to reinstate the statutory visitation privileges of Members of Parliament.

Bill read first time.

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

Senator Hastings: Honourable senators will recall that on October 31, 1989, I placed an inquiry before the Senate in which I drew to the attention of the Senate the erosion of a long-standing statutory right of parliamentarians for access to penitentiaries and inmates therein. Over the years this privilege has been eroded to the point where it was extinguished by the Commissioner of the Correctional Service of Canada on January 1, 1987.

The inquiry was referred to the Standing Senate Committee on Legal and Constitutional Affairs, which subsequently heard from the Commissioner of the Correctional Service of Canada and legal counsel. As a result of their examination, it was recorded in the minutes of the proceedings held on October 4, 1990 that it was agreed that the committee report to the Senate that it concurred in the advice of legal counsel to the committee that legislation be indtroduced to amend the Penitentiary Act by the insertion of a right of access of parliamentarians to federal penitentiaries. The committee noted that it was supportive of any action by a senator in this regard.

The bill that I have presented today, honourable senators, flows from that motion of the Standing Senate Committee on Legal and Constitutional Affairs, and I shall address this issue more fully on Friday next, November 16, 1990.

On motion of Senator Hastings, bill placed on the Orders of the Day for second reading on Friday next, November 16, 1990.

GOODS AND SERVICES TAX

PRESENTATION OF PETITIONS ON BILL C-62

Hon. Jerahmiel S. Grafstein: Honourable senators, I have the honour to present a host of petitions from the great city of Peterborough. These petitions, as I have scanned the addresses, come from virtually every corner of Peterborough.

Honourable senators, these petitions are remonstrating the Senate and the government to prevail and stop the introduction of the proposed goods and services tax. It might be useful to honourable senators to retrace briefly the history of Peterborough, which is now represented by a distinguished member of the Conservative Party.

I originally thought, honourable senators, that the name "Peterborough" was derived from the English Town of Peterborough. However, upon research, I discovered that Peterborough was named after one Peter Robinson, of Irish descent, who, in 1826 established the first settlement there on the waterways to that luxurious part of southern Ontario. This area had been travelled previously by the Mississauga Indians and, apparently, was visited on one occasion in 1615 by Samuel de Champlain.

After the settlement was established by Peter Robinson, it quickly became the administrative hub of the Rice Lake region and led to the creation of the Colborne District in 1842. Peterborough was then incorporated as a town in 1850.

By the 1870s, Peterborough was Ontario's principal timber producer, and subsequently, upon the development of hydroelectricity along the Trent system and before the power plant was established at Niagara Falls, became an important attraction to manufacturers, including the Edison Company and the Quaker Oats Company.

As you know, it is the home of the Robertson Davies family and of Margaret Laurence; and the birthplach of the the well-known Canadian industrialist, Sir Joseph Flavell, and of George Cox. Honourable senators may recall that it was also a temporary residence for Lester Bowles Pearson who attended school there for a period of time.

It is interesting to note that Peterborough suffered some very severe financial setbacks in the 1850s. For 80 years after 1861, a Town Trust Commission was established to manage its finances. Peterborough then established a ward system.

Honourable senators, every part of this flourishing, important and vibrant centre is represented by the Conservative Party. Every street, every district, every area, every ward is represented in these petitions. I will read just a few of the streets: Deniston Avenue, Park Hill Road, Townsend Street, Hilliard Street, Water Street, James Street, Gilmour Street, Grayden Street, Champlain Crescent; and it goes on and on.

Honourable senators, I was curious to determine whether the origins of the word "petition" and the word "Peterborough" might have some historic connection.

In *Commentaries on the Laws of England* by the great Sir William Blackstone, Fourth Edition, Volume 1, Chapter 1, dealing with the absolute rights of individuals, there is an

interesting and, I believe, helpful passage which might inform honourable senators about the origins of petitions. At page 113 it is noted that Czar Peter of Russia established a law whereby no subject could petition the Throne until he had first petitioned two different ministers of state. In the event that he obtained justice from neither, he could then present a third petition to the prince, upon pain of death if the subject was found to be in the wrong. The consequences were that very few, if any, dared to offer such third petitions. Grievances under the Czar rarely came to the notice of the Czar and, therefore, he had little opportunity to address them.

• (1410)

No restrictions were placed on petitions in England. England decided to take a much different course. Hence the difference between the organizations of the British society compared to the Czarist society. In England, Blackstone's suggests that the petitioning, which was open, promoted the spirit of peace; so there would be no check upon the liberty of the subject.

Honourable senators, we have, in the name "Peterborough", a relationship to Czar Peter and an understanding of why petitions are so essential to a free society.

Honourable senators, for your historic information I researched further and tried to divine the source of the word "Peter" itself. "Peter" is derived from the Greek word "Petros", and is translated into the French "Pierre." It was also the name given by Jesus to one of his disciples, who subsequently became the founder of the Church. The word "Peter" means "stone." I assume that, based on that word, the foundation of the Roman Catholic Church was established—a strong foundation indeed.

Honourable senators who are of the Catholic persuasion will recall that historically there was a tax called "Peter's Pence", which was a tax exacted from its parishioners by the Holy See in England, and was a matter of some great importance. Obviously, senators, the word "Peter", as it relates to Peterborough and to petitions, has an historic and important comparative analysis. It comes as no surprise to us that in block after block in Peterborough, street after street—Queen Street, Baker Avenue, Orchard Crescent, Oxford, Knox, Aylmer, Armour, and Edgewood Streets—over and over again we are petitioned by citizens from this extraordinary community to reject the goods and services tax.

Honourable senators, it is important to note that, in terms of its size, Peterborough is the home of two of Canada's greatest authors and journalists, Margaret Laurence and Robertson Davies. I doubt very much, honourable senators, if these individuals, who have been so involved in the literary and cultural life of our country, would be in favour of the GST.

Honourable senators, it is important to note that Peterborough has a very vigorous cultural life. The city has a symphony orchestra, an active theatre guild, professional companies, both public and private, art galleries and a winter carnival. It is home of the Peterborough Canoe. Peterborough is well known for its expertise in lacrosse and synchronized swimming. All senators will recall that the 1980 Ontario Summer Games were held there. In this broad, colourful and important community of Peterborough, dozens of petitions are repeatedly presented to us, and they all argue vehemently that the goods and services tax should be rejected.

Hon. Len Marchand: Honourable senators, I tried yesterday to present some petitions from Kamloops, but the competition was so—

Senator Frith: Fierce.

Senator Marchand: —keen among my colleagues to present petitions that I did not get a chance to do so. Today, I wish to present some petitions from the great city of Kamloops. This one, received in my office on November 1, reads:

> WHEREAS we believe the present Government of Canada has not put enough effort into controlling spending of our tax dollars in ways other than cutting jobs. We would like to see effective government budgeting in cutting departmental spending, the same way we Canadians are forced to budget, before a new tax system is installed.
>
> WHEREAS there has not been sufficient study of this tax system, there are many inefficiencies. We believe a new tax should have been thought out more thoroughly; and then made law; and then Canadians should have been given time to prepare for it. The way this has been instituted has been unpleasant for everyone, and has cost many businesses a great deal of money.
>
> Wherefore we support the liberal senators in their attempt to stop the G.S.T.

There are numerous signatures on this petition from Kamloops, which reads: "Wherefore the undersigned, your Petitioners, humbly pray and call upon the Senate to withdraw the bill on the GST."

(*Names of signatories read*)

• (1420)

I have another petition from some residents of Kamloops. There was an overflow of signatories, so they had to sign some of them on the front of the petition. The wording is the same as the last one, because it was also put together by Lynne Taves, the small business person in Kamloops who said that if the GST goes through she will lose her business. The last time I talked to her she was most concerned about what the GST would mean to her.

As honourable senators probably know, the profile of a lot of small businesses is such that a lot of family money is put into them. Many families have every last cent they own invested in a business. This particular person told me that she had all of her family investments in this particular business, and that she did not think she would make it, with the extra 7 per cent she would have to charge her customers.

I will read the names of those who signed the petition from this area.

(*Names of signatories read*)

The next name on my list is Barclay West, R.R.2, Zirnhelt Road, VOE 1ZO, Heffley Creek, B.C., which is a suburb of

Kamloops and on the way to a great ski hill, Tod Mountain. If any of you are skiers, come out that way.

(*Names of signatories read*)

I have more names, all from Kamloops.

(*Names of signatories read*)

I have a number of other petitions that were sent to me from other parts of B.C. They are in the proper form and read:

> The undersigned, your petitioners, humbly pray and call upon the Senate to prevail on the Government of Canada to stop the introduction of the proposed goods and services tax.

(*Names of signatories read*)

• (1430)

These are only a few of the petitions that were sent to me. I shall now resume my seat and let someone else carry on.

Hon. Jack Austin: Honourable senators, I should like to join with my colleague, Senator Marchand, in presenting petitions from the province of British Columbia. I have the honour to present a petition signed by 101 residents of the Vancouver area who ask that the Senate reject the goods and services tax, Bill C-62. I have a second petition signed by 80 residents of the regions of Vancouver and Kimberley, B.C., who make the same request.

I should like to address the phenomenon of this enormous wave of petitions with respect to the goods and services tax. I believe that these petitions are being presented to senators in all parts of this house. We have rarely seen in Canada such a public outcry about any measure before this chamber. It is almost a universal view in Canada that this bill is badly cast and will damage the Canadian political economy.

I have, as I am sure have many senators, boxes of petitions and letters in my office asking me to join with other senators in opposing this bill, and asking the government to withdraw it and present a more equitable tax measure to deal with current economic situations. These petitioners in British Columbia represent widespread opinion in my province. They represent the views of dozens, and indeed hundreds, of British Columbians to whom I have spoken personally and who have addressed me on the question of the goods and services tax.

It is quite amazing to be approached on the street by people who say, "Senator Austin, the goods and services tax is going to do grave damage to myself, my family and my community. Please oppose it." People have said to me, "I made the mistake of voting for the Conservative Party in 1984 and I have regretted it ever since. I will never do it again. In the meantime, will the Senate stand in the way of this government that cares nothing for the opinion of Canadians and cares nothing for the damage it will do to ourselves and to our country?"

A clerk, whom I do not know, who served me in a bank, recognized my name from the withdrawal slip and told me that it was the unanimous opinion of the employees of that branch that the GST was a bad piece of legislation. Indeed, their customers believed the same, because they had been discussing the GST with the bank clerks. As many senators know, the public asks bankers and bank staff for advice on economic matters and management of their money. The advice that those bank employees are getting and giving is that this is bad legislation.

Honourable senators, it is amazing that this government cares nothing about these petitions. Thousands of names have been submitted to this chamber, and to senators on the other side, who can do something about this dreadful legislation. However, these thousands of names mean nothing to senators opposite. There is no concern expressed by any senator opposite with respect to public opinion. There are ways that are used to justify this legislation, but public opinion is being dismissed.

It is taken as a sign of arrogance on the part of the government that it is unwilling to contemplate some of the amendments that honourable senators have submitted for the improvement of this legislation.

Honourable senators, dissatisfaction is growing in all parts of Canada. The petitions I am presenting, and those presented by my colleagues, demonstrate that; but there is far more evidence than these petitions.

• (1440)

What we are seeing is an insecurity on the part of Canadians about their present and their future, and also the future of their children. We are seeing enormous issues that are not being addressed by the government—economic issues, such as unemployment, which is rising everywhere in Canada. The October figure, according to Statistics Canada, has reached 8.8 per cent nationally and is higher in some of the provinces in the Atlantic region and in western Canada. In fact, StatsCan reports that no net jobs have been created in Canada thus far in 1990—no net jobs, and the labour force is continuing to grow.

Canadians are feeling anxious about the potential for war. These petitions are also an illustration of that anxiety. The government has done nothing, in my view, to assure Canadians that the sons and daughters of Canadian families will be secure in carrying out their UN role with the maximum safety that arms and military talent can provide.

More than any other source of anxiety, I believe, is the lack of credibility that is attributed to politicians and the political community by Canadians generally. I put that squarely at the door of the Prime Minister, Mr. Mulroney, and of this government. That brings me back to petitions, which indicate the dissatisfaction of Canadians and the very high dissatisfaction of British Columbians in particular.

Indeed, as I have mentioned in this chamber, the polls indicate that more than 85 per cent of British Columbians do not want this goods and services tax. The city of Vancouver, on Saturday, November 17, will hold a referendum on the goods and services tax. Early polls in respect of that referendum indicate that more than 85 per cent of the citizens of Vancouver will reject this tax.

Does that have no meaning to this government? Does it have nothing to say to this opinion? Is this a government which does

not take into account the views of the public, or which does not understand that it must govern with the support of the public? Is this a government which does not understand—and I believe it is that kind of government—that it must have the support of a substantial number of Canadians for its legislative measures? If it has not been successful in obtaining that support, then it should go back to the drawing board and find out why.

It should be a "second look" government, and that is what our petitioners are asking it to be—a "second look" government and a compassionate government, a government prepared to redesign the tax so that it is not regressive and so that it falls more equitably on Canadians.

Today it is small wonder that most Canadians are focused on the security of their paycheque. Canadians are more concerned about their paycheque, about their economic security and that of their families, than about any other issue, and that is a reasonable thing for Canadians to be concerned about.

Incomes in Canada are sinking, job layoffs are growing, taxes are rising, fuel is becoming more expensive, and the social security safety net is being chopped by this government. Why wouldn't Canadians be anxious in circumstances like that?

I believe that these petitions will continue to grow. I believe that the wave of petitions will continue to mount.

We have a Minister of Finance who today is in Asia. The Minister of Finance is on a tour of the financial capitals of Asia. He has been in Japan, he has made a speech in Hong Kong, and God knows where else he has gone in Asia.

I wonder what he is saying to those very sophisticated financial people in Asia about the Canadian economy and about this government's program. I wonder what he is telling them which will indicate to them that Canadians are an optimistic community. Again I come to the petitions. People who are petitioning us by the thousands are obviously not Canadians who are optimistic about their economy. The symptom which these Canadians express is that of anxiety, about which I spoke when I began my remarks.

What is the Minister of Finance doing to allay that anxiety which is so evident across Canada and which is reflected in the financial capitals of the world? He is doing nothing, I suggest.

POINT OF ORDER

Senator Kelly: Honourable senators, may I raise a small point of order? It is a very tiny one.

I am still trying to understand whether we are now dealing with petitions or whether the honourable senator is leading up to putting a motion. What is happening here?

Senator Frith: He is making comments.

Senator Kelly: It is fairly clear in the rules as to how petitions are to be handled. You stand up; you give a brief summary of what is in the petition; and then, according to the pattern we have followed recently, you read names and addresses. But this is going quite far beyond those rules, it seems to me.

Senator Austin: Senator Kelly, I am clearly presenting petitions, and that is no mystery to you, I know.

I am making comments in respect of this incredible wave of petitions which I and my colleagues are presenting here. I believe that comments are in order.

These are brief explanations—brief in terms of what could really be said about this legislation, believe me! I am making comments so that senators opposite, in particular, will understand what is the underlying angst which exists in the Canadian soul about this government and this legislation.

I am trying to get through to you, and the reason I am —

Senator Frith: For which the only therapy is probably an election.

Senator Austin: I believe it is in the interests of Canadians that this government listen to them.

Senator Frith: That would be a good start.

Senator Austin: I am still optimistic that this government will listen and that these petitions will make a difference to this government, if enough of them, Senator Frith, are presented in this chamber to convince honourable senators opposite that Canadians are overwhelmingly opposed to this particular legislation.

Senator Kelly: Honourable senators, let me make one more comment.

It seems to me—and I have said this before—that what we are leading ourselves into now is a debate on the bill itself. So why don't we proceed with the debate on the main motion?

Senator Frith: You said you were raising a tiny, tiny point of order.

Senator Austin: On Senator Kelly's point of order, I believe that I am addressing myself to the petitions and to the implied premises which are contained in these petitions: the views which Canadians have regarding the legislation that is before this chamber as Bill C-62, and the reason why we have received such an incredible number of petitions to be presented in this chamber. I do that by addressing the question of petitions.

I do not believe that I am called upon to read names and addresses. I will table these petitions, and they are available to Senator Kelly.

Senator Kelly: This is instead of reading the names and addresses.

Senator Austin: I am doing this because I believe there is something significant to say about the underlying causes and because I have been addressed by British Columbians personally and frequently. I wish to tell you what British Columbians are saying as I present these petitions on their behalf. I am sure my remarks will be interesting to Senator Kelly in view of his well-known knowledge of business and economics.

When Senator Kelly rose on his point of order, I thought he was going to defend the Minister of Finance and his tour of the financial capitals of Asia. I thought Senator Kelly was going to tell us what the Minister of Finance has been saying

to the banks and the Ministry of Finance in Japan, and to the banks and business entrepreneurs in Hong Kong and Singapore.

If he wishes to rise and present us with the views of the Minister of Finance as he takes this important trip in Asia, I would be delighted to sit down and listen to Senator Kelly. However, if he is not going to do that, I shall have to hypothesize in explanation of these petitions.

What I believe the Minister of Finance is saying is that his policies will repair the balance sheets of the Government of Canada, that there will be an extraordinary cash flow, tax revenue, to the Government of Canada as a result of the goods and services tax; that it will collect, indeed, more money in its first year than is forecast, and substantially more money in later years than is forecast.

● (1450)

This is not a confession the Minister of Finance has made to my petitioners. I believe the Minister of Finance has told my petitioners that it is revenue neutral in the first year.

Senator Kelly: Honourable senators, I wish to make one final comment on the point of order I raised.

Senator MacEachen: Did I hear the word "Final"?

Senator Kelly: I recall, with some sadness, senators on the other side of the chamber waving the rule book and accusing this side of paying no attention whatever to what the book indicated.

The point of order I am raising is that the senator who has just been speaking is acting outside the rules of our rule book. As long as the record shows that that is what he is doing, he can continue as long as he wishes; but let us remember that we were all reminded of the rule book.

Senator Austin: Senator Kelly, I disagree with what you say I am doing. I am making brief comments in explanation of these petitions. You may have a different time clock than I have, but I believe my remarks have been brief, and I will remain within the terms of reference of brief remarks as I present these petitions. Indeed, I would argue with you that my presentation is more in order than the reading of names and addresses, which, however, I also say is in order, should honourable senators choose so to do.

PRESENTATION OF PETITIONS ON BILL C-62

Hon. Jack Austin: I understand why Senator Kelly doesn't want me to address these questions of revenue neutral and the tax gouge which the GST represents. The Minister of Finance's technical papers, toward the back of them, does forecast that in the second year of the GST there will be a surplus of $5.5 billion. Beyond that, we are left to conjecture.

I would wager a Hong Kong dollar, or a hundred Japanese yen, that he is telling the financiers of Asia that there is an enormous tax surplus and that that tax surplus will be used to meet the deficit; and, in addition to doing that, he will be cutting the social security safety net even further.

[Senator Austin.]

Honourable senators opposite wonder why we are bringing the petitions, as if they think that Canadians do not know that the social security system is being minimized by the Government of Canada; as if they think Canadians have not caught on to the difference between the liberal rhetoric of the Conservative Mulroney government and its actual performance, which, to quote Jeffrey Simpson, "is at least as far right as the government of R. B. Bennett is." Canadians are now aware of the difference between the soft words, the use of "kinder," and "gentler," and "civility," and the performance of the Mulroney government. It is not a small and hidden tactic any more. It is out in the open. It will be noticed more and more by Canadians as this government's life spins to its end.

Honourable senators, there are a number of characteristics of today's economy which our petitioners are concerned about and which underlie this incredible wave of petitions that are being presented to us. Let me refer to some of those concerns in my brief remarks.

The first concern is that Canadian corporate profits are in serious decline. This is an item that should interest Senator Kelly, because he is a well-known leader of the Canadian business community. Let me present you with an example in British Columbia of the decline in corporate profits. This decline seriously concerns me and my petitioners because in British Columbia half of our GDP is directly or indirectly dependent on the forest industry.

What is happening in British Columbia? The ten largest forest firms lost a net of $18.1 million in the third-quarter of this year compared to net earnings of $183 million in the same quarter of 1989. For January to September inclusive, profits fell 67 per cent. That is what my petitioners are concerned about. That is what underlies the concern of British Columbians in Vancouver, Courteney, Alberni, Kimberley, Kamloops, North Vancouver, and other parts of British Columbia. They see the economy of the forest industry declining, their jobs threatened, and the additional burden of an inequitable and regressive tax being dumped on them by this government to clean up its balance sheets, and to appeal to the conservative bankers.

Senator Barootes: Your balance sheets, not ours.

Senator Austin: Your balance sheets. You have more than doubled the debt, Senator Barootes. As always, it is a pleasure to hear from you, Senator Barootes.

What are the reasons for this decline? There are reasons apart from the GST, and I admit to that. In part, there is a sharp decline in U.S. housing starts down to an eight year low.

Secondly, there is the over-valued Canadian dollar against the U.S. dollar. For that, this government has much to answer. The Canadian dollar has been maintained at too high a rate and has knocked Canada, as the Conference Board has said, into a "made-inCanada recession" and one which Canadians do not understand.

Why do we have to bring on a recession in Canada in order to make our economy more healthy? The onus is on the

government to explain that, if indeed there is an explanation. They are silent, probably because there is no explanation.

In my province, the hated softwood lumber tax, 15 per cent, which was a gift of Senator Carney and her cabinet colleagues, is now a permanent part of the cost base of the forest industry in British Columbia and a serious drag on the economy of the province of British Columbia. Those are some of the reasons.

This government is now going to tax the efforts of our forest industry to increase efficiency and production, and to tax efforts to improve environmental management. Do you wonder why British Columbians petition the Senate about the goods and services tax?

In addition, honourable senators, in our economy we are seeing financial institutions experiencing substantial declines in asset values and losses on mortgage and business loans. This means, honourable senators, that our financial institutions are not in as strong a position to reinvest in our economy and to help pull our economy out of the recession in which we find ourselves. The result of the incapacity of our financial institutions to act decisively to increase investments is the result of government policy, of course, to prevent them from so doing, and to bring on a recession so that Canada will be leaner, cleaner, neater, and more competitive.

Those who pay the cost in our economy are those at the lower ends of the income scale. There are women who have lost more permanent jobs this year than any other labour category. Women are victims of the "made-in-Canada recession". Women are amongst my petitioners who are saying, "Relieve us of the GST." Young people coming into the economy are victims—young people with insufficient training for economic opportunity. They will have to pay the GST.

• (1500)

Yesterday, honourable senators opposite denied us the opportunity to at least make a fair recovery. They said "Trust the government. We will not fully index the tax. Therefore, the equities will slide; but trust us; somewhere in the future some government will be equitable." If equity is deserved, why not now, honourable senators? That is what my petitioners are asking—equity now.

Honourable senators, I will present these petitions. I know my colleagues have much to say about the GST and we have some distance to go in the amendment process. Perhaps being the optimist that I am, honourable senators opposite will recognize the value of some of the amendments that we may present on this side, or that independent senators, in their wisdom, may present. Perhaps honourable senators oppsite will realize that the first step toward saving their government—if indeed it is saveable at all—is to take a second look at the GST and respond to the view of most Canadians that this is an inequitable tax which will seriously erode their paycheques and damage their economic prospects.

Perhaps the government will listen, perhaps it will not, but at least we are here in Parliament asking the government so to do. Honourable senators, I thank you for listening to me.

Senator Frith: Well done!

[*Translation*]

Hon. Jacques Hébert: Honourable senators, I have the honour to present a petition signed by 60 citizens of the region of Saint-Thomas, in Quebec, who urge the Senate to reject the goods and services tax bill.

[*English*]

I am sorry to see that Senator Kelly is absent today, because he certainly would be pleased to know that I will not be making any preliminary remarks, but will be straightforward and will read the names and addresses of my petitioners.

(*Names of signatories read*)

[*Translation*]

(*Names of signatories read*)

Senator Hébert: The full name is Saint-Thomas-de-Didyme.

(*Names of signatories read*)

This must be a community in Lac-Saint-Jean—Saguenay region, for I see the signatures of residents of Jonquière and Normandin which is also in the Lac-Saint-Jean area.

(*Names of signatories read*)

Hon. Thomas H. Lefebvre: You did say Saint-Thomas?

Senator Hébert: Yes, in the Lac-Saint-Jean or Saguenay region. The full name is Saint-Thomas-de-Didyme.

Senator Lefebvre: Not Saint-Thomas-d'Aquin?

Senator Hébert: No, this is another Saint-Thomas.

Senator Lefebvre: Not Thomas Lefebvre?

Senator Hébert: No, not Thomas Lefebvre, Saint-Thomas-de-Didyme.

(*Names of signatories read*)

Senator Hébert: Now, honourable senators, I have another petition signed by 442 residents of the Province of Quebec who urge the Senate to reject the goods and services tax bill.

(*Names of signatories read*)

• (1510)

Senator Hébert: Another small town in the Lac Saint-Jean area.

(*Names of signatories read*)

Hon. Roch Bolduc: Did you say Lac Saint-Jean?

Senator Hébert: Honfleur is in the Lac Saint-Jean area, isn't it?

Senator Bolduc: No, Honfleur is in the county of Bellechasse.

Senator Hébert: Thank you, senator. I apologize for my mistake. I don't suppose you want me to read it through again? Next time, I will check my facts first. If Honfleur is in the county of Bellechasse, there is no connection with the Lac Saint-Jean area.

(*Names of signatories read*)

Senator Hébert: The people of Honfleur are not very keen on the GST, anymore than the people we mentioned earlier, in the Lac Saint-Jean area.

(*Names of signatories read*)

Senator Hébert: I won't guess which county!

(*Name of signatories read*)

Senator Hébert: I think that is where Sir Wilfrid Laurier was born, if I am not mistaken . . .

(*Names of signatories read*)

Senator Hébert: So the entire Beaumier family is against the GST!

(*Names of signatories read*)

Senator Hébert: I am not sure where this is, unless Senator Bolduc would like to help . . . Lac Brière? Sainte-Sophie? I'm lost!

(*Names of signatories read*)

Senator Hébert: Saint-André must be in the Lac Saint-Jean area, because I see Desbiens a little further down.

(*Names of signatories read*)

Senator Hébert: Ascension is the name of the municipality.

(*Names of signatories read*)

Senator Hébert: Larouche is in the Lac Saint-Jean area, I am sure of that.

(*Names of signatories read*)

Senator Hébert: This is a family that stays together: they are all against the GST.

(*Names of signatories read*)

● (1520)

Senator Hébert: That's a pretty name. It sounds like an abandoned Roman villa, somewhere on the Libyan coast.

(*Names of signatories read*)

Senator Hébert: This is wonderful!

(*Names of signatories read*)

Senator Hébert: We are right in the middle of the Eastern Townships, with the anglophone community.

(*Names of signatories read*)

Senator Hébert: Do you pronounce it "Pinacle Road" in English?

(*Names of signatories read*)

● (1530)

And now, honourable senators, I have the honour to present a petition signed by 791 residents of the Montreal area who ask the Senate to reject the goods and services tax bill.

This is a different area. We start with Carmen Joseph, 7307 du Musée, in Montreal, a lovely street right next door to the Museum of Fine Arts on Sherbrooke Street.

(*Names of signatories read*

It is still the same Saint-Michel, a city on Montreal Island.

(*Names of signatories read*)

● (1540)

[*English*]

Senator Bosa: Does it end with a "z" or an "s"?

[Senator Hébert.]

Senator Hébert: With an "s".

Senator Bosa: It could be someone from central Italy.

Senator Hébert: It could be someone of nobility, a count?

Senator Bosa: It could be.

[*Translation*]

We can assume this is a Vietnamese or Cambodian. These are new Canadians.

(*Name of signatories read*)

Senator Hébert: Another new Canadian.

(*Names of signatories read*)

Senator Hébert: That sounds like a Cambodian name.

(*Names of signatories read*)

Senator Hébert: If you look at the numbers and the streets, you realize some people went from door to door. I know, I did the same in the past, ringing doorbells to canvass for signatures. Quite a job! Sometimes you have to go up two or three flights of stairs. They did all of Marquette Street this way.

(*Names of signatories read*)

Senator Hébert: You can imagine people climbing the stairs, ringing the doorbell, waiting, having the petition signed, going back down and on to the next address.

(*Names of signatories read*)

Senator Hébert: Hoping, of course, that the government will listen and that signing a petition will be worthwhile. They don't know the government!

(*Names of signatories read*)

● (1550)

[*English*]

Senator Marsden: I have something to read when you have finished.

Senator Hébert: I will never be finished! So, if you have something urgent, you may as well . . .

Senator Marsden: No urgency, but I will proceed for a while.

Senator Hébert: I will be back on the job whenever it is needed.

Senator Marsden: Honourable senators, I too have a series of petitions from Canadian citizens who are anxious to urge the members of the Senate not to pass the goods and services tax, for a variety of reasons which they convey in their petition.

I wish to read the first series of petitions signed only by one person, because these people have clearly gone out of their way to ensure that their names appear.

The first is Mr. David E. Bronfman from 55 Prince Arthur Avenue in Toronto.

Senator Frith: It could be one of the Bronfmans. That is a pretty classy address.

Senator Marsden: Prince Arthur is a classy address. 55 Prince Arthur is a very well-known address in Toronto.

Senator Frith: It is a classy address.

Senator Marsden: It is not only classy; it is near some of the very best restaurants.

(*Names of signatories read*)

Honourable senators, I also have a petition from Toronto with 26 names.

(*Names of signatories read*)

• (1600)

All of these addresses, from the federal constituency of Rosedale, are of people who, I believe, are going to suffer most from the imposition of this tax should it go ahead; so I am delighted to have their petition.

(*Names of signatories read*)

This petition continues with 49 names on the page.

(*Names of signatories read*)

I have another petition also from Toronto.

(*Names of signatories read*)

All of these petitioners would like the Senate to vote against the GST on the grounds that it is an unfair tax not based upon ability to pay. The same is urged by the 25 Canadians who signed this next petition.

(*Names of signatories read*)

• (1610)

We have received numerous petitions from this area in Etobicoke.

(*Names of signatories read*)

I have another petition with twenty-one names of people who are also protesting the tax.

(*Names of signatories read*)

All of these citizens are proposing that the Senate vote against the goods and services tax.

(*Names of signatories read*)

I have three names from 379 Concord Avenue.

• (1620)

Senator Turner: That is where I was born.

Senator Marsden: 379 Concord Avenue?

Senator Turner: No, 277 Concord Avenue.

Senator Marsden: Senator Turner was born there, so it must be a very respectable neighbourhood.

(*Names of signatories read*)

I have the names of another 25 citizens protesting this tax.

(*Names of signatories read*)

I have the names of an additional 25 citizens who are protesting the tax.

(*Names of signatories read*)

Finally, honourable senators, I have one last petition.

(*Names of signatories read*)

These citizens from Toronto and surrounding area are calling on the Senate to stop the imposition of the goods and services tax. I hope our friends opposite are listening and will do exactly that.

Some Hon. Senators: Hear, hear!

Hon. Joyce Fairbairn: Thank you, Senator Marsden. I would now like to move back west. Today I received a new bunch of petitions, mostly from the University of Lethbridge. The ink is barely dry. Once again they are protesting the application of the GST to books, newspapers, magazines and printed material. They are very distressed that the government saw fit to defeat the amendment last week, which would have applied a zero rate of tax to printed material. They are hoping that, in the final analysis, reason will prevail and that this material will remain tax-free, as it has since Confederation.

(*Names of signatories*)

I have the name of Saighton Meyer, 1204 21A Avenue South, Coaldale, Alberta, which is a small community that is 15 minutes away from Lethbridge by car.

(*Names of signatories read*)

I have the name of Valerie J. Jirnhell, General Delivery, Coalhurst, Alberta, which is another small town on the outskirts of Lethbridge. Honourable senators may wonder about the names Coaldale and Coalhurst. For many years coal mining was an important industry in the Lethbridge district.

(*Names of signatories read*)

• (1630)

In the same petition there is another 28 names again protesting the application of the GST to books, magazines, newspapers and other printed material.

(*Names of signatories read*)

Lethbridge is where Skate Canada took place, which was very successful. The Alberta skater, Kurt Browning, once again received the Gold Medal for a superb performance, filled with triple jumps.

(*Names of signatories read*)

I have another petition from the City of Lethbridge. These signatories are again protesting the application of the GST to books, magazines, newspapers and printed material. As I said earlier, a number of people who have signed these petitions have spoken to me personally and deeply regret the fact that the government saw fit to reject our amendment which was put forward a week ago. That amendment would have maintained the tax-free status on books and printed material, which has existed since Confederation. This is of particular concern to the students who attend the University of Lethbridge from the city and smaller communities in Alberta, British Columbia and southern Saskatchewan.

(*Names of signatories read*)

• (1640)

Picture Butte, as honourable senators will know, is one of the communities in southern Alberta most concerned with the sugar beet industry. It is a very fine farming community.

The next petition is also from Lethbridge, Alberta, again protesting the book tax.

(*Names of signatories read*)

I will stop there, honourable senators, because I know other senators wish to proceed with Question Period. I look forward to continuing to read from these petitions to indicate the depth of the protest in my part of the province of Alberta against the GST.

Some Hon. Senators: Hear, hear!

QUESTION PERIOD

THE CONSTITUTION

BELANGER-CAMPEAU COMMISSION—FEDERAL GOVERNMENT REPRESENTATION

Hon. Philippe D. Gigantès: Honourable senators, I ask the Leader of the Government in the Senate—and I am sure the fact is well known, but it has escaped me—whether the federal government is represented before the Bélanger-Campeau Commission in Quebec.

Hon. Lowell Murray (Leader of the Government): If my friend is asking whether a brief is being presented by the federal government, the answer is no.

Senator Gigantès: Is there anyone representing the federal government as a member of the commission?

Senator Murray: No. The law which was passed in Quebec relating to that commission provided, if I am not mistaken, that there could be representatives of federal political parties which elected members in the 1988 election. In that respect, the honourable senator will be aware that the Hon. André Ouellet is sitting on the commission as a representative of the Liberal Party of Canada and that Mr. Hogue, le député d'Outremont, is representing the Progressive Conservative Party, not the government.

Senator Gigantès: In yesterday's sitting of the Bélanger-Campeau Commission there were some striking briefs, one of which was presented by Le Mouvement Desjardins. The conclusions of some of those briefs were challenged by Mr. Ghislain Dufour of Conseil du Patronat and also by Mr. Ouellet.

Were they challenged at all by the representative of the Progressive Conservative Party?

Senator Murray: Honourable senators, I must confess that I have no idea.

Senator Gigantès: Would you please find out and let us know?

Senator Murray: Honourable senators, I will obtain whatever reports we may have on the deliberations of that commission. However, as I have tried to emphasize, Mr. Hogue, the member for Outremont, is there representing not the Government of Canada but the Progressive Conservative Party. It is important that I make that distinction in respect of my own responsibilities as a minister. I am not responsible, nor is the government responsible, for Mr. Hogue's intervention or non-intervention at any particular time during the sittings of that commission.

[Senator Fairbairn.]

Senator Gigantès: Am I to understand the Honourable Leader of the Government to say that the federal Progressive Conservative Party will not speak out on behalf of federalism before that commission?

● (1650)

Senator Murray: Honourable senators, I can assure the honourable senator that the federal Conservative Party certainly does speak out for federalism. My honourable friend need only consult the statements made in the past few weeks in Quebec, in Ontario, and in the last day or so in Alberta, by the Prime Minister of Canada himself, who is the National Leader of the Progressive Conservative Party.

Senator Gigantès: Will the Honourable Leader of the Government not concede that the majority of noise that is being made before the Bélanger-Campeau Commission seems to be separatist noise? Does he not think his party should contribute with some federalist counterpoints before that commission?

Senator Murray: Honourable senators, I am not sure that I would characterize the briefs that have been presented to the commission with the kind of generalization that my friend has just expressed. I must confess that my readings have been pretty well limited to newspaper accounts in the mornings, and reports that I receive from some observers that the Federal-Provincial Relations Office has following the commission. No, I would not agree with that generalization. I have the impression from the newspaper accounts that all of the presenters appearing before the commission are challenged by various members of the commission, including the Minister of Justice of Quebec, Mr. Rémillard, as to their positions and are required to defend them in quite considerable detail.

Senator Gigantès: I was wondering whether the representative of the federal Conservative Party would issue such challenges and not just leave them to others?

Senator Murray: Honourable senators, I have not seen in the newspaper reports many references to Mr. Houge. That does not mean that he is not doing exactly what the honourable senator suggests. I have no way of saying at this moment. I must insist that it is not within my ministerial responsibility to report on behalf of a person who is a representative of the party, but not of the government.

GENERAL AGREEMENT ON TARIFFS AND TRADE

FARM SUBSIDIES CRISIS—STATUS OF NEGOTIATIONS

Hon. Philippe D. Gigantès: May I switch subjects and pass to GATT?

We are told by the press that there is a very great crisis. The Assistant Deputy Trade Minister, Germain Denis, is saying

that because of the impasse on cutting farm subsidies, negotiations have broken down in several other sectors, including trade, services, textiles, and market access. Apparently the United States and Canada have turned down the European community's proposals as being "inadequate". This is quoting Germain Denis.

Could the honourable minister tell us what "inadequate" means in what sense?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): I am sorry, I was attempting to read through some briefing notes that I have on the matter and I missed the reference to "inadequate". The European offer was described as "inadequate"?

Senator Gigantès: Mr. Germain Denis said that the European offer is "inadequate".

Senator Murray: The offer provides for a 30 per cent cut in export subsidies, as I understand it, and is over a period of five years. The base year is 1986, which was, I think, a high point. Compared to the proposals that we and other countries have been making, we do believe it is inadequate. We have proposed that export subsidies be eliminated completely and that there be a 50 per cent cut in trade, distorting internal subsidies. Further to that, I seem to recall that we have suggested an approximate 20 per cent cut in tariffs. Therefore, the European proposal is inadequate in that regard. The proposal would not be very effective, in our judgment, and would not make a great deal of difference in solving the problems that the world faces because of protectionist policies and programs in the agricultural sector.

Senator Gigantès: Would the Honourable Leader of the Government care to give us some guidance on what might occur if these negotiations do indeed fail, as seems likely? Would the European community go its own way as the price war continues? Will the subsidies continue? What happens? What steps are we taking, in view of that contingency?

Senator Murray: I find it difficult to hypothesize with regard to the second part of the question.

As to the first part of the question, my friend will have seen in the London *Economist* recently a reference to the current standoff at the GATT and the position taken by certain European leaders as being similar in the danger it imposes to the Smoot-Hawley exercise back in the late 1930s. There is a widespread feeling that the failure of this round and the resurgence of and the continuance of protection will play havoc with the world economy.

Senator Gigantès: In answer to my earlier—I beg your pardon?

Senator Doody: There is another senator trying to ask a question.

Senator Gigantès: Generally I don't ask many questions. You musn't confuse heckling with questions. These are serious questions. Heckling is designed to banter with my friends and keep the atmosphere light during this debate.

Senator Muir: You should know a lot about heckling, sir.

Senator Gigantès: I enjoy all of it. I can take it as well as dish it out.

Senator Muir: It is very irresponsible as well.

Senator Gigantès: Irresponsible? I think I should raise a point of privilege over this. I would like you to illustrate, sir.

Senator Muir: You are always writing.

Senator Gigantès: I am always what?

Senator Muir: W-R-I-T-I-N-G.

Senator Gigantès: W-R-I-T—

Senator Muir: I-N-G.

Senator Gigantès: Is writing forbidden by the Constitution? I know Socrates objected to writing. He said it imprisoned thought.

Senator Muir: I apologize for being so silly as to even get involved with you. I apologize.

Senator Gigantès: Your apology is accepted and your silliness is recognized.

Senator Muir: I will not finish.

Senator Gigantès: Please do. I enjoy these exchanges. I collect them, in fact.

THE CONSTITUTION

BELANGER-CAMPEAU COMMISSION—FEDERAL NEGOTIATIONS WITH QUEBEC

Hon. Philippe D. Gigantès: In answer to an earlier question, dealing with the constitutional situation and its current examination in Canada, the Honourable Leader of the Government said that he could not respond with regard to the views expressed by a member of his party since he, the Honourable Leader, is a member of the government and it is in that capacity that he should be responding.

Taking into account cabinet solidarity, on which he dared to comment in dealing with the remarks of his colleague, the Honourable Benoit Bouchard, who is quoted as saying that Quebec should negotiate one-on-one with the federal government, and should not have to depend on any agreement by other provinces, and to have a full acquisition of sovereignty, in case other provinces don't agree, is this cabinet policy?

• (1700)

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I would have to see the remarks that my friend attributes to Mr. Bouchard, and examine them in their full context. With regard to one-on-one constitutional negotiations with Ottawa, I have already stated the obvious: There is a very limited range of subject matters and amendments to the Constitution that can be effected bilaterally between the federal Parliament and a province.

I cannot say, because I have not seen Mr. Bouchard's remarks in their full context, exactly what he may have meant

by the remarks about a declaration of sovereignty first and negotiations later. He may have been referring to the fact that in the public declarations that are being put forward by a number of people— including, I think, some who have appeared before the Bélanger-Campeau Commission—there is the idea that Quebec, faced with a refusal by the rest of the country to consider its constitutional position, might have to declare sovereignty first and then embark on negotiations. I have seen that idea floated at different times by different people, including some quite recently; it is not a new idea.

INTERNATIONAL RELATIONS

CONFERENCE ON SECURITY AND COOPERATION IN EUROPE— CANADIAN DEFENCE POLICY—STATUS REPORT

Hon. Stan Waters: Honourable senators, I address my question to the Leader of the Government in the Senate. It relates to the Conference on Security and Cooperation in Europe which takes place this weekend in Paris. Perhaps I might give a little background before I get to my question.

At the NATO summit in July of this year, which took place in London, Prime Minister Mulroney and other NATO leaders issued a declaration that launched wide-ranging reviews of NATO strategy and military forces, and reaffirmed NATO's desires to develop closer ties with the six nations of the Warsaw Treaty Organization, sometimes called the Warsaw Pact. This alliance also proposed that the 16 member states of NATO and the 6 member states of the Warsaw Pact issue a joint declaration stating that they are no longer adversaries. This proposal was accepted.

At the November meeting of the Conference on Security and Cooperation in Europe which will take place this weekend, a very important step will be taken. Over 50 members will attend that conference and their discussions will lead to the signing of a treaty on Conventional Forces in Europe. This CSC agreement addresses, amongst other things, the NATO goals of eliminating the capability of surprise attack and large-scale sustainable offensive operations by the Warsaw Pact. It establishes a secure and stable balance of forces in Europe at considerably lower levels, and ceilings are being placed on all key offensive equipment held by the groups of states belonging to either NATO or the Warsaw Pact.

Honourable senators, these are monumental changes that are taking place in the relationship between the East and the West. My question to the Leader of the Government is: In light of these monumental changes that are taking place in East-West military and political relationships, is Canada preparing a green paper or a white paper on defence?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, my friend asked me whether there was a green paper or a white paper in preparation. I would not like to be quite that specific because I do not know the answer to that specific question. I do know, however, that a review of our defence policy is under way, in light of the geopolitical changes that the honourable senator refers to.

[Senator Murray.]

CANADIAN BROADCASTING CORPORATION

CREATION OF NEWS THROUGH POLLING—CONFLICT OF INTEREST

Hon. Keith Davey: Honourable senators, I am sure the Honourable Government Leader of the Senate will recall the evening of Sunday, October 28 and the *Globe and Mail-CBC* opinion poll in which 2,259 Canadians were interviewed. The poll created news—and I want to stress it did not report news.

I have a series of questions. My first question for the Leader of the Government in the Senate is: In his opinion, is that a legitimate function for the CBC, a public broadcaster or Government of Canada agency? Should a Government of Canada agency, the CBC in particular, be in the business of creating news?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I do not have an opinion on this matter. It does not come under my ministerial responsibility, thank God. I will ask my colleague, Mr. Masse, who reports to Parliament on the CBC, whether there is any comment he wishes to make on the matter.

The honourable senator is well aware of the jealously-guarded autonomy of the CBC and the arm's length relationship that must exist between the government, the people and the journalists, especially at the CBC.

Senator Davey: The Leader of the Government in the Senate will not be surprised to know I do have an opinion on this matter. I think this is not a legitimate function of the corporation.

I have another question which perhaps you will want to refer to the minister. Is it the *Globe and Mail* or is it the CBC that has a conflict of interest in this matter? Perhaps I could go on from there and ask some rather specific questions.

I would like to know who represented the CBC in determining the questions. I would like to know who represented the CBC in the actual presentation of the poll. I would like to know who represented the CBC in analyzing the results of the poll.

In view of assurances we have had that the CBC is a cash-starved agency, perhaps the most important question of all for the Leader of the Government in the Senate is: How much money did the CBC spend and/or contribute for this poll?

Senator Murray: Honourable senators, in almost a lifetime of observing Parliament, I am not sure that I have ever seen questions so detailed about the operations of the CBC asked or, indeed, answered by the responsible minister. If I am wrong and if it is legitimate to have that kind of information tabled in Parliament, then I will be glad to do so. I will certainly see that my friend's questions are conveyed to the Minister of Communications.

Senator Davey: I certainly accept the honourable leader's answer. I think that information should be public information;

something that is readily available and that you should be easily able to find. I am confident that you will.

VANIER CUP

UNIVERSITY FOOTBALL CHAMPIONSHIP—TWENTY-SIXTH ANNUAL COLLEGE BOWL—RADIO COVERAGE BY CBC—GOVERNMENT POLICY

Hon. Keith Davey: My further supplementary question is on a matter which the Leader of the Government in the Senate sometimes does not like me to discuss. It is also related to the CBC, but this time my specific reference is to football. This time, I want to talk about the Vanier Cup.

• (1710)

An Hon. Senator: What is that?

Senator Davey: I am glad you asked. The Vanier Cup is a football game that will take place in the SkyDome.

Senator Frith: We can always count on our favourite straight man!

Senator Grafstein: It is named after a former Governor General.

Senator Davey: It will take place in the SkyDome on Saturday, November 24, 1990. It is for the university football championship of the country. There are four teams left in the semi-finals, and they will be playing this weekend. They are St. Mary's, University of Western Ontario, Bishop's—

Senator Frith: Wait for one moment. Saskatchewan will be forthcoming!

Senator Davey: —and the University of Saskatchewan. This is the twenty-sixth annual college bowl, now called the Vanier Cup in honour of the distinguished former Governor General.

Does the Leader of the government know that that cash-starved agency, the CBC, has traditionally covered this broadcast on radio? It has always done so from the start until now; but this time the CBC will not be carrying the broadcast.

Senator Perrault: Shame!

Senator Davey: As I have said so often in other situations, in this country we have a few national institutions but we do not have enough. College football and the Vanier Cup have become an institution in this country. But it will not be broadcast on radio this year—at least not on the CBC. Some friends at Standard Broadcasting have picked it up and it will be broadcast on a number of radio stations across the country.

I am informed that it would have cost CBC radio $2,600. Perhaps the Leader of the government will be able to give us some information about the CBC/*Globe and Mail* poll. I accept his word that he will attempt to find that out; I trust that he will. Perhaps he will not succeed. But it is a sure thing that it will cost many times the $2,600 for the Vanier Cup. I question the priorities of the CBC, and I do so as one who believes profoundly in public broadcasting and used to believe profoundly in the CBC.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable Senators, I will make inquiries on that matter.

CANADIAN BROADCASTING CORPORATION

CREATION OF NEWS THROUGH POLLING—GOVERNMENT POSITION

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): To come back to the poll mentioned by Senator Davey, I have serious concerns about the implications of Members of Parliament or of the Senate, in their places in Parliament, demanding or attempting to acquire information about what particular—

Senator Bélisle: Crown agency?

Senator Murray: —journalist or other employee of the CBC participated in what journalistic exercise.

Senator Perrault: Why not? Public money is involved.

Senator Murray: Well, just about everything at the CBC involves public money. However, that does not mean that there should not be some limitations on the extent to which Parliament extends its long arm into the operations of the CBC.

Hon. Royce Frith (Deputy Leader of the Opposition): These questions might very well relate to that.

Senator Murray: There are limits that we should accept as to the kind of information that we demand of the CBC, and especially on the journalistic side. It is very easy to cross the line from a legitimate enquiry into intimidation or perceived intimidation. We should be very careful.

If I am wrong—that is, if this is the kind of information that has been sought and produced in the past—it will be produced again and I will see to that. For the moment, I can only undertake to present the questions to the minister who reports to Parliament for the CBC, and he will have to decide what to do.

Senator Frith: Honourable Senators, perhaps as a corollary to what the Leader of the Government has said in answering Senator Davey's question we might get the government's position or a definition of just what that line is.

Senator Murray: I am concerned about the question that Senator Davey asked with regard to the poll. He wants to know what employee —

Senator Frith: Yes: I understand.

Senator Murray: —was involved in designing the questionnaire; analyzing the data; presenting the data, and so on. It should be sufficient for the honourable senator to know that the head of the news department of the CBC is Mr. or Ms. So-and-So and that that person takes responsibility for what is done in that department under the authority of the President and the Board of Directors of the CBC.

I have serious concerns about digging too deep into the internal operations and parading in some public way the names of particular employees who may have performed par-

ticular tasks on a project of this kind. But I may be wrong. If this is the kind of information that has been produced in the past and should be made available to Parliament, it will be made available. I will get some advice on that matter from my colleague, Mr. Masse.

Senator Davey: I just wish to make a comment on that. I respect the Government Leader a great deal and regard him, if he will forgive the expression, as an old pro when it comes to polling. You have read many polls in your lifetime; so have many of us here. It is how the polls are interpreted, really. It is what is made of the numbers. You know that and we all know that.

Senator Frith: And the questions asked.

Senator Davey: But it is extremely important to know who put it together. It is not a question that you could ask a private sector outfit. We are talking about an agency of the Government of Canada. Perhaps you do not agree with this, but I sense that perhaps you agree with me that the CBC should not be in the polling business. We would then not have to ask these types of questions. As long as the CBC is in the polling business, and, if you will forgive the expression, in bed with the *Globe and Mail*— a most wholy alliance, if I may say so— I think my questions are legitimate. I accept what you are saying and hope that you will find something out for us.

Senator Murray: I have seen criticism of that very poll. I have seen an analysis in one of the newspapers. I think I have seen a reply to the criticism from someone at the CBC. I am sure that the questionnaire and the data is available. It is only good journalistic practice to make the whole thing available. My friend can do his analysis or have an analysis done. What I have some problem with is insisting on knowing the identity of this or that employee of the CBC who was involved in the project. I do not have a strong opinion on whether or not the CBC should be engaged in polling. But I do not see why they should be prevented from doing so in terms of their journalistic role. I do not see why they should be prevented from doing what a private -

Senator Davey: The answer to that is that it is the CBC's responsibility to report news not create news.

Senator Murray: But other networks, stations and media do polling.

Senator Davey: But those are private polls by private stations with private people. This involves the Government of Canada!

Senator Murray: No. It is not the Government of Canada.

Senator Bonnell: It is the Parliament of Canada!

Senator Perrault: It is a Crown agency!

Senator Murray: It is a publicly owned broadcasting agency. I am not sure that they should be prevented from doing what their competition does.

Senator Barootes: The Liberals —

[Senator Murray.]

Senator Davey: I want to comment on Senator Barootes' reference to the Liberals.

Senator Barootes: No!

Senator Davey: Never, to my knowledge, did the Liberal Party engage in public opinion polling in any relationship with the CBC.

Senator Bosa: That is right. And not with the *Globe and Mail*, either.

Senator Davey: I would be grateful for your replies to my questions.

● (1720)

CANADA-UNITED STATES TRADE RELATIONS

RENEGOTIATION OF CANADA-U.S. SOFTWOOD LUMBER AGREEMENT—GOVERNMENT POSITION

Hon. Raymond J. Perrault: Honourable senators, the largest trade union in British Columbia is the International Woodworkers of America. Its members have expressed their grave concern with respect to the competitive position of the Canadian lumber industry vis-à-vis that of the United States. Honourable senators will recall that a few days ago I brought the attention of the Senate to the plight not only of British Columbia's forest industry, but to that of the industry across the country. I reiterate my appeal for the government to renegotiate the softwood lumber deal negotiated in the mid-1980s with the United States of America. An outright cancellation of the deal would be the better of the options.

Despite the fact that at no time was the U.S. lumber industry able to prove that Canadian lumber producers enjoyed an unfair competitive advantage in the United States market, this government caved in to U.S. pressure and accepted, in effect, a 15 per cent penalty against Canadian lumber companies. A few weeks ago Simon Reisman came to British Columbia and said that, on second thought, we should have hung tougher in the negotiations with the United States, but "we had to give up something." I regret that when it came to negotiating issues that could be "given up," this government gave up the lumber industry of British Columbia in the process. Mr. Reisman said that if he had to renegotiate it again, he might have done it differently. British Columbians agree with him on that score.

At the time this unfair and discriminatory action was imposed on our lumber producers by the Mulroney-Reagan axis, our producers warned that as soon as a recession occurred, the folly of the government would be revealed and the Canadian lumber producers would be the first to suffer from a slowdown in U.S. housing construction. Now it has happened. The dire prediction is coming true.

A few days ago the IWA asked for a renegotiation of that unfair and infamous agreement with the United States. The management side of the lumber producers are in agreement with the trade union position. The provincial government of British Columbia and the other political parties are supportive of undoing or cancelling the deal—at the very least renegotiat-

ing it. The question is: Is the federal government prepared to open talks in order to bring a measure of justice to one of Canada's most important industries? This is a priority item in western Canada, and I hope the government will indicate that it too is concerned.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I will take that question as notice.

EMPLOYMENT AND IMMIGRATION

BACKLOG OF REFUGEES—POSSIBILITY OF AMNESTY—GOVERNMENT POSITION

Hon. Peter Bosa: Honourable senators, I have a question for the Leader of the Government in the Senate. Two years ago some 100,000 refugees were waiting to be processed by immigration officials in Canada. At the present time only 20,000 of those refugees have been processed. Some of them have been driven to extremes, such as the case of a Polish refugee in Montreal who tried to commit suicide last week. In fact, Dr. Cécile Rousseau of Montreal's Douglas Hospital warns that there are many more refugees who have reached the end of their rope. I was wondering if the government, in light of this drastic situation, has considered granting amnesty to all refugees in Canada once and for all to clear the backlog.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, that option was considered and rejected some time ago. As to the operations of the refugee termination board, I will obtain an up-to-date report and bring it in as soon as possible.

Senator Bosa: Is the honourable gentleman aware that of the 28,000 cases waiting to be processed in the province of Quebec, only 4,800 have actually been processed, and only 124 claims have been rejected? This shows that a minimal number of refugees would be rejected by this process; therefore, an amnesty would not be out of kilter with what previous governments have done.

Senator Murray: Honourable senators, I do not contest but I cannot vouch for the statistics my friend just cited, and certainly not for the interpretation he places on them. However, I will ask my colleague Mrs. McDougall to comment on this in the course of providing the report to which I referred earlier.

CANADIAN BROADCASTING CORPORATION

DISCLOSURE OF INFORMATION—GOVERNMENT POSITION

Hon. Robert Muir: Honourable senators, I was delighted to hear the questions put by Senator Davey, and I hope he pursues the matter further. A former distinguished prime minister of this country, the Rt. Hon. Louis St. Laurent, who was respected by everyone, wrote an innocuous letter to CBC, and the Conservative opposition of that day massacred him. Then when the Conservatives took power, another great respected gentleman, the Honourable George Nowlan, who was in charge of CBC, would not tell anyone anything about its activities. This has gone on and on, regardless of the government in power.

I should like to ask the Leader of the Government in the Senate, while he is checking on this other information, to ascertain whether it is the intention of this government to continue to protect individuals or groups within the CBC. During Senator Davey's question, one of the Liberal senators mentioned that it uses public money, which is true. It is a Crown corporation. The public seems to know all about the activities of members of Parliament, both in this chamber and in the other place. I wonder if the Leader of the Government could tell us if it is the government's intention to continue to shield everything with respect to the CBC. I am not referring to the poll Senator Davey spoke of earlier.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, it is not a question of shielding or covering up what is happening at the CBC, but successive governments have properly taken the position that they should not interfere in the day-to-day management, programming and journalistic decisions taken by the network. The control of Parliament and the government consists in this: first, the CBC must come to Parliament for its money; and, second, we appoint the president, chief executive officer and board of directors of the corporation. If we believe they are mismanaging the corporation or not conducting the affairs of the corporation in a way that is appropriate and expected by the Canadian people, then we have the option of dismissing those directors and the president.

POWER OF BOARD OF DIRECTORS—GOVERNMENT POSITION

Hon. Robert Muir: Honourable senators, I have a short supplementary question. With respect to the board of directors, could the leader tell us what power it really has? I have spoken with those who have been members of that board at various times, and they have said that they do not wield much power.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Their powers are defined in the present Broadcasting Act and in the proposed Broadcasting Act, which is still before the House of Commons and which we hope to deal with here before too long. At that time my friend can judge for himself what is proposed and perhaps take part in the debate.

[*Translation*]

THE HONOURABLE BENOIT BOUCHARD

STATEMENTS IN THE PRESS

Hon. L. Norbert Thériault: Honourable senators, I have a supplementary for the Leader of the Government in the Senate following the question by Senator Gigantès about statements made by the Hon. Benoit Bouchard.

About ten days ago, I asked the Leader of the Government in the Senate whether he agreed that ministers of the Government of Canada—not of the Government of Quebec—should try not to exacerbate the situation, since Quebec is involved in a constitutional debate and there is also Mr. Spicer's Citizens Forum.

The *Journal de Montréal* of November 10 quoted Mr. Bouchard, under the following headline:

> "Either the structure changes or Quebec becomes sovereign".

Another headline in the same newspaper quoted the same minister who, as far as I know, is a minister of the Canadian government, the Minister of Industry, Science and Technology, with a department that is very important across this country.

The other headline is:

> He would still vote "yes"!

Does the Leader of the Government in the Senate think it is really appropriate for a minister of the Canadian government to make such statements at this time?

Hon. Lowell Murray (Leader of the Government in the Senate and Minister of State (Federal-Provincial Relations)): Honourable senators, my friend alluded to an article in a Montreal newspaper which I have not read. I did not read Mr. Bouchard's statement.

Before commenting, I would have to read exactly what he said and perhaps ask him a few questions about the interpretation put on this statement by the honourable senator.

For the time being, I do not intend to comment.

Senator Thériault: Honourable senators, I accept the minister's reply, provided someone comments on these statements very shortly.

I realize the minister doesn't like these questions. I remember his reaction to my question last week and to the question put by my colleague, Senator Gigantès. It is a question people should not be afraid to ask. There are still people in this country who want a country. There are Quebecers who want a country. There are French Canadians who want a country and English Canadians who want a country.

When people who are not from Quebec hear such statements from ministers of the government—I hope that someone in the federal government will comment. I intend to wait impatiently, perhaps even patiently, until the Leader of the Government in the Senate gives me an answer.

● (1730)

[*English*]

PERSIAN GULF

STATUS OF ALLIANCE AGAINST IRAQ—MEETING BETWEEN MR. BAKER AND MR. CLARK—REQUEST FOR MAJOR POINTS OF DISCUSSION

Hon. Jerahmiel S. Grafstein: Honourable senators, I should like to ask a question of the Leader of the Government in the Senate. Secretary of State Baker and the Secretary of State for External Affairs, Mr. Clark, met yesterday in Bermuda, we are told, in order that Mr. Clark could be briefed by Secretary Baker on his up-to-date views on the status of the alliance—Western and Arab—allied against Iraq. Could the Leader of the Government in the Senate inform the Senate what major or salient points of discussion took place between Secretary Baker and Mr. Clark yesterday in Bermuda?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, Secretary Baker had just completed a journey through some seven countries. He and Mr. Clark took the occasion to review Secretary Baker's previous meetings and to discuss matters of interest and concern not only in the Gulf region but in other areas of the world.

My honourable friend may be aware that Mr. Clark is proceeding from the Bermuda meeting to Czechoslovakia, the U.S.S.R., Turkey, Jordan and Israel. I do not expect to hear personally from him over the next little while. He will not be back until the end of the month, but if there are particular matters on which the honourable senator or other honourable senators seek information, I shall try to obtain it from his office or from the Department of External Affairs.

CANADIAN COMMITMENTS—PURSUANCE OF SANCTIONS—FREEZING OF IRAQI ASSETS IN CANADA—GOVERNMENT POSITION

Hon. Jarahmiel S. Grafstein: Could the Leader of the Government, in his investigation, advise what, if any, differences arose with respect to the strategy, tactics or policies followed by the United States with respect to solving the Gulf crisis, and what, if any, commitments—military or otherwise—were offered to Secretary Baker on behalf of the Government of Canada? That would be pertinent information that might be of relevance to this chamber.

I have a supplementary question. Could the Leader of the Government in the Senate advise whether or not, in pursuance of the sanctions against Iraq, any steps have been taken in Canada to freeze commercial assets of Iraq?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): I will have to confirm the situation with regard to commercial assets of Iraq before making a definitive statement on that matter. No request was made of Canada during the Bermuda meeting that we increase or change our military capacity in the Gulf.

Mr. Clark has reiterated Canada's position to the effect that Saddam Hussein must understand that if all diplomatic efforts fail, then the world community is prepared to use force in order to enforce the United Nations' Security Council resolutions, and that Canada has a strong preference to have any necessary force authorized by the United Nations. That is Canada's position, reiterated by Mr. Clark in the course of the Bermuda meetings.

Senator Grafstein: I appreciate that answer given by the Leader of the Government in the Senate. In my earlier question, I asked about commitments, military or otherwise. Did

we make any commitments to take any further active steps pursuant to either the sanctions or general policies? My question was not only related to military support; it was also related to any additional steps.

Senator Murray: I appreciate the honourable senator's question and I shall make inquiries.

UNITED STATES MILITARY MANOEUVRES—INVOLVEMENT OF CANADIAN PERSONNEL

Hon. Jerahmiel S. Grafstein: Yesterday the United States government announced that the U.S. marines stationed in the Gulf area were about to commence military manoeuvres within ten miles of the Iraq border. Is the Canadian government personnel involved—either in the air or at sea—in support of those manoeuvres?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Again, honourable senators, I shall have to inquire.

[*Translation*]

WORLD WAR II

INTERNMENT OF ETHNIC CANADIANS—NATURE OF GOVERNMENT APOLOGY

Hon. Eymard G. Corbin: Honourable senators, I would like to ask the Leader of the Government in the Senate the following question: When the Prime Minister of Canada apologizes to Japanese-Canadians for their treatment during the Second World War, when he apologizes to Italian-Canadians and to Ukrainians, does he do so on his own behalf, on behalf of the Government of Canada, on behalf of the government as the executive power or on behalf of the Queen in right of Canada?

Hon. Lowell Murray (Leader of the Government in the Senate and Minister of State (Federal-Provincial Relations)): Honourable senators, he does so on behalf of the Canadian government, as its leader, but I am sure that he is supported by the vast majority of his fellow Canadians and Canadian parliamentarians.

POSSIBILITY OF APOLOGY TO ACADIANS

Senator Corbin: Honourable senators, I will not comment on the merits of the apologies that have been made.

However, many residents of my own province of New Brunswick, Prince Edward Island, Nova Scotia and other provinces wonder whether the government will someday apologize to the Acadian people, who were deported, deprived of their land and scattered to the four winds. Will the Canadian government apologize someday to Acadians?

Senator Murray: Honourable senators, if I am not mistaken, these tragic events took place in 1755, well before Confederation.

Senator Corbin: Exactly. The present government's authority or right to do what it does has evolved over time. It is a legacy of our past. The government that apologizes today is not the government that perpetrated those acts at the time. I don't see the problem.

Are you saying that the British government ought to apologize to Acadians for the fate they suffered, for the compensation they never received?

This is a serious question. And it is a question many Acadians are asking. You said that the vast majority of Canadians approve of what this government does. I have no comment. However, many Canadians, and especially Acadians, ask me why the government is doing this. We didn't ask for an apology. We didn't ask for compensation. We didn't get an apology and we didn't get compensation. And why this series of apologies now? There are people in this country who do not understand. Really. I think the government should give a better explanation or apologize once and for all to all groups that have suffered in this way. Perhaps we could start with the aboriginal peoples of this country.

● (1740)

[*English*]

INTERNMENT OF ITALIAN CANADIANS—NATURE OF COMPENSATION—GOVERNMENT POSITION

Hon. Stanley Haidasz: Honourable senators, I ask the Leader of the Government in the Senate whether he would kindly take us into his confidence and let us know this afternoon the nature of the retribution which the Canadian government is considering for Italian Canadians for the internment they suffered at the hands of the government during World War II.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, "retribution" would certainly be the wrong word.

Senator Haidasz: Compensation, then.

Senator Murray: I am not aware that the Prime Minister referred to compensation in the statement which he made in Toronto. In the event that I am wrong, I will take the question as notice if only to confirm my own impression that compensation was not mentioned in his statement.

Senator Haidasz: Surely the federal government must be considering some form of compensation to Italo-Canadians since they have already given compensation to Japanese Canadians.

APOLOGY TO OTHER ETHNIC CANADIANS—CONSIDERATION BY GOVERNMENT

Hon. Stanley Haidasz: I have a supplementary question to the Leader of the Government.

Is it also the intention of the federal government, of which he is a member, to give a form of apology to Canadians of Polish, Bulgarian, Turkish and other ethnic origins who also were jailed in Canadian gulags during World War I?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable

senators, during the Prime Minister's recent visit to western Canada, there was some discussion of Ukrainian Canadians and the hardships which they were forced to undergo during the First World War. I am not aware that there was any public discussion of the situation with regard to the other people whom my honourable friend has mentioned. I shall make inquiries.

Senator Haidasz: While the minister is making inquiries into that matter, would he also let us know as soon as possible whether the government will give a formal apology to Canadians of Chinese origin whose ancestors, for example, were levied with a head tax for bringing to Canada their wives.

Senator Murray: Honourable senators, I shall make inquiries in that regard.

CITIZENS' FORUM

RESIGNATION OF M^me^ PAQUETTE-SEVIGNY—APPOINTMENT OF REPLACEMENT MEMBER

Hon. Joyce Fairbairn: Honourable senators, I have a question for the Leader of the Government in the Senate.

We learned today that the Spicer commission is now lacking one member with the resignation of Madame Thérèse Paquette-Sévigny. Could the Leader of the Government indicate to us whether Madame Paquette-Sévigny will be replaced by a woman and by a woman from the north, given the widespread view being expressed during the first part of Mr. Spicer's tour with the Citizens' Forum that this major region of our country is not already represented. Perhaps this would be an ideal opportunity to recitfy that situation.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I can only state with certainty that Madame Paquette-Sévigny will be replaced. No decision has yet been reached as to who will replace her.

Senator Fairbairn: Would the Leader of the Government in the Senate be prepared to weigh in on behalf of a northern representative?

Senator Murray: The Leader of the Government in the Senate is prepared, as always, to convey Senator Fairbairn's representations.

Hon. Jack Austin: Honourable senators, perhaps Senator Murray would pay some attention to the recommendations of Senator Doyle, given his marvellous letter which appears in the *Gazette* of November 9.

Senator Murray: I certainly shall, honourable senators.

[Senator Murray.]

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE ACT
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMEND—THIRD READING—MOTION IN AMENDMENT NEGATIVED

The Hon. the Speaker: Honourable senators, it is now 5:45 p.m., and pursuant to provisional order P-3.(a) the Senate will now proceed to the vote on Senator MacEachen's motion in amendment to Bill C-62.

Honourable senators, it was moved by the Honourable Senator Kelly, seconded by the Honourable Senator Beaudoin, that Bill C-62 be now read the third time.

• (1750)

In amendment, it was moved by the Honourable Senator Kolber, for Senator MacEachen, seconded by Senator Buckwold:

> That Bill C-62 be not now read a third time but that it be amended to provide transitional relief to registered traders, by permitting them a rebate equal to the tax value of their inventories, and to provide fairer transitional relief in the case of certain residential complexes and to general insurance companies,
>
> (a) by striking out line 35 on page 14 and substituting the following:
>
> "amount of tax paid on inventory as verified by the Minister or, if the Minister is unable to verify that amount, the amount determined by a prescribed";
>
> (b) on page 16,
>
> (i) by striking out line 27 and substituting the following:
>
> "plex after 1990 and before April 1992,",
>
> (ii) by striking out lines 36 to 45 and substituting the following:
>
> "(e) the estimated federal sales tax for the complex where the complex is substantially completed before 1991 and possession is transferred before April 1992,
>
> (f) 2/3 of the estimated federal sales tax for the complex where the complex is substantially completed after 1990 but before February 15, 1991 and possession is transferred before April 1992, and
>
> (g) 1/3 of the estimated federal sales tax for the complex where the complex is substantially completed after February 15, 1991 but before April 1991 and possession is transferred before April 1992,";
>
> (c) on page 17,

(i) by striking out lines 23 to 27 and substituting the following:

"than 50% completed,

(ii) 75% of the estimated federal sales tax for the complex, where the complex was, on January 1, 1991 more than 50% completed but not more than 75% completed, and

(iii) 100% of the estimated federal sales tax for the complex, where the complex was, on January 1, 1991 more than 75% completed,";

(ii) by striking out lines 30 to 44 and substituting the following:

"more than 50% completed,

(ii) 75% of the estimated federal sales tax for the unit, where the condominium complex in which the unit is situated was, on January 1, 1991 more than 50% completed but not more than 75% completed, and

(iii) 100% of the estimated federal sales tax for the unit, where the condominium complex in which the unit is situated was, on January 1, 1991 more than 75% completed,";

(d) by striking out line 26 on page 276 and substituting the following:

"VII.

Property and casualty insurance

347. (1) Where a property and casualty insurer, in this section called the "insurer", settles a claim after 1990 but before 1998 in respect of an insurance policy issued before 1991 (other than a life insurance policy or an accident and sickness policy), the insurer may claim, in the reporting period in which the claim is settled, an input tax credit as calculated as prescribed.

Meaning of property and casualty insurer

(2) In this section, a property and casualty insurer means an insurer licensed under the laws of Canada or a province to carry on a property and casualty insurance business.""

● (1800)

Let the doors to the chamber be locked.

Motion in amendment negatived on the following division:

YEAS

THE HONOURABLE SENATORS

Austin	Denis
Bonnell	Fairbairn
Bosa	Frith
Buckwold	Gigantès
Cools	Grafstein
Corbin	Graham
Davey	Haidasz
De Bané	Hastings
Hays	Petten
Hébert	Riel
Kenny	Rizzuto
Kirby	Robichaud
Kolber	Sparrow
LeBlanc (*Beauséjour*)	Stanbury
Leblanc (*Saurel*)	Steuart (*Prince Albert-Duck Lake*)
Lefebvre	Stewart (*Antigonish-Guysborough*)
Lewis	Stollery
Lucier	Thériault
MacEachen	Turner
Marchand	Waters
Marsden	Watt
Molgat	Wood—47
Neiman	
Olson	
Perrault	

NAYS

THE HONOURABLE SENATORS

Atkins	Kinsella
Balfour	Lavoie-Roux
Barootes	Lynch-Staunton
Beaudoin	Macdonald (*Cape Breton*)
Beaulieu	MacDonald (*Halifax*)
Bélisle	Macquarrie
Berntson	Marshall
Bolduc	Meighen
Buchanan	Muir
Chaput-Rolland	Murray
Charbonneau	Nurgitz
Cochrane	Oliver
Cogger	Ottenheimer
Comeau	Phillips
David	Poitras
DeWare	Robertson
Di Nino	Roblin
Doody	Ross
Doyle	Rossiter
Eyton	Simard
Forrestall	Spivak
Grimard	Sylvain
Hatfield	Teed
Johnson	Tremblay
Kelleher	Twinn—52
Kelly	
Keon	

ABSTENTIONS

THE HONOURABLE SENATORS

Castonguay—1

The Hon. the Speaker: I declare the motion in amendment negatived.

Hon. Royce Frith (Deputy Leader of the Opposition): Honourable senators, the box score for today, if we had not had the suspect eight and Speaker, would have been 52 minus 8 for 44 so that the amendment would have carried 47 to 44.

The Hon. the Speaker: It is now past 6 o'clock. I shall leave the Chair, to return at 8 o'clock.

The Senate adjourned until 8 p.m.

[*Editor's Note: For continuation of proceedings see Issue No. 110B.*]

THE SENATE

Wednesday, November 14, 1990

[*Editor's Note: Continuation of proceedings from Issue No. 110A*]

At 8 p.m. the sitting of the Senate was resumed.

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE ACT
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMEND—THIRD READING—MOTION IN AMENDMENT

Hon. H.A. Olson: Honourable senators, I propose moving an amendment which I am sure senators on both sides will find agreeable. I have meticulously gone over the details of this amendment to make sure that it does not violate any Conservative philosophy. I am sure that is important. I have also discussed with some of my colleagues the supporting speeches, which will not be long, to ensure that there is nothing offensive to anyone in this amendment. It covers a large range of goods that we would like to see either exempt or zero-rated. If senators opposite find anything offensive in it, I would be prepared to offer unanimous consent to withdraw those offensive parts in order that we can do what I think most Canadians want us to do, which is to pass this amendment that I am going to move.

Senator Molgat: You will accept a sub-amendment?

Senator Olson: Yes, I will. However, if the sub-amendment is there, I also want to make sure that it does not offend the philosophy of anyone on either side of the house, so that we may have the opportunity of doing this great service to the Canadian people.

The problem we had making amendments to the bill is that we had to go into 25 or 30 places. As I stated, this amendment is an extension of the exempt goods and services and also includes those that will be changed from a taxation status to a zero-rated status. The reasons are so that a rebate can be claimed on any tax that has been paid on those services.

Probably the main thrust of the amendment is that it is a speech in defence of free enterprise, and that is why I am sure honourable senators opposite will find it so agreeable. For example, we know that Teleglobe was sold to free enterprise. I could never understand the reason for that, but I guess it was to pick up a few dollars. That was one situation where there seemed to be no reason. Certainly, it had nothing like the losses that were suffered by deHavilland and Canadair. Teleglobe was guaranteed a profit and it was a monopoly. The government has privatized Air Canada, and the CN Hotels, which used to belong to a crown corporation; and the privatization of PetroCanada is now in the works. Therefore, I feel fairly confident that honourable senators will agree that the amendment is in the defence of free enterprise. As far as tax is concerned, it puts free enterprise on an equal basis with government enterprises which, in some cases, do essentially the same thing or provide the same service.

I have a few copies in English and in French, which I will distribute, and senators can follow as I read through it.

Honourable senators, I move:

> That Bill C-62 be not now read a third time but that the Schedule of the Bill be amended to include within Exempt Supplies certain medical, educational and governmental services, and to include, within Zero-rated Supplies, passenger transportation services and funeral services
>
> (a) in respect of Exempt Supplies in Schedule V,
>
> (i) on page 316, by striking out the word "and" at the end of paragraph 7(i) and by adding immediately after paragraph 7(j) the following:
>
> "(k) dietetic services;
>
> (l) services of registered massage therapists;
>
> (m) social workers' services;
>
> (n) services rendered by practitioners of Christian Science, and
>
> (o) services rendered by naturopathic physicians.";
>
> (ii) on page 317, by striking out subparagraph 12(b)(ii) and substituting the following:
>
> "(ii) consists of
>
> (A) 300 members or more in Canada of which 2/3 are medical practitioners, or
>
> (B) less than 300 members in Canada all of whom specialize in providing psychoanalytic services to children.";
>
> (iii) on page 318,
>
> (A) by striking out the first line of section 7 and substituting the following:
>
> "**7.** A supply made by a school authority, public or private college or";
>
> (B) by striking out in section 7 the words "for which credit may be obtained toward a diploma or degree";
>
> (C) by striking out the second line of section 8 and substituting the following:

"public or private college or university of a service of instructing";

(iv) on page 319,

(A) by striking out the first line of section 13 and substituting the following:

"**13.** A supply of a meal at a university or public or private college to a";

(B) by striking out the third line of section 14 and substituting the following:

"ty, or public or private college under a contract to provide food or";

(C) by striking out the first line of section 16 and substituting the following:

"**16.** A supply made by a public or private college or university of a";

(v) on page 324, by striking out the words "provided primarily to children 14 years of age or under" in section 12 and substituting the following:

"provided primarily to individuals 18 years of age or under";

(vi) on page 325,

(A) by striking out the first line of section 15 and substituting the following:

"**15.** A supply made by or on behalf of a public sector body of food or",

and

(B) by striking out the third line of section 16 and substituting the following:

"supply is made by or on behalf of";

(vii) on page 326, by striking out the first three lines of section 20 and substituting the following:

"**20.** The following supplies made by or on behalf of a government or municipality or by or on behalf of a board, commission or other body established by a government or municipality:";

and

(b) in respect of Zero-rated Supplies in Schedule VI,

(i) on page 341, by adding to Part VII of Schedule VI the following new section:

"**13.** A supply of a passenger transportation service by train, bus or taxicab.";

and

(ii) on page 342, by adding to Schedule VI, and numbering accordingly, a new heading and Part as follows:

"FUNERAL SERVICES"

1. A supply of funeral services."

● (2010)

The Hon. the Speaker: Honourable senators, it is moved by Senator Olson, for the Honourable Senator Frith, and seconded by the Honourable Senator Molgat, that Bill C-62 be not now read the third time—

Hon Senators: Dispense.

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

Senator Olson: Honourable senators, this amendment grants tax exempt status to a number of supplies which do not enjoy that status in the bill. Part (a) of the amendment extends tax exempt status to the services of dieticians, registered massage therapists, social workers, Christian Scientist and naturopathic physicians.

Part (B) extends tax exempt status to psychoanalytic services to children.

Parts (C) and (D) extend tax exempt status to private colleges in addition to public colleges.

Part (C) removes the requirement that courses be taken for credit in order to be tax exempt. Of course, we know that there are a great number of people who take courses, and not necessarily for the purpose of obtaining a degree.

Part (E) of the amendment extends tax exempt status to courses or programs offered by public sector bodies when aimed at persons aged 18 years and under. In the bill at the present time the cut-off age is 14 years of age.

Part (F) extends tax exempt status to services provided by the private sector to the aged, the infirm, the disabled, et cetera, when made on behalf of a public sector body. Eligible supplies include food, beverages and homemaker services.

Part (G) of the amendment extends tax exempt status to supplies made by or on behalf of a private sector company on behalf of a government or municipality when that supply would be tax exempt if it is supplied directly by the government. I can explain that in some greater detail. There are a number of good examples where, if the service had been supplied by a municipality directly, it would be tax exempt. However, if it were contracted out, then it would become a taxable service. That is why I am making this speech in defence of free enterprise contractors who enter into contracts. Unless we amend the bill, there will be a great deal of unfairness extended to these people.

The major concern in part (G) is to ensure that municipalities are not penalized if they contract out services in the private sector. This is especially relevant to a number of things. Those that come to mind readily are garbage collection and snow removal. Garbage collection is a fairly large item in some municipalities. I am not sure if Ottawa still contracts out much or all of its garbage collection. It certainly used to. If it does that, it becomes a taxable service. However, if the city did it directly without the private enterprise company involved then it would not be taxable. That is manifestly unfair.

The rest of the amendment deals with the other changes that were suggested by witnesses on the grounds that the bill does not provide for competitive equity among various services. This is the main thrust of the amendment we are dealing with tonight.

As I said at the outset of my remarks, I will not be long in giving a further detailed explanation of the amendment. However, perhaps I should spend a few minutes to say that Schedule V of Bill C-62 lists a variety of supplies which are to be exempt under the goods and service tax. That is to say, no GST is to be charged on sales while no input tax credits are allowed. These services will then bear some amount of GST embedded in the price, but the amount will generally be less than the 7 per cent borne by goods and services which are subject to the full tax.

Many groups appeared before the Standing Senate Committee on Banking, Trade and Commerce to complain about the inconsistent way in which the bill grants exempt status to some supplies but not to others. I have given honourable senators some examples of that.

I am sure that the government will get around to bringing in amendments to correct these injustices, if it has not already done so. There is no doubt in my mind that the government will do that. I plead with honourable senators, why pass a bill that has all this in it when the committee's job was to go across the country and ask people about the problems in the bill? The people pointed them out to us, and an analysis of all that evidence has been done, and it is from that analysis that these amendments come. I hope that honourable senators opposite will see the justice and fairness that is involved in supporting this amendment now.

In addition, the most notable inconsistency occurs in the field of health care. Institutional health care is tax exempt, as are the services provided by a wide variety of health care professionals within the institutional framework. However, many of these same services are subject to a 7 per cent tax when provided outside the institutional setting. The GST is thus biased toward institutional health care, even though that represents in many cases a far more expensive and, in many instances, less effective method of providing health care. This amendment is designed to eliminate such a bias. I hope that the amendment has caught all of these inconsistencies and biases. I cannot guarantee that some more may not be found, but that is the main thrust of this amendment insofar as the health care field is concerned. It is to bring it into a consistent position and to let Canadians arrange for health care services in the best and most efficient way without having a bias on whether it will be taxed at 7 per cent more or less.

● (2020)

The bill already exempts a number of health services provided outside the institution. This amendment adds to the list the services of such professionals as dieticians, registered massage therapists, social workers, naturopathic physicians, and practitioners of Christian Science, as well as psychoanalytic therapists for children. I do not think anyone would disagree that this is a right and proper thing to do. I have heard no explanation as to why there is this inconsistency in the application of the tax.

Many of these services are covered under provincial health care programs and are generally accepted and respected such that they merit inclusion in the list of exempt health care services in the same way that nurses, occupational therapists and others merit inclusion. I do not believe that we need to spend a lot of time on this. Most provincial governments have looked over this type of health care service. Surely if they have included it in the list of services for which they are willing to pay, we should not tax it. That is all this amendment asks.

The bill also tax exempts personal and home care services for the infirm, aged, and disadvantaged when these services are provided by public sector bodies; in other words, if they are provided by the local hospital board or the local municipality, or in some cases provincial governments. In some cases there are no public sector bodies to provide these services and in other cases private sector bodies can do the job more efficiently.

This amendment gives equal treatment to such services when provided by a private organization. Surely that is reasonable. That is something we can do now to repair this bill before we pass it rather than have to scurry around to fix it afterwards. It is going to be a terrible injustice in some cases when you include all these services and then say we can not correct it now. We can. We have a chance to do it tomorrow afternoon at 5:45.

I suggest to you that this amendment gives equal treatment to such services when provided by a private organization if the service is provided—and I want to emphasize this—on behalf of a public sector body. In other words, it is the same service contracted out because it can be done better. Thus the amendment removes the bias in favour of public sector delivery of certain social services.

Moving to another part of the amendment, you will see that in the sports and recreational field a non-profit organization delivering sports and recreational programs primarily to children 14 years of age and under are now tax exempt. This status is granted because these services have an important social value. I do not think anyone questions that. Yet these services are as valuable, if not more so, when delivered to teenagers. However, under the bill these services are taxable if delivered to children over 14 years of age.

Virtually all non-profit organizations who appeared before the committee argued that the appropriate age limit should be 18 years of age. This amendment I am moving tonight accommodates that request. I am sure that no one is going to argue that it should not be done. I do not understand why it is cut off at age 14, knowing that such events as the Canada Games and Provincial Games, which are so popular and have a very high participation rate, do not discriminate on the basis of age. Yet under the bill they are going to have to if they are going to comply with the provisions of Bill-62. I am sure honourable senators opposite would want to take the first opportunity to correct that inconsistency, too.

Educational services, by and large, are tax exempt. In the case of colleges the bill restricts this exemption to public colleges. This amendment extends exempt status to private colleges. This sector is becoming increasing important, especially in the fields of technology and computer science. There

is no good reason to discourage by way of the GST the private sector from providing important educational services, yet if this bill is not amended there is going to be a 7 per cent bias. Unfortunately, a lot of unnecessary bookkeeping and accounting will also be necessary for them to comply with the provisions of the bill.

Similarly, the bill grants tax exempt status to services such as garbage collection supplied by the public sector bodies. Privatization of government services is increasingly seen as a means of reducing government waste. At least that is the philosophy of some people. I think it has been demonstrated that the federal Conservative government subscribes to that philosophy; indeed, it is a strong supporter of many privatization initiatives. This amendment supports federal initiatives in that regard by ensuring that services provided on behalf of public service bodies have the same status as services provide by public sector bodies. I do not know that I need to say any more about that. It just seems to me that the justice and fairness of it is so obvious that all of us would be anxious to make this improvement in the bill.

As far as education is concerned, we know that tuition is tax exempt if it is for training in one of the official languages or if it relates to a course taken towards a degree or diploma. Many people wish to upgrade their skills by taking courses, yet they have no desire or need to receive a degree or a diploma for that upgrading effort. Such courses should be tax-exempt and this amendment does exactly that.

I am fairly well convinced now that most of my colleagues on this side are going to support this amendment, so my plea is to honourable senators opposite to look at the justice and fairness involved in making these changes.

Senator Grafstein: Silence implies consent.

Senator Olson: Yes. Members opposite are being particularly kind to me tonight. Several of them promised that if I did not speak too long they were not going to heckle me. I have a problem, though. I hardly know how to make a speech without a little heckling.

● (2030)

Senator Frith: Just one little heckle, fellas. Come on.

Senator Molgat: Get Senator Simard.

Senator Grafstein: You are overwhelmingly persuasive.

Senator Olson: I hope that is the reason.

Senator Frith: Where is Senator Simard when you need him?

Senator Murray: The bank rate will be announced tomorrow at noon.

Senator Olson: Then we can bring that up tomorrow. I do not want to be diverted from my mission for tonight, which is to try to persuade senators opposite to go along with my amendment. I shall be as conciliatory as I can be to correct these anomalies.

I am sure that honourable senators realize that I did not do all the research to come up with this amendment. A lot of people helped me to find these inconsistencies and injustices. We were all meticulously careful to make sure that the amendment would fit with what we perceive to be the philosophy of the Conservative government so that senators opposite would not have any difficulty at all in supporting it. That is my submission.

Senator Murray: Maybe you are going too far in that direction for some of us.

Senator Olson: I was worried that I might be going a little too far, but I thought that I would bend over backwards—

Senator Murray: Please don't.

Senator Olson: —to make sure that members opposite would not reject the amendment.

Senator Frith: It is always better to bend over backwards than to fall on your face by being too forward.

Senator Doody: Is that enough heckling, or do you want some more?

Senator Olson: I am sure that there is enough in this amendment that if they were to canvass their caucus tomorrow fairly early in the morning, they could persuade every member of their caucus that this amendment is fair, just and necessary, and I am sure that there would be enough support when the vote on the amendment is called tomorrow afternoon.

I would like to say a word or two about domestic transportation services. They are to be fully taxed under Bill C-62. Municipal transits will not be fully taxed. This amendment would grant free tax status to all passenger transportation by way of bus, train or taxi. As I mentioned to Senator Murray a few moments ago, domestic air travel is not included here and will still be taxed.

Senator Murray: What is the justification for that?

Senator Olson: I was concerned that you would probably make some argument about the amount of money that would be involved, and I did not want that to happen. I did not want you to find a good reason to reject the amendment.

Senator Murray: It is a serious anomaly.

Senator Olson: Perhaps, but it is one that you can fix up some time after the bill is passed, if ever.

Canadians are concerned about the cost of domestic transportation. The government has phased out most of VIA Rail because it was losing money and they could not charge enough through fares to retain it. Bus service has taken over in most of the areas where VIA Rail has been phased out. Of course, this adds to the already very large cost of, for example, providing and maintaining highways, and, as well, VIA Rail is still receiving huge subsidies for the services still in existence. The government should not be exacerbating the problem. It should remove the tax on these forms of transportation to encourage people to use them, not to mention environmental reasons.

There are three reasons for making such an amendment. First, public transportation should be treated equally, and the current provision of the bill grants preferential treatment to

municipal systems over competitors such as taxis, and that is not fair. This part of the amendment is consistent with the other parts of it which try to treat services equally when provided by the public or the private sector. The second reason for the amendment is environmental in nature. Buses, trains and taxis are direct competitors with the personal automobile, but we have been told that they are much more environmentally friendly. The people of Canada are concerned about their environment. They do not want cars coming down to the metropolitan areas with only one person in each automobile.

Senator Cools: Like the Prime Minister's car.

Senator Olson: I suppose I could forgive the Prime Minister. He can have a car in front and in the back, but the masses should use buses, taxis and so on, whether or not they be municipally owned. Municipally owned transport systems will not pay the tax but anyone else providing a similar service will have to pay the tax. That is not good for the environment at any stage. By granting these services tax-free status, Canadians would be encouraged to reduce their use of the personal automobile, especially in areas where air pollution is a problem. It is for that reason that domestic air travel is not included in the amendment and why the amendment chooses to treat these services as tax free rather than only tax exempt supplies.

Domestic transportation is an important component of the tourism industry. This sector will be hit hard by the GST, and by granting tax-free status to these services some of the deleterious effects of the tax on that industry will be moderated. I am sure that all those senators who took part in the hearings were impressed by the numbers and the intensity of the pleas from the people involved in the tourism industry. They said, "Don't be quite so tough and difficult on our industry. This industry must compete on a global basis. The Canadian tourism industry competes particularly with the United States, Mexico, Europe and anywhere else from which we can attract tourists or to which Canadians will travel." Personally I was impressed with their pleas. Generally, the tourism industry will be hurt more than any other single sector of the economy by the GST. What is offered in the amendment is not a complete relief, but at least it goes part way by pulling the tax off bus, rail and other such services.

The final part of the amendment would grant tax-free status to funeral services. While the application of the GST to funerals might pose some problems with respect to prepaid funerals, this amendment is made on the grounds that it is simply inappropriate and insensitive to tax such services at the retail level.

Senator Cools: It is morbid.

Senator Olson: The death of a loved one is a traumatic experience in itself, and being faced with the GST liability at such a time represents an unnecessary burden. I am sure that Senator Poitras will agree with me. It seems to me that when the Funeral Services Association of Canada made its presentation in Halifax, Senator Poitras expressed a lot of sympathy for the difficulties they faced, and I am sure that he will be particularly supportive of the amendment for that reason.

• (2040)

Honourable senators, on page 53:29 of the committee's proceedings taken in Halifax it says the following:

> The government is saying that the goods and services for which there are no alternatives should not be taxed. They have accepted food, health care,—

They have only accepted some health care—

> —education, shelter and child care as essential services, but the list is not complete without adding funeral services.

I want to make the argument that, if you are to accept the government's argument that they are not going to tax essential services for which there are no alternatives, then surely funerals fit into that category.

The other day, I tried to make the argument that, in Canada, domestic fuel is essential. I do not know of anyone living in Canada who does not have to provide fuel to heat his house. The government did not listen then but I hope it does now. It is obvious that you have to do something with the body of a person who dies. You either have to cremate the body or bury it. You have to pay for that service. People are not authorized to have any home remedy; they have to hire people who are licensed to do these things.

Hon. Anne C. Cools: Would the honourable senator take a question? I also listened to some of the witnesses Senator Olson heard but I still find myself mystified and bewildered as to whether a funeral is a good or a service.

Senator Olson: I would say it is partly both. There are some services that are required and some goods that are provided. Again reading from page 53:29, the funeral directors in Halifax told us the following:

> The government plans to tax items that are not included in the cost of the funeral service and are simply paid by the funeral director and are reimbursed by the family.

We know that happens in almost every case. They went on to state:

> These are items such as honorariums for the clergy, special music and opening and closing of the grave.

These fees are paid by the funeral director and subsequently charged to the family. In Halifax, they asked the question:

> How would you feel if you paid a clergyman or a soloist $50.00 for helping during a funeral service and then had to ask the family for $53.51?

If the family had paid that directly without having it go through the funeral director, there would have been no tax on paying the clergy or someone who provided music. They were asking for clarification at that time.

Hon. R. James Balfour: Would you permit a question?

Senator Olson: I do not want to go over my time allocation.

Senator Balfour: I do not want to enrage or provoke you.

Senator Olson: That is impossible tonight.

Senator Balfour: I have two questions. The first question is with respect to your amendment as a whole. Could you quantify the amount? I would assume that in the course of your research you have determined the revenue cost of the amendment and balanced that off against the revenue that would have been derived from the FST. Could you enlighten me on that?

Senator Olson: I can enlighten you specifically on the funeral service.

Senator Balfour: What about the whole amendment?

Senator Olson: I do not have the capability of the Department of Finance to go over all of the figures and estimate the cost of lost revenue because of this amendment. I make no apologies for that.

Senator Balfour: Do you have a ballpark figure?

Senator Olson: No, I do not even have a ballpark figure. I can tell you that it is fairly insignificant in comparison to the global figure of something over $20 billion dollars. It is not a significant figure. So far as funerals are concerned, the manufacturers' sales tax is now paid on caskets and that sort of thing. All you have to do is continue that.

Senator Balfour: On the wholesale price.

Senator Olson: Yes, on the wholesale price. You would not lose a great deal of money by holding back from imposing the GST. You could just continue the manufacturers' sales tax. You could also do other things.

Senator Balfour: I have a supplementary question on the funeral aspect alone. Senator Olson mentioned caskets. How about embalming equipment, vehicles and all the components that go into the operation of a full funeral service facility? Does he have a figure to balance against the sales tax that will be imposed on funeral services?

Senator Olson: No. I admit right from the top that I have not got a computer or an econometric model like the Department of Finance and other government bodies.

Senator Balfour: The Library of Parliament has a research facility which you could have used.

Senator Olson: I think Senator Balfour is missing the point of my argument. There may be a few dollars involved and I would be the first to admit it, but I do not think a great amount is involved and I do not think my friend does either.

It seems to me, honourable senators, that we are dealing with a situation which involves a severely traumatic experience—a funeral—and the government said at the beginning—I heard the Minister of Finance say it several times—"We are not going to tax goods and services which are essential and for which there are no alternatives."

They then went part way in terms of education and slapped the tax on in some areas and not in others. They also went part way in health care. All I am trying to do is to clean up what they did no quite finish doing.

Senator Balfour: Are you saying the tax should be hidden?

[Senator Olson.]

Senator Olson: My friend knows that we would like to take the government at its word, and the people would like to do that too. I am going to be careful because I do not want to annoy anyone here. You have said that you are not going to tax essential services. Well, honourable senators, nobody in Canada can avoid providing a funeral service for a dead body, whether the person was part of your family or not. In fact, the law in every province, because this is a provincial matter, sets out the procedures and, indeed, in many cases, the qualifications of people who can provide that service. You have no alternative. You cannot argue that it is not essential. I am sure you will agree with that, so let us not put GST on this service.

Senator Balfour: But it is taxed now.

Senator Olson: You can continue to collect tax at the manufacturing level. No one will try to take that authority away from the federal government. I want to be careful because there is another argument I could make here but I do not want to annoy anyone.

Senator Doody: Do not provoke anyone.

Senator Olson: I am not going to provoke anyone.

• (2050)

It seems to me that it is so fundamentally wrong, when the government's admonition was that there would be no tax on essential services, to find that funeral services will be taxed. It seems obvious to me, but there is more to it than that. There is another problem. In Canada today there is about $600 million in trust in pre-paid funerals. I did not realize it before, but the money for a pre-paid funeral is placed in a trust account in the name of the person for whom the arrangements have been made until the time of death. I know this is true in Nova Scotia and I think the other provinces have essentially the same provisions. The Nova Scotia Cemetery and Funeral Services Act, for example, makes it clear that a purchase has not occurred at the time of the deposit. The purchase occurs when the service is provided, some time later, months later or, in most cases, many years later.

Senator Cools: Absolutely.

Senator Olson: Yet the government is going to require that the tax be paid when the pre-paid arrangements are made. I want to say this again so it is clear: In almost all provinces, although I have not checked every one, the legislation makes it clear that a purchase has not occurred at the time the arrangements are made.

There is something else. Provincial legislation provides that the person who buys that service has the right to get his money back any time he wants. So why in the name of common sense is the government charging a tax on that service when no purchase has been made and the money is recallable, if that is the right word, by the person purchasing the service? It is fundamentally wrong. Even if it is only a few dollars in lost revenue, in my view it is just wrong to do it.

Honourable senators, I see it is about 48 minutes since the sitting started, and I want to complete my plea to senators opposite to think about this carefully tonight. You have a copy

of our amendment, and I can provide you with far more substantive arguments than I have already made, because some people went through all the representations made regarding the services I am trying to have exempted from the tax or zero rated. The list of people who think they are being very unjustly treated is long, and these are not people who just don't like to pay taxes. I know that the Minister of Finance, the Prime Minister, Senator Murray, and everyone else who speaks on behalf of the government, always say, "Nobody likes to pay taxes," as if that is the reason people object to the GST. What I am arguing is that you are charging different people a different rate of tax for the same goods or services. That is what is wrong.

As I said at the outset, I admit I probably have not found every injustice; nor, I am sure, did the researchers when they went looking for them. I am saying to you that if you pass this amendment to the bill, you will certainly be improving the justice of the tax in 25 or 30 cases.

I hope honourable senators opposite will accept this amendment in the spirit in which it is offered, which is to remove these injustices and at least to try to help Canadian people understand that this government is not completely immune to good suggestions for improvement. Our job on this side of the house is to criticize, and I know that sometimes we do that in an annoying way, although I try to avoid that most of the time. However, in this case, I plead with you. What we are trying to do is improve the bill for the Canadian people. They believe it needs improvement. To realize this, one only needs to read the evidence presented to one of their Houses of Parliament, namely, the Senate.

I hope that you set aside whatever other reason you might have for rejecting all amendments and show some concern and reason; show that you can see there are injustices that should be corrected at the first opportunity.

Honourable senators, I will not be any loger. I just wanted to show you that we can improve this tax legislation, and to plead with you to do so. If there is anything offensive in this amendment—and I do not think there is—we will be glad to make some adjustments so that we can proceed with the good parts of it. Thank you.

Some Hon. Senators: Hear, hear.

[*Translation*]

Hon. Paul David: Honourable senators, I listened very carefully to the speech by the previous speaker who moved this sixth amendment, actually a hodge-podge of several different amendments.

I noticed that from the outset, our colleagues on the other side of this Chamber appealed to our conscience, our sense of responsibility and our compassion, to persuade us to support amendments for which they feel they have made a clear case.

I noticed that about a week ago, and I remember part of a speech by Senator Stewart (Antigonish-Guysborough), who gave a brillant exposé on the history of the Senate. This was between midnight and one o'clock in the morning, Thursday, November 8.

I remember part of this speech, a comment by Senator Meighen, who said, if I am not mistaken, that if the Senate became as partisan as the House of Commons, it would not play its true role and its abolition would be justified.

My question is this: is the Senate partisan at this time? My answer is an unqualified yes, and the evidence is there for all to see.

I say with no hesitation whatever that since I was appointed to this Chamber in April 1985, the Liberal majority in the Senate has gradually turned into the non-elected opposition of the government in power, although the latter has a strong majority of elected members in the House of Commons.

Should it therefore be abolished? That is a question that should be the subject of non-partisan debate and study, something that is urgently needed . . .

Hon. Royce Frith (Deputy Leader of the Opposition): You are not addressing the amendment.

Senator David: Just hear me out! I will get to it eventually.

Hon. Jean-Maurice Simard: Be patient, Senator Frith!

Senator David: . . . non-partisan debate that is becoming increasingly urgent, considering the heightened interest of the media in our Chamber which, until recently, was either totally ignored or the butt of unwarranted sarcasm.

I hope Senator Stewart's learned speech is quoted when this debate takes place. It deserves to be heard by a much larger audience and in circumstances more conducive to reflection.

We don't live in a monastery where time for prayer and meditation is scheduled in the middle of the night!

Bill C-62 and the amendments that are being tabled piecemeal are a typical example of guerilla warfare, based mainly on this element of partisanship which Senator Molson heartily deplored, and rightly so, in one of his speeches.

Senator Frith, I may remind you that Senator Stewart's speech addressed an amendment. He made a forty-five minute speech . . .

Senator Frith: Not on this amendment!

Senator David: . . . on another amendment.

Senator Frith: Yes.

Senator David: Well, if I did decide to do what one of your colleagues did, who set such a good example, would that be such a mortal sin?

Senator Frith: It's another pedantic reading!

Senator David: Does it surprise you, dears colleagues, that we systematically vote against your amendments?

Hon. L. Norbert Thériault: Senator Castonguay did not do it!

Senator David: Your astonishment is fake. You knew full well that the Buckwold report, which recommended that the bill be rejected, would inevitably lead to this.

Why? Because, when you had the majority, you set all the rules of the game that were to lead to this endless standoff.

You even contest the nomination of the eight senators who rightfully sit with us so that the government can hopefully fulfill its tax reform program. That is indeed crystal clear, as our colleague, senator Beaudoin, said earlier.

You even take a malicious pleasure in mentioning after each vote that such and such amendment would have passed if it were not for their addition.

In fact, you are proving beyond any doubt that, without the eight new senators, Bill C-62 would have been rejected.

Some Hon. Senators: Hear, hear.

Senator David: And you are showing how right the Prime Minister was—this time you will not applaude!—to make use of the unmodified provision of the 1867 Constitution.

Senator Thériault: 123 years later.

Senator David: You did not modify that provision in 1982, when you could have done so to prevent a constitutional crisis.

Senator Thériault: That had been refused by the Queen in 1876.

Senator David: This constitutional crisis was skilfully devised, with a protracted filibuster around Bills C-21 and C-28 and the opposition to Bill C-62.

For seven weeks now, since September 25, you have been fighting, often with histrionic enthousiasm alternating with utter platitudes.

Senator Thériault: You too!

Senator David: You do not have to listen to me. You can leave. That is your privilege!

Senator Thériault: The same is true of your platitudes. They are the same.

Senator David: The principles of democracy, freedom of expression, liberty and representation of the people.

Your fight against the bill illustrates, in my view anyway, a type of strategy that discredits the goals.

Because of your relentlessness and of your choice of methods, it has become, in my mind at least, an example of undemocratic practices and of blatant abuse of democracy contrary to the fundamental goals or the Senate.

• (2100)

Some Hon. Senators: Hear, hear.

Senator David: In that case, things started on September 24 last when the chairman of the Standing Committee on Banking, Trade and Commerce presented his report. I received my copy at noon for a meeting to be held at one o'clock the same day, that is an hour and a half later.

Senator Thériault: That was more time that we had to get here for a vote.

Senator David: Less than half an hour into that only meeting, the members of the committee were notified they had to take a stand on the report by seven o'clock.

You on the other side of the Senate often made references to closure motions introduced in the House of Commons. Well, the same thing happened on that Monday, September 24, when the Senate was given no more than five or six hours to consider a voluminous report. You never say a word about that though!

Indeed, the draft report that was provided to us contained about 318 pages, that is 90 more pages than the official committee report, which in the end had only 228 pages.

Why does this difference exist? Because the draft report gave four options to the committee members: first, to approve the bill with recommendations, second, to refer it to the other House with amendments, third, to demand that it be delayed for another year or finally, to reject it.

At about 6 o'clock, the Liberal majority in the committee proposed, without having examined any of the others options, the outright rejection of Bill C-62.

So, with the elimination of the three others options, the document was reduced by 90 pages.

I forgot to point out that the committee had in fact been convened for Wednesday, September 19th. That meeting was cancelled the day before. The reason that was given to us was the absence of a French version of the document.

I believe that for the purpose of the preliminary study and given its usual kindness, the French minority on the committee would have agreed to examine this English text.

During that week of meeting that was cancelled, the committee would have had the opportunity to examine most of the amendments that you are now bringing forward little by little.

But the major point to remember is the clearly stated will of the Liberal majority to reject this bill since September 24th.

Today, this same majority contends that there was no urgency. That is what Senator MacEachen said in his opening remarks. So, there was no urgency to appoint the additional eight senators.

I believe that this overview that I gave tonight of the facts and the action taken on September 24th demonstrate exactly the opposite.

Is it not somewhat strange, illogical and perverse that you should now, having first rejected this bill outright, choose to introduce amendments one after the other and not alltogether, a manner which I would consider much more democratic since we could prepare for the discussion of these amendments of which we have no previous knowledge.

• (2110)

This right I was denied in committee, Senator Frith, you would like me to use it now in the Senate to support some amendments which I would feel legitimate. I have had enough lessons from you on partisan strategy not to fall into this trap. In the name of democracy which gives the elected representatives the power to govern, I do not feel the least bit of remorse in voting against each of your amendments.

For today, the 14th of November 1990, is much too late. The date of January 1, 1991, for the implementation of this

legislation has been known for quite some time. The government, financial institutions and corporations have spent huge amounts of money to put together the structures and instruments necessary to collect the GST. Already the uncertainty resulting from the Liberal Party's filibuster is responsible for a slowing down in the registration of businesses and any amendment likely to be accepted might only delay the implementation of this legislation and perhaps even make it unenforceable. Well, I shall not be party to the killing of this tax.

May I remind you that the most expensive and significant of all the hidden taxes which individuals and corporations must pay is the cost of servicing the national debt. It has been estimated that out of every tax dollar the Federal government collects between 30 and 35 cents go toward servicing the debt, meaning the interests on the deficit and the national debt. Our government has embarked upon a tax program toward sounder accounting procedures which is becoming more and more urgent.

It costs Canadian taxpayers between $38 billion and $40 billion a year in interest payments, which is twice the amount of the current MST which the GST is meant to replace, improve and hopefully make more fruitful.

For the last forty years, as you know full well, studies, commissions and committees have pinpointed the weaknesses of the federal sales tax and recommended major changes. So far no government has had the courage to proceed.

On the contrary, Liberal asministrations have launched a multiplicity of programs without being overly concened about the ensuing deficits, hence the monstrous debt inherited by this government as well as present and future generations of Canadians.

Today still these supporters of the providence state would practically opt for doing away with all taxes. I believe Senator Olson has jusy given us an example of that. Lets us eliminate taxes and what all else, but then how do we go about solving the deficit problem?

Given the indebtedness nof the government, it seems to be it has become imperative to take concrete steps to face up to this acute problen in a lucid and enlightened manner. The trench and attrition war you are forcing us to endure since September 24 makes no sense, it is ilogical and, above all, it does not yield salutary benefits. I would suggest that the time we have been wasting could have been put to much better use had we serenely and realistically tackled the huge problems which cast a pall over federal-provincial relations, not to mention the no less serious issues facing humanity.

The first four amendments introduced would have steered us along the same course. Tonight's adds even more:

exempt from the GST the basic cultural necessities like books, magazines and reading materials;

the basic necessities of day-to-day life like heating oil and electricity;

the basic necessities of the community's economy, the participation in various co-operative movements;

the basic necessities of personal security, the indexation of benefits paid to poorer Canadians as well as the indexation of the threshold of their distribution,

the necessities of services, this hodgepodge of amendments which Senator Olson has just been advocating.

All these amendments might have been worth considering if we had reserves or enough money to honour at least our past commitments and still others you would like us to make.

Why should the Welfare State continue pursuing ideological policies if they are going to expand the debt load of our country on a daily basis?

Some senators opposite said that this present government had doubled the national debt. That's what you said yesterday or the day before to senator Olson. In the speech I gave on October 24, I quoted the book of Jack Biddel and showed that the information contained in the table appearing on page 7 refutes that statement.

Indeed, on March 31, 1990, the national debt totalled 351.4 billion, whereas on March 31, 1985, it was 191.4 billion, which represents an increase of 83 per cent or an annual average of 17 per cent.

In comparison, under the Liberal government, the national debt, from March 31, 1979 to March 31, 1985, has gone up from 55.8 billion to 191.4 billion, an increase of 243 per cent or an annual average increase of 40 per cent.

In other words, the present government has reduced its annual average debt by more than 50 per cent.

Hon. L. Norbert Thériault: Nobody believes you.

Senator David: I think it is important to underline that fact because in spite of the huge numbers, it shows the definitely positive results of the fiscal and tax policies of our government and its Minister of Finance.

That is precisely what we want to further with this bill.

Now, Senator Frith, let me take a few minutes to discuss some of the amendments moved by Senator Olson. First, you ask to exempt from the GST services provided by people like dietitians, massage therapists and social workers. Let's take these three examples. From what I know, 85 per cent of their services are currently provided in hospitals within a public framework and as such, are now exempt from all taxes.

So, these represent a large number of health workers whose services are exempted for the most part in any case because they work in public organizations.

You ask that we exempt services rendered by practitioners of Christian Science. First of all, these practitioners are not recognized by a corporation, at least in the province where I live. If we were to give official recognition to all the health practitioners of all the religions of the world, we will all declare ourselves healers and be exempted from the GST.

You would exempt the services rendered by naturopathic physicians. That's what the amendment says. So, if they are physicians, their services are exempted from the GST. Now, do you mean doctors in naturopathy? There is a distinction to be made here, and I don't find any in your amendment. In any

case, this is certainly not a publicly recognized corporation and by this very fact is not included in the health care services.

As for children's psychotherapists, if you mean psychotherapists with a medical degree, then their services are exempted from the GST. Again, if they are analysts in psychotherapy and members of the psychologist's corporation, and have been certified as clinical psychologists, their services are exempted too.

As far as the second part is concerned: "300 members in Canada of which at least 2/3 are medical practitioners or less than 300 members in Canada", et cetera, personally, I would be less generous than the bill itself. I believe that a proper psychoanalysis can be performed in a scientific and professionnal manner only by a doctor trained in psychoanalysis or generally, by a psychiatrist or a psychologist who graduated in psychoanalysis. As a registered member of the corporation, his or her services would then be also tax exempt.

Since people must often consult a doctor before dying, I will speak briefly on funeral services. Is death an essential service? I would rather say that it is an essential pain because whether we want it or not, we will all die. Should funeral services be exempt for that reason? It is a philosophical question on which I could speak at length. I feel that in our modern society substantial efforts have been made to reduce funeral expenses.

In the old days, people went for magnificient graves, large plots in cemetery, monuments to eternally remind us of the dead. Today, people are cremated, reduced to ashes and put in small urns which are sealed or not. As a result, the cost is considerably lower than it was, and the 7 per cent today is far less than it used to be.

Another possibility, Senator Olson — I don't know whether you are thinking about it for a future amendment — would be to tax everybody who leaves some money behind at the time of death. It used to be called succession duties. I remember a time when succession duties were fairly high. I wonder what a family that just lost a very dear member would do, given the choice between succession duties — advocated by a good number of the witnesses we heard during our long trip which now culminates in this long discussion — of 10, 15, 20 or 33 per cent, as we used to have, and the 7 p. 100 GST. Since you asked us tonight to reflect upon our own death, I think you can ponder this thought during the rest of night; would your family prefer the 7 per cent tax of succession duties on the fortune you are going to leave them.

• (2120)

[*English*]

Hon. Jerahmiel S. Grafstein: I follow the honourable Senator's impeccable logic and see how it leads him to his inexorable conclusion that there is no time to make any changes because all of this bill is in aid of reducing the deficit.

Senator Olson: No, no; revenue neutral.

Senator Grafstein: I am only following his logic. I do not want to challenge that, because after much careful thought he has come to his own conclusion.

[Senator David.]

However, I am interested in one question, which is that, laying aside the psychological approach of directing all errors to other parties, which I think is very good psychological philosophy in freeing oneself from all responsibility—

Senator Frith: Also therapeutic for the guilty.

Senator Grafstein: I understand that as well, but I am curious, because the senator is a skilled and respected medical practitioner, whether or not, in the time available to him to study this bill, he saw, based on his own analysis, any substantive or material flaws he believes should be corrected.

Senator David: That is a very interesting question, and I think I tried to answer it in my speech. If we had been allowed to have our meeting on September 19 instead of September 24, if we had one week to study it, maybe I would have been susceptible to understanding some of the amendments you are now putting in front of us. However, at the present time you are doing a job you should have done eight weeks ago. This is much too late.

Senator Grafstein: I do not quarrel with that analysis again because once you start down a particular path that you take, it leads you to your ineluctable conclusion. But that is not my question. My question concerns the time that was made available to you in your capacity as senator, and without being concerned about the criticism of the process, or delays, or whatever. Since September 24 we have all had an opportunity to examine the bill closely. We have perhaps spent more time on this bill than on any other bill, at least since I have been here. Canadians deserve answers to their questions. Obviously they are exercised by this bill.

• (2130)

Senator Simard: Is it a difficult question?

Senator Grafstein: It is a precise question. The question is: Does Senator David, in his role as senator, with his careful, meticulous, logical mind, see any substantive material flaws in the bill that should be corrected, whether it be today or next year? I think it is important for Canadians to know, since they seem to be exercised by the bill, whether or not senators opposite see anything in it that should be corrected. That is my question. I understand the steel jacket in which the honourable senator's logic puts him: it makes him unable to agree to any changes. I do not quarrel with that. I just want to know, for the purposes of the record, whether or not the honourable senator feels that there are any substantive flaws in the bill.

[*Translation*]

Senator David: Honourable senators, I believe that under the present federal sales tax 22,000 arrangements were struck with the manufacturing sector. I hope this tax will be passed before mid-December, and then, if proven defective somewhere, it could be amended, as were amended all tax legislations the world over.

Senator Thériault: Would the honorable senator accept a question? If I follow his logic correctly, he says that since we are all going to die, there is no reason to exempt the cost of funerals. Don't you think this also applies to food? We must

all eat, so why exempt food? Why two different approaches for two problems that apply to all of us?

Senator David: Honourable senators on the other side would have exemptions on everything. We all need food, clothing, housing. We need to heat our houses. We all get sick once in a while. Sometimes, it is a matter of seconds. The situation is often more painful for families than it is for those who die, I think.

If you have exemptions on just about everything, where will our revenues come from? If you can find a way to bring down the deficit, which is the worst burden for Canadians—but I do not hear you talking about that too often—then I would agree that we ought to be more and more generous, provided we have a balanced budget.

Senator Thériault: Senator David, how come you suggest that the tax is needed in order to reduce the deficit? The Prime Minister and the Minister of Finance never talked in those terms. They say the GST is going to replace an existing tax and will not be used to bring the deficit down.

Why do you try to fool people? I asked a simple question and you did not answer. The answer you gave befits the politician you are becoming more and more. Because you did not answer my first question, I am going to ask another one.

I can understand that Senator David would prefer a tax on funeral services instead of an inheritance tax. It reflects what most senators think because a tax on funeral services is much cheaper than a tax on inheritances, but that is not the opinion of most Canadians.

[*English*]

Hon. B. Alasdair Graham: I thank honourable senators for the opportunity to intervene in this debate. I was particularly intrigued by the persuasive powers of Senator Olson and by the interjection of the much respected Senator David. Senator David made reference to a speech made in this chamber last week on November 7 by Senator John Stewart who, in turn, had referred earlier to an article by Senator Arthur Meighen. He quoted from Senator Meighen's paper which resulted in a speech in 1937. I shall not quote all of Senator Meighen's speech, but I would like to add, through Senator Meighen's speech, to what Senator David said with respect to the role of the Senate. He said:

> The Senate was constituted by the people through the Fathers of Confederation, and ratified by the vote of the country, because in the belief not just of a few but of this whole Dominion it was in their interests that there should be a review of Commons legislation, with special protection of minority, sectional, and territorial rights. Of all these delegated duties the Senate is the trustee; most of them it shares with the Commons and has responsibility just as direct as has that House, and it should make it a duty hour by hour to live up to the full standards which were doubtless in the minds of the Fathers of Confederation and which today are as vital to Canada as they were at that time.

So said Arthur Meighen in 1937. Senator David suggested in his remarks that we were wasting time. I resent that. I do not believe that listening to the people and speaking for the people is a waste of time.

Senator Olson: That's right!

Senator Graham: I would like to refer Senator David to the latest Gallup poll with respect to the GST. Seventy-six per cent of Canadians oppose this regressive tax. In Senator David's province 66 per cent of the people are opposed. In my part of Canada, 92 per cent of the people I was sent here to represent oppose this tax and only 3 per cent are in favour of it.

At the very beginning of this exercise we decided that we would listen to the people. That is why the Banking, Trade and Commerce committee went from one end of the country to the other. People told us in overwhelming terms that they wanted this particular piece of legislation rejected. I have no doubt in my mind—perhaps Senator David has in his—that we have the legal and constitutional authority to reject this legislation.

● (2140)

Senator Frith: And duty.

Senator Graham: I agree with Senator Frith that we have a duty. Certainly, the Canadian people have spoken and I am now speaking on behalf of the Canadian people, in particular on behalf of the people of my region, and according to my conscience. It is always dangerous to attempt new discoveries and, yet, it is always a pleasant and very profitable exercise to do so.

Honourable senators, our country was built on the efforts of Canadians who understood that the greatest joy in life is that of accomplishment. I believe it has never been within the power of the Canadian psyche to be satisfied. We have made the sacrifices and we have built a country. As Winston Churchill once said:

> Canadians have not journeyed all this way across the centuries, across the oceans, across the mountains, across the prairie because they are made of sugar candy . . . the Canadian spirit is no wandering phantom.

This is no sugar country and no sugar candy patriots are we. Indeed, Canadian achievement in every field rests largely on the quality of the Canadian mind and spirit but in no domain has that inquisitive national mind and restless national spirit been more dramatically successful than in the field of health care. There are those in this chamber, including Senator David, who will bear testimony to that fact. History attests to the singular capacity of the Canadian psyche to excel in this area and we have an international reputation for excellence, innovation and quality of the services disseminated throughout this country from coast to coast.

It is such a great pity, therefore, that our present government, with regard to the provisions of the GST affecting health care, presents us with such an evident lack of inspiration. Indeed, this government is reminiscent of an Egyptian mummy: inanimate, wrapped up in narrow hidebound prejudice. I suppose one could reach that conclusion logically,

honourable senators, although probably most of us would recognize that even the death-absorbed Egyptian pharaohs were wise enough not to try to tax their citizens for dying.

Senator Frith: Well said, sir.

Senator Graham: There are so many of you who want to speak to this particular piece of legislation—and I am sure you support it—that I am reminded of the old maxim of the Egyptian mummy: I feel pressed for time.

Allow me also to draw the attention of honourable senators to the provisions of Schedule V of Bill C-62 which affects health care. As Senator Olson mentioned, we all know that institutional health care is tax exempt and that the services provided by a wide range of health care professionals are also tax exempt. Outside the institutional setting, however, many of these same services are subject to the 7 per cent tax. This an important point because the GST is biased towards institutional health care, and the Canadian people deserve better than this.

As the Registered Nurses Association of Nova Scotia pointed out to me in a letter of July 27, 1990, the GST discourages greater use of community-based health care facilities. Senator Buchanan probably received the same letter.

Canada's registered nurses recognize that it is always a pleasant and profitable exercise to attempt new discoveries, and they are presently attempting, along with so many others, to breathe life into the antique mummy which serves as our present government. They want to see less reliance on costly illness-based hospital care in this country. The Canadian Nursing Association believes that health care is potentially a field of rich innovation, and indeed is so now. The CNA believes it is legitimate and a matter of ultimate common sense to seek to deinstitutionalize much of the health care process and, in so doing, the nurses of this country have looked to the wide strictures of the June 1990 report of the Standing Senate Committee on Social Affairs, Science and Technology entitled: Accessibility to Hospital Services—Is there a Crisis?

The report supported the view that it is urgent for a major shift to occur in our health care system in the next decade. The report illustrated the distressing conditions of acute care hospitals and pointed out that it was necessary to take urgent action to prevent a health care crisis. The report made a number of recommendations among which are: That the federal government must make it a fundamental priority to provide funding for projects which incorporate alternative approaches to health care; and that the federal government finance innovative pilot projects in the area of health promotion.

The Canada Health Act states that the primary objective of our health care programs is to protect the physical and mental well-being of Canadians and to provide access to health services without financial values.

More recently, the 1986 Health and Welfare Canada document entitled "Achieving Health for All" presented new strategies for coping with emerging challenges and quality of life and health issues. In particular, it noted a need to reorient the present health care system in such a fashion as to give more responsibility to community-based services. But the proposed rebate structure in Bill C-62 encourages Canadians to look to institutionally based hospital care for as many health care services as possible. The imporant point is that more appropriate care is generally available through community-based modes of delivery.

The rebate figure of public hospitals is thought to be in the order of 80 per cent. This is intended to ensure that they do not have to bear a greater tax burden than before GST reforms. Other health care facilities such as community clinics and nursing homes will be eligible for a 50 per cent rebate on GST paid on their purchases. Such tax treatment will almost certainly put more pressure on overburdened hospitals. Such tax treatment does not facilitate nor does it encourage the development of new mechanisms of community-based service delivery.

The Canadian Nursing Association therefore recommends a zero rating for all non-profit health care facilities and agencies whereby they would not collect tax from their clients and would be able to claim the tax credits on their inputs. Health care services provided by these facilities should be generally treated in the same fashion as prescription drugs and basic groceries. If it is not possible to accomplish this, then at the very least it is a matter of some urgency to treat health care agencies in the same fashion as public hospitals.

The very function of deinstitutionalization is to broaden and invigorate health services. The duty of adventurers in health care is to serve as preceptors of their times. I believe this is a government afraid of the creative spirit of life. It is a government of antique prejudice. Witness the opposition by the government to our amendments which were designed to remove a tax on reading material, which were designed to preserve the uniqueness of our co-op inheritance, and which were designed to alleviate the singular threat this tax poses to our social fabric.

It is not so much the inconsistency by which the bill grants exempt status to some services and not others, it is the complete lack of national vision, the incapability of seeing that dietitians, social workers, naturopathic physicians, psychoanalytic psychotherapists for children and many other exploratory, innovative groups are, in fact, restless, worthwhile agents of change in this country. However, one suffers attacks on the creative spirit in the Canada of 1990, as the Consulting Dieticians of Canada, a national organization representing dieticians across the country, has discovered.

● (2150)

Private sector dieticians offer an eclectic range of services in many settings throughout the country. They are involved in individual nutrition counselling for people unwilling or unable to wait up to three months to visit a hospital. If they cannot find a hospital dietician, as provided by provincial medical insurance plans, there are further problems. Some of these individuals have medical conditions which could deteriorate quickly with delays in modification of personal diets.

Dieticians also do group nutrition counselling when appropriate diet therapy is suited to a group atmosphere; for example, grocery store tours on how to read packaging labels for cholesterol reduction. One of the more interesting pilot projects engaged in by Canadian dieticians relates to corporate nutrition education in the workplace for improving the health of employees, on the assumption that good health relates to increased productivity and reduced time away from work.

Private-practice dieticians have become an integral part of the health care field in this country, but they are concerned that the proposed GST will affect their services by, in the first instance, GST exemptions not being based on a service but rather on the venue of the service. Taxing dietician services will provide less incentive for the public to use the most cost-effective and qualified service. The GST, then, will encourage more extensive burdens on traditional institutional care systems and additional cost to governments.

It is obvious that the GST causes an uneven playing field in respect to dietician services. By omitting dietetic services from the list of health care practitioners exempt from the GST, the government suggests that dieticians are not recognized as health care professionals. Further, public sector health care facilities are entitled to a rebate credit equal to 50 per cent of tax-paid inputs. It is only fair that dieticians providing services in the private sector should be entitled to operate under the same conditions. It is ironic that the principle of "competitive equity", as written in the goods and services tax overview, supports this concept of equal conditions.

Honourable senators, allow me to turn to the case of the Canadian Association of Psychoanalytic Psychotherapists for Children. CAPPs, as it is known, was founded in 1981 by graduates of the Toronto Child Psychotherapy Program, which is an intensive, post-graduate education program whose average length runs to six years and which includes structured clinical work that is rigorously supervised, with the psychoanalytic study of psychosocial development. I am sure that Senator David is interested in that point. At present, this is the only training program of its kind in all of Canada.

The members of CAPPs are committed to very high standards of practice. Psychoanalytic psychotherapists treat troubled children but they do not do so by focusing on particular symptoms. Rather, the membership of CAPPs help children in a far more creative way by encouraging them to understand their own perceptions, their fears and their conflicts so that they can develop a more positive self image and find better ways of dealing with their environment.

Psychiatrists and psychologists refer children to CAPPs because of the unique orientation of its membership. In England, by the way, child psychotherapists are part of a recognized government funded service system, but in Canada, they are not yet government-funded. For that reason, the members of CAPPs provide services in the private sector. The members are requesting an exemption from the GST for their services and believe they should be granted this exemption for the simple reason that the cost of untreated problems in children is enormous. I need not outline to honourable senators all of these problems; I need only enumerate a few, such as delinquency, drug and alcohol abuse, repeated child abuse, suicide, adolescent pregnancy, and so on. They remain fundamental, troubling problems of our time, and it strikes me, honourable senators, that families who treat their children at their own personal expense contribute greatly to decreasing the financial burdens on all Canadians, not only in the present but also in the future.

The GST, as it presently stands, discriminates against families who choose private services from CAPPs. Therefore, the GST will almost surely result in more extensive demands on already overburdened children's mental health services. When a child is in emotional trouble and needs help, an already troubled family should not suffer further stress and should not be further penalized by having to pay tax on psychotherapy services. Psychotherapy is not a luxury, honourable senators; it is an investment in the social future of our country. However, innovative agents of social change are being casually attacked under the provisions of the GST. It is really a tax on the creative spirit, honourable senators.

Whole categories of professionals in this country will suffer the brunt of this demeaning assault on social justice. Take the case of the Canadian Association of Social Workers, for example. In a most humiliating affront, the government has failed to include them as health practitioners under Schedule V, Part II, Paragraph 1 of the legislation. Other professionals have been so included as practitioners. Physiotherapists, chiropractors, optometrists and so on, are so classified, and it is beyond me—I believe it is beyond reason—to understand how social workers could be left off this list. We believe they must be added to this category. We must take into consideration the dynamic role which is played by social workers with regard to, for example, an aging population. This is a field which is unique and to which social workers contribute a great deal of their skills.

The list of potential contributions of social workers in our community is so great and so obvious to all honourable senators that it is really not necessary to go into it in any great detail. However, to add to the affront, members of the Canadian Association of Social Workers believed that they would be added to the list of practitioners and that their services would therefore be treated in the same manner as, for example, psychologists; yet the social workers of this country now find that they have been ignored and that they have not been defined as practitioners under the bill.

Bill C-62 also exempts from the tax personal and home-care services to the aged, the infirm and the disadvantaged citizens

of this country when public sector bodies provide the service. However, in many cases, private sector bodies can do the job more efficiently. This is particularly true—and, moreover it is particularly urgent—when no public sector agencies are available to do so. Our amendment calls for equal treatment, a level playing field for both private and public sector bodies, and hence it would erase the unfair bias inherent in the present legislation with regard to the dispensation of certain social services by the public sector. In other words, our amendment attempts to liberate the creative spirit of Canadian people from this government of antique prejudice.

● (2200)

Let me cite from the brief of the Canadian Long-term Care Association, a federation which has worked together to promote consistently high quality standards of long-term care across Canada. The CLS represents a united voice for long-term care in this country. Its objectives are to represent the best interests of those Canadians seeking long-term care in dealing with the government and the general public insofar as matters relating to the provision of long-term care are concerned. CLS attempts to establish and promote programs of research and education with respect to this vital problem.

The CLS is presently asking that the GST legislation be amended to make the long-term sector zero rated. At minimum the members want the GST rebate applicable to non-profit long-term care facilities and that it be reviewed to ensure that they will not pay more federal sales tax than at present. Ultimately, the goal should be to shield both hospitals and non-profit nursing homes from increased costs due to the GST.

Another major point raised by the CLS concerns private-sector nursing homes. Due to the fact that nursing homes are in the tax exempt category, they will not charge tax on the goods and services provided to the elderly, neither will they be effectively able to claim input tax credits. The results are obvious: an increase in tax liability and increased costs must be anticipated. These will have to be covered by the beneficiaries of the care, or by the provincial governments which fund the care. People who need nursing home care do not choose particular facilities on the basis of whether they are not non-profit or private, they go where there is an available bed. Therefore, a resident in long-term care, and beneficiaries of care in private-sector homes cannot often afford increased costs any more than persons in non-profit facilities can afford to pay more. Therefore, the CLS has requested, and justifiably so, that private nursing homes funded by provincial governments be eligible for the same GST rebate as non-profit facilities.

Honourable senators, our amendment intends to eliminate the objectionable bias evident in the present provisions of the GST, particularly the bias which accrues to public sector transfer of social services. I find it somewhat ironic that the present government takes some evident satisfaction in its role as a catalyst of privatization in this country. Private bodies are consistently discriminated against under Schedule V of Bill C-62.

We know that educational services are tax exempt. I might add as an aside that the Canadian Association of University Teachers has launched a most convincing campaign to provide that basic public services by public sector institutions such as universities or colleges be made tax free rather than tax exempt. All this is an attempt to maintain neutrality in the impact of taxation on the funding of public services. So the tax exempt status is by no means accepted by public colleges and universities.

However, to continue with my earlier point, the proposed legislation restricts even this very controversial exemption to public colleges. The amendment foresees extending the exempt status to private colleges. If Canada is to become a forerunner and global leader in the fields of technology and computer science, we must recognize the deleterious effect of discouraging our innovative private educational sector from disseminating important educational services.

Honourable senators, you do not tax education, because education is not a luxury. You do not tax domestic transportation, because it is not a luxury commodity either. Public transport should be treated equitably; it is not under the proposed legislation because, as mentioned by Senator Olson, Bill C-62 gives preferential treatment to municipal transit systems, unfairly tilting the balance against, for example, taxis.

Kenneth MacLaren, Vice-President of Government Relations for the Canadian Trucking Association stated:

> It is becoming too easy for Ottawa to treat transportation as a luxury good, a kind of sin tax. This is a complete reversal of a policy where transporation was viewed as an investment and not only as a source of government revenue.

Our intended amendment grants tax free status to all passenger transport outside of domestic air travel. It reflects a principle of equity because services provided by the public and private sector should be treated equally. We go further with this amendment. We recognize the essential worth of encouraging travel by buses and trains for sound environmental reasons. Most thinking Canadians understand that all encouragement to a reduction in the use of personal automobiles, particularly in large, congested cities, is a simple exercise in common sense.

Honourable senators, Canada has always been a pleasant and profitable place to attempt new discoveries. I fear this government tries to tax its citizens for the simple desire to take a course towards a degree or a diploma. Our present government then taxes our more audacious citizens for their efforts. The Canadian spirit is no wandering phantom; yet the ramshackle, awkward, misshapen application of the GST sets us adrift. We wander, we are unsure and apprehensive; there is no national vision here, there is no consistency here. Indeed, this government of antique prejudice has even succumbed to a tax on non-profit organizations which deliver sports and recreation programs to our teenagers. The Canadian people are not sugar candy patriots yet they are taxed for innovation, they are taxed for creativity of spirit.

Our proposed amendment seeks to restore equity to public and private institutions, to make the Canadian people believe again that the greatest joy in life is that of accomplishment. It seeks to rescue a society in which achievement in every field is again exalted and not humiliated. It seeks to exhilarate in the quality of the Canadian mind and spirit. I urge all honourable senators to support this very worthwhile amendment.

[*Translation*]

Hon. Eymard G. Corbin: Honourable senators, I am taking part in this debate at 10.09 p.m. this evening with neither pleasure nor regret, but with some reluctance because I feel that nothing I could say can make my honorable friends opposite change their minds. Their resolve to reject any amendment proposed by someone from this side of the House is stronger than ever.

Hon. Gildas L. Molgat: Never give up hope!

Hon. Eymard G. Corbin: Hope, you say, senator Molgat. That is precisely what is driving me to speak tonight: the hope that there are a few reasonable people across the floor. I know senator David does not like to hear this. It hits him in the heart and makes him shudder deep down in his soul, but I will say it anyway. There may still be hope. I looked up the definition of "essential" in a number of dictionaries. I suggest that in this case the word is improperly used. It would be better to refer to a necessary service. The Oxford English dictionary provides various meanings for "essential", but the most appropriate seems to be "absolutely necessary", "indispensable", "requisite". I suggest that in this debate, "essential" means absolutely necessary, indispensable, requisite.

Le Petit Robert refers to the current use of the word "essentiel". It means "qui est absolument nécessaire (opposé à inutile), indispensable, nécessaire, vital, même obligatoire". The most recent edition of the *Grand Larousse*, in five volumes, defined "essentiel" as "ce qui est de grande importance, principal, capital", and as a noun "ce qui est indispensable". The Canadian Houghton Dictionary of the English Language defines "essential" as "a fundamental necessary or indispensable, hard item or principle, basic or indispensable". The same applies to the other definitions found in other dictionaries. They refer to "essential services" when they really mean "necessary services", such as those provided by a mortician, because the legislation and regulations in various provinces require a whole process for the disposal of a dead body. There are health provisions and also legal considerations.

Senator Simard: Do not be too macabre!

Senator Corbin: Senator Simard, I take this matter very seriously and I do not wish to be macabre. Before you interrupted me, I was saying that the bill is made in such a way that the services associated with the disposal of dead bodies, if you prefer, Senator Simard—

Senator Simard: It is gruesome!

Senator Corbin: What do you want me to say?

Senator Simard: Look it up in the dictionaries!

Senator Corbin: Let us call a spade a spade. Senator David might have other elegant expressions to suggest, but let me get back to this serious question.

There are legislative provisions which simply cannot be ignored, particularly those having to do with hygienic considerations. And there are cultural and religious considerations which vary from one ethnic group to another, from one religious practice to another. Such deeply-rooted practices and traditions with respect to the way things are done cannot be changed overnight.

Cremation of the remains, for example—perhaps Senator Simard prefers the expression mortal remains—is a relatively recent phenomenon in Canada and it is gaining ever wider acceptance. Even when religions considerations did not enter the picture, there were all kinds of reservations for all kinds of personal reasons not to use this method of turning one's remains into ashes, as it were. But habits do change, as do behavioural standards, but not easily. I think the traditional way of doing things will appeal to the public for generations to come until Canada's population increases to numbers such as they have in Japan or India where, for various reasons and in keeping with various traditions, they do things differently.

In any event, these are considerations we cannot ignore when debating an issue such as this one. If the amendment we are proposing this evening is rejected, as of January 1 next the

Canadian taxpayer will have to add the 7 per cent tax on funeral services.

• (2210)

Why a tax on these services? It seems that some officials in the Department of Finance came to the conclusion that such services could not be considered as essential or necessary, if you want, as are health care services and food, for example. No, services related to a person's death are not essential, as they see it. This bureaucratic parody is one more evidence that the Tory government is insensitive and uncaring.

As for me, I find it impossible to view as unnecessary the direct and indirect services supplied by professionals.

It is not very difficult to prove that these services are necessary per se. But it becomes impossible to prove it to the Tory government.

Ms. Julie Tubman, First Vice-President of the Ontario Funeral Service Association Incorporated, expressed that notion very well last August 29 in her testimony before the Committee on Banking, Trade and Commerce. I will quote from Issue No. 70 at pages 99 and 100. She said, and I quote:

> One of the major reasons we object to the GST is because of the lasting impact and resentment it will create for bereaved families. We say that as trained professionals who understand the grieving process. We have taken the liberty of attaching my resumé and Mr. Carrothers' resumé to this presentation, which is typical of the majority of funeral directors throughout Canada—being active in the community, bereavement groups and other organizations. We speak with authority and experience. We believe that the Canadian government is not taking our concerns as seriously as it should, not only with respect to prepaid funerals, but also with respect to bereaved families and their pain and loss.
>
> We believe our message is important and to ignore our advice will have long-term consequences. Funeral directors in this province and across Canada know that this tax is wrong. Imposing this tax on death only proves that at a time of pain and loss the Government of Canada is uncaring and insensitive. Since the House of Commons has not listened to us, we hope you will—

She was talking to senators.

> —and that you will see that our great concern over the effect of this tax is not out of self-interest but is a result of our professional training, knowledge of the bereavement process and experience with the grieving families we serve.
>
> First, as we all know, death comes to us all and we must care for our dead. As we have argued, funerals are a necessity and, like other necessities such as health care, should not be subject to this tax. I can guarantee you that we are all going out of this world the same way. That is why we feel it is a necessity. Governments have long recognized the necessity of caring for our dead. Even the former Prime Minister of England, Mr. Gladstone, said:
>
> > Show me the manner in which a nation cares for its dead, and I will measure with mathematical exactness the tender mercies of its people, their respect for the laws of the land and their loyalty to high ideals.
>
> Further, funeral rights in our society—and every other culture in the world—are designed to meet our needs as a result of thousands of years of people coping with death. Culture has designed funeral services; funeral services have not designed the culture.
>
> As we indicated to you in our written submission, over 90 per cent of Ontario families chose a traditional type of funeral service because that best met their own psychological and/or cultural needs. Based on our knowledge of bereavement in our society, I can say there is no room for government intrusion at the time when we bury our dead and care for our needs, specifically in the form of a tax.

I think the translator wanted to say:

> We are most sorry, specically if that intrusion comes in the form of a tax.

Mrs. Tubman goes on:

> We have called the GST a poorly planned, poorly implemented and ill-conceived tax.
>
> Mr. Chairman, the people of Ontario and Canada will not forgive or forget the government's intrusion in taxing this painful part of their lives, nor the Senate's disregard of these concerns if your committee does not accept our argument. I want to say to the members of the Senate, with all the strength I can command, there must be no tax on death.

Nobody can deny obviously that there is no tax currently on funeral service. For instance, funeral homes must pay the 13.5 per cent MST tax on the wholesale price of caskets, vehicles, equipment and so on. But there is a fundamental difference that no one brough up earlier tonight in the course of this

debate. And that is that the casket is used only once whereas the rolling or fixed equipment last a long time.

However, this situation will change after January 1. Some people say that removing of the 13.5 per cent MST tax could lower the costs. According to an article published in the *Whiq Standard* of June 5 last, implementation of the GST will increase the costs, and I quote:

● (2220)

[*English*]

> A $4,000 funeral package with casket and funeral home services will increase about $150 . . .
>
> That estimate is based on the elimination of the 13.5 percent manufacturers tax applied to the wholesale cost of a casket and the seven percent tax applied to the total funeral bill. The seven percent tax applied to $4,000 is $280.
>
> There will also be an increase in administration costs at the funeral home that could push prices up . . .

[*Translation*]

This opinion seems to be shared by Mr. R. G. Schaffner, President of the Funeral Services Association of Canada.

Here is his answer to a question to that effect during the hearings of the Committee on Banking, Trade and Commerce, held in Halifax on July 12, which appears on page 34 of issue no. 53. Mr. Schaffner stated, in answer to a question asked by senator Robertson as follows:

> **Senator Robertson:** It seems to me that you would be in a better position when the 13.5 per cent rate disappears in that you will be paying only 7 per cent.
>
> **Mr. Schaffner:** No. We have had chartered accountancy firms calculating this. Using a $3,200 funeral as an example, we would add 7 per cent. The net increase, taking all of the tax credits and balancing things off, is $126. That would be the net increase of the funeral service to the public, and that is only if the suppliers of the caskets, and so forth, pass on that 13.5 per cent saving. If everything is done properly, then the net increase will be $126.00.

Some will say this is not an astronomical figure, so why such a fuss. Funeral Service Association of Canada Director Paul Carruthers also answered that question very well when he appeared before the committee on July 12 last, in Halifax. Again I refer you to issue No. 53 but to page 35 this time. And I quote:

> **Mr. Carruthers:** To a great extent, the people we deal with on a day-to-day basis are elderly and usually have lost a spouse. They are usually on marginal incomes. They usually have a fixed monthly pension income.
>
> For those of us who are better off, an extra $122 is not that much more money, but it could be an unduly heavy expense for the elderly.
>
> That is why municipalities are often obliged to assist the families of the deceased, an ultimate insult to their memory. More and more Canadians will be obliged to go on welfare to have a decent funeral, which smacks of social injustice.

The Funeral Services Association of Canada and the Ontario Funeral Services Association have legitimate concerns. We should seriously consider those concerns and vote in favour of this amendment. I think it is important that Canadians should regain confidence in the democratic process. The spokespersons for the Funeral Services Association believe that their democratic rights were denied, when they appeared before the Commons Standing Committees on Finance and Economic Affairs, and on Consumer and Corporate Affairs and Government Operations. I will quote what was said by Mr. R. J. Schaffner, President of the Funeral Services Association of Canada, issue 53, page 28:

> We appeared—

He was referring to himself and Mr. Carruthers:

> We appeared in Ottawa both before the Standing Committee on Finance and Economic Affairs and the Standing Committee on Consumer and Corporate Affairs and Government Operations regarding the goods and services tax.

● (2230)

> The members of these committees simply defended this tax proposal, and did not seem aware of the concerns we mentioned about funeral services. We therefore want to explain our situation to the Senate, in the hope that it will be able to convince the government of the need to modify Bill C-62 before it is definitely approved.

Which proves us, honourable senators, that Canadians believe in the Senate. They believe in the need for a second house of Parliament in this country.

Not only did they appear three times before committees of the House of Commons, they insisted in addressing themselves to us. They appeared twice before committees of the Senate. They sent us letters. They sent us economic analyses of the problem they exposed to us. They really believe that the Senate is capable of convincing the government of the need to change its course of action.

We have a certain credibility in this country, no matter what some people may think.

Honourable senators, need we say more? Probably not. I would simply add that the Funeral Service Association of Canada did not obtain satisfaction from the House of Commons nor from the government. As in the case of co-operatives in the Atlantic provinces, they were forced through an endless thread of red tape without obtaining any satisfactory answer.

Is it surprising then that, on November 8 1990, the Canadian Federation of Independant Business told us that its members believe that the government did not give them accurate and useful information as to how the GST will affect their entreprises?

Of the 10,539 members interviewed in person, only 16.3 per cent were satisfied with the way the government was answering their information requests. Some 74.4 per cent said that they were entirely unsatisfied; 7.4 per cent were undecided. That is to say that they are partially satisfied and partially unsatisfied. A little less than 2 per cent had no comment.

The memorandum contains the following comment which, I believe, is worth quoting:

> These findings show without any doubt that the federal government did not give appropriate information on the impact of the GST to the small business owners. Moreover, the government has yet to make available detailed information on the complexities associated with the combined application of the GST and the provincial sales taxes. Technical documents on the problems associated with cash registers, dual taxation, cash rebates, discount coupons, audit requirements, penalties as well as dates of filing and statement are still sadly lacking.

These are not old news that I give to you, honourable senators. This press release is dated November 8th, 1990. It goes on:

> Instead of effectively informing consumers and businesses, the GST Information Office did some publicity that hurt small and medium businesses, because it encouraged Canadians to stop buying shoes and going to restaurants to avoid paying the GST. That is a senseless waste of our government's meager resources. The Federation tries to make up for the shortage of information by providing two information bulletins, the first one being attached. The second one will be sent to you shortly, as soon as it is available.
>
> Clearly, the scheduled implementation date of the GST, January 1st 1991, raises enormous problems, especially since Revenue Canada already know that registrations would not be completed by that time. The government's inability to provide the necessary technical documents to small and medium businesses only worsened this situation.

Honourable senators, there are still two other similar paragraphs. What else can we say? If the government will not agree to our amendments, if it feels strongly about its bill, the least that it can do, given the difficulty in which businesses and merchants find themselves in this country, is to delay its implementation.

If the government really wants to win, to ram its bill through with its increased majority in this House, the least that it could do and the best evidence of common sense that it could demonstrate is to delay its implementation, because our country is not ready for this tax.

Thank you, honourable senators.

[*English*]

MOTION IN AMENDMENT—DIVISION DEFERRED

The Hon. the Speaker: It was moved by the Honourable Senator Olson, for Senator Frith, seconded by Senator Molgat that Bill C-62 be not now read a third time but that the Schedule of the Bill be amended to include within Exempt Supplies certain medical, educational and governmental services, and to include, within Zero-rated Supplies, passenger transportation services and funeral services

(a) in respect of Exempt Supplies in Schedule V—

Senator Olson: Dispense.

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

Some Hon. Senators: Yea.

Some Hon. Senators: Nay.

The Hon. the Speaker: Will those honourable senators in favour of the motion please say "Yea"?

Some Hon. Senators: Yea.

The Hon. the Speaker: Will those honourable senators who are against the motion say please say "Nay"?

Some Hon. Senators: Nay.

And two honourable senators having risen:

Hon. Royce Frith (Deputy Leader of the Opposition): Honourable senators, pursuant to provision Rule P-3.(a), I request that the division be deferred to 5:45 o'clock p.m. on the next sitting day.

• (2240)

I should like to explain my authority for so doing. It is in the form of a letter dated November 14, 1990 from the Opposition Whip, Senator Petten, to the Government Whip, Senator Phillips. The letter reads as follows:

Dear Senator Phillips:

Further to our conversation of Tuesday, November 13th, 1990, re Provisional Rule No. P3(a) which says, in part— "the taking of the division may, at the request of either party whip be deferred until 5:45 P.M. on the next sitting day."

I understand and agree the request referred to in the Rule may be made by a senator designated by either whip.

Then, in handwriting there is endorsed thereon the words, "I agree, O.H. Phillips, Gov't. Whip".

Honourable senators, I would ask that this letter be tabled, because we still have a couple of amendments to deal with and Senator Phillips or Senator Petten may want to designate someone.

As the designated requester for this evening, I so request, honourable senators.

The Hon. the Speaker: It is so ordered.

BUSINESS OF THE SENATE

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I move that all remaining orders stand.

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

Hon. Senators: Agreed.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Thursday, November 15, 1990

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

BUSINESS OF THE SENATE

Hon. Royce Frith (Deputy Leader of the Opposition): Honourable senators, as a change of pace, Senator Doody and I, along with Senator Murray and others, suggest that we might begin today with Question Period and, when time runs out on that, revert to petitions. I know that this will be disappointing to many senators who have come here to be on time for petitions, but at least it will be a change.

Hon. Orville H. Phillips: But you do promise that we will come to presentation of petitions.

Senator Frith: Senator Phillips insists upon a promise to present petitions, and I will accommodate him.

With the agreement of honourable senators, then, perhaps we could now move to Question Period. I suggest that His Honour read through the Order of Business—that is, Reading of Petitions, Reports of Committees, Notices of Inquiries and Notices of Motions—so as to get to Question Period on the understanding that, if we run out of questions by six o'clock, we will revert to Presentation of Petitions.

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

Hon. Senators: Agreed.

QUESTION PERIOD

AGRICULTURE

MAJOR SALE BY CANADIAN WHEAT BOARD—REQUEST FOR DETAILS

Hon. H.A. Olson: Honourable senators, I have been wanting to ask the Leader of the Government for several days another question about the rumour that there has been a significant sale of grain—probably wheat, but at least of grain—by the Canadian Wheat Board. Several days ago I asked this question of the Leader of the Government, who undertook to provide an answer; but my problem is this: I am not sure that his colleagues are ready to give him the information he needs in order to answer the question.

The latest issue of the *Western Producer* states:

> After weeks of rumors and speculation, there was good news for prairie farmers last week.

But we never got that news; so this is still rumour. The article goes on to state:

> There was no specific confirmation of a sale from the Canadian Wheat Board, the federal government or the Soviets.

The suspicion or the rumour is that this sale has been made to the Soviet Union.

I hope that Senator Kelly will agree that I have to have some preamble to my question. I have to lay the background as to why it is important that this question be answered. The article goes on to state that the Wheat Board booked an additional 1.5 million tonnes of lake freight beyond the 250,000 tonnes already reserved.

Honourable senators, there must be some reason for that. The article states that the speculation about volumes ranges from 1.5 million to 4 million tonnes.

The reason why I have to try to ask this question again, and insist as much as I can on an answer, is that there are producers out there who have not had a reasonable opportunity to deliver any kind of grain. A few of them might have delivered a few bushels, but there has been no announcement of any significant sale on the part of the Canadian Wheat Board to anyone. There are only these rumours going around. The problem is that they do not know what has been sold. Is it number one bread wheat? Is it feed wheat? Is the grain of a certain class or quality? One of the rumours is that it is livestock feed that has been purchased by the Soviet Union. Those farmers who have that sort of grain for sale will know that they will have an opportunity to sell it reasonably soon. Those who have other grains, such as high-class bread milling wheat, will also know.

I believe it is only fair that the government should loosen up a bit. It now uses the argument that the Wheat Board does not release this information because it has some effect on world prices, or that it gives some information to our competitors. There may be some validity to that. I have heard that on and off for the last 20 years. I believe that even when we were in office we may have held back information for a short while. However, as soon as we possibly could, we let the producers know what was sold, the volume that was sold and the classes of grain that were sold, so that they had some idea of what it was that they might have a chance to sell.

I hope the Leader of the Government can give us a full and complete answer today, because I raised this matter approximately a week ago.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I do recall the question that was put to me some days

ago on this matter. I am sorry that I cannot help the honourable senator today. However, I shall endeavour to obtain some reply and bring it here first thing next week. In the meantime, if I get any information that will be of interest to the honourable senator, I shall convey such information to him personally.

Senator Olson: I wonder if the Honourable Minister would undertake to use all of his powers of persuasion and make some intense representation on behalf of these farmers to the Minister of State for Grains and Oilseeds, the Hon. Mr. Charles Mayer. There are a great many farmers who are asking me, "Can you not get this information so that at least we know when we will get some relief from the cash shortage that we have suffered all these months?" I do not want to repeat myself, but I would appreciate the Leader of the Government indicating that he will enthusiastically undertake to make such representation so that we might get an answer; otherwise, he will just be stonewalled.

Senator Murray: Honourable senators, I shall enthusiastically convey the remark of Senator Olson to my colleague.

DELIVERY OF INITIAL QUOTAS

Hon. D. G. Steuart: Perhaps while the honourable senator is finding out that information, he could also find out what percentage of farmers in western Canada were able to deliver their initial quota. As the minister knows, the initial quota is usually a few bushels per seeded acre. This year, with the low initial price, it would probably only mean an average of anywhere from $2,500 to $3,500.

My understanding is that not too many farmers have been able to deliver that quota, which means they have not received any income at all since the beginning of this crop year. Perhaps the Leader of the Government could also pursue that matter.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I shall endeavour to do that.

ADVANCED GRAIN PAYMENTS—NUMBER OF APPLICATIONS

Hon. E. W. Barootes: In respect of the shortage of cash flow for farmers who have been able to deliver only small quantities under their quota, how many of these farmers have applied for the Advanced Grain Payment, interest free, which is available to them for almost the totality of their stored grain?

Senator Olson: That is a reinstatement of a Liberal policy.

● (1410)

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, again I shall have to make enquiries of my colleague, the Hon. Mr. Mayer, the Minister of State for Grains and Oilseeds.

On the subject of grain, honourable senators, I may say that I have just received answers that we had intended to table as delayed answers today to questions raised by Senator Olson on November 6 and 8 on these general matters. Perusal of these answers from the government would indicate that they are pretty much what the honourable senator expected he might receive. In any case, I shall read them.

Honourable senators, the first answer I have is in response to a question raised in the Senate on November 6, 1990, by the Honourable H. A. Olson, regarding Agriculture—Major Sale by Canadian Wheat Board—Government Position. It reads as follows:

> The Canadian Wheat Board regularly sells to over sixty countries around the world. As a result of the Canadian Wheat Board's ongoing sales efforts, there will be very good grain movement from now through to late winter.
>
> The Canadian Wheat Board has taken up all of its options, as far as shipping capacity on the Great Lakes, to the end of the shipping season. The Canadian Wheat Board has asked the railways to make all of their cars available over the next few months.
>
> Therefore, there is going to be very good movement of Western Canadian grain well into 1991 which should put the Canadian grain industry in a good position this crop year, to exceed exports that were achieved in the last crop year.

Honourable senators, a question on the same subject was asked by Senator Olson on November 8 and was alluded to by him again today in his request to identify the customer price, amount and kind of grain covered by recent Canadian Wheat Board sales. As I say, a quick perusal by me of the reply indicates that it is the reply that Honourable Senator Olson expected, but I shall read it anyway:

> As indicated in the response to the honourable senator's question of November 6, 1990 on this issue, the Canadian Wheat Board regularly sells to numerous countries. As a result of the Canadian Wheat Board's ongoing sales efforts, there will be a very good grain movement in the coming months.
>
> As the honourable senator indicates in his question, details of sales are not released by the Canadian Wheat Board nor indeed by the government. Such information is not released because to do so could compromise the competitive position of the Canadian Wheat Board relative to exporters attempting to sell grain from other countries to the same markets. The international grain market is extremely difficult at the present time and I am sure that the honourable senator would not want the government to reveal any information which could undermine the marketing efforts of the Canadian Wheat Board.
>
> As indicated in the response to an earlier question on this matter, the movement of western Canadian grain which is now expected, will put the Canadian grain industry in a good position this crop year to exceed the level of exports achieved in the last crop year.

And finally, there is an answer to the question raised by Senator Olson concerning whether the Minister of Agriculture

or the Minister of State for Grains and Oilseeds has authorized the cash advances. The reply is as follows:

> Cash advances are available under both the Prairie Grain Advance Payments Act (PGAPA) and the Advance Payments for Crops Act (APCA). Under these programs producers can receive advances against stored grain up to a maximum of $250,000. In addition, on October 13, 1990, the Minister of Agriculture announced the Cash Flow Enhancement Program. Under this program the federal government will pay the interest on the first $50,000 advanced under PGAPA and APCA.

Senator Olson: I want to thank the minister for those replies, particularly the one that had the positive content, that being the one respecting reinstatement of a cash advance program. It only goes to show that if the minister tries, he can receive good answers to our questions.

As to the other reply, where he said that he expected that kind of answer from the Wheat Board, I want to plead with him to look for a different answer. He is only partly right. I did not expect to be stonewalled by the Wheat Board quite that badly. They did not even tell us whether it was wheat or barley that they sold, or what grade it was. That is not information that they have withheld for very long. They did not do it years ago. They used to tell us whether they sold 1.5 million or 2 million tonnes and whether it was wheat, barley, oats, or whatever. So that is a new spin on the story.

Hon. Jean-Maurice Simard: What is the question?

Senator Olson: The question is very simple.

Senator Simard: What is it?

Senator Olson: Can the minister try to find out whether it is wheat or barley? If it is wheat, can he find out whether it is animal feed grades or human grades that are being sold so that the producers can have some idea as to whether they will have a chance to sell what they have on hand between now—

Senator Simard: Where is the question mark in that?

Senator Olson: —and some reasonable time later?

I am not putting questions to Senator Simard.

Senator Simard: That was not a question.

Senator Olson: I am asking the minister—after he has given this reply—not to just leave it at that. Please try to find out so that the farmers can have some idea—

Senator Frith: Exercise your world-famous patience!

Senator Olson: —of when their cash flow from the sale of the 1990 crop will begin.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, if this is not a state secret, I shall bring in the information.

[Senator Murray.]

PERSIAN GULF

DEFENCE EXPENDITURES—PROPOSED SPENDING CUTS IN SOCIAL PROGRAMS—GOVERNMENT POSITION

Hon. M. Lorne Bonnell: Honourable senators, I noticed that this week in Alberta the Prime Minister said that he will cut many of our present programs to pay for Canadian troops in Saudi Arabia. I also noted in the *Gazette* that the Gulf war is estimated to cost Canada $50 million a month.

If we will have to cut programs to the amount of $50 million a month, will it be the programs for the poor, the unemployed, those on welfare, the aged, or the crippled that will be affected so that we can have our troops sitting in the Gulf waiting for someone to start a war? I should like to know what programs the Prime Minister plans to cut.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I am sorry to disappoint my honourable friend, but I think we can be fairly certain that the economies that will have to be affected in various programs will not be such as he has indicated, bearing upon those who are suffering hardship and who depend upon the government for assistance.

As to the planned expenditures of the government both in terms of added expenditures on defence and economies that are to be affected in various places in the administration, my friend will have to exercise some patience for a few days yet until the Supplementary Estimates are tabled by the President of the Treasury Board in the other place. That should happen before the end of this month.

Hon. Lorna Marsden: Honourable senators, may I ask a supplementary question? Would the Leader of the Government tell us what he thinks the fate of the proposed child care initiative will be? After all, that is an expenditure that has not as yet occurred. If one reads the press this morning, it looks like it might be a sacrifice to the potential war in the Gulf.

Senator Murray: Honourable senators, the honourable senator takes these press reports a good deal more seriously than I do.

● (1420)

I can only tell her that there has been no change in the government's position with regard to a national child care program. Our position is that that program will be up and running during the present mandate of the government.

COST OF CANADIAN TROOP DEPLOYMENT—GOVERNMENT POSITION

Hon. Lorne M. Bonnell: Honourable senators, in the past, personal income taxes were raised more than corporate taxes. Every time the federal government needs more money, it introduces a GST, which will make the poor poorer and the rich richer, claws back the senior citizens' pension or family allowance, or cuts regional payments to the provinces, which are used for such things as education and health care. Where is the government going to get the $50 million a month to keep the troops in the Gulf? Can the government leader give us any

idea what the government plans to cut next? Will the same groups continue to suffer—the poor, the unemployed, the crippled and single-parent families?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I would like to make a personal comment as one who is affected by the so-called clawback provisions. I am not offended by the idea that my family allowance benefits will be cut back, especially when targeted assistance in the form of improved child tax credits, and so forth, for lower-income families have been considerably improved during the mandate of the present government. Again, the honourable senator will have to wait a few days until the Supplementary Estimates are tabled in the other place by the Honourable Mr. Loiselle. The honourable senator must realize how absurd it is for him to mount his charger and accuse the government of making cutbacks in this or that sensitive area until he has seen the Supplementary Estimates.

Hon. Leo E. Kolber: I should like to ask the Leader of the Government in the Senate a supplementary question. I am not as concerned as my colleague about where the cuts come from, but the Prime Minister has said that the government is going to take the money out of existing expenditures. Would it be reasonable to conclude that it takes the impetus of a war in the Middle East to get the government to do the right thing—that is, to attack the deficit? I had assumed that the government was going to take as much as it could out of existing expenditures to alleviate the deficit. Why does it take this kind of drastic global happening to get the government to do what is apparently the right thing?

Senator Murray: Honourable senators, the budgetary pressures we are facing arise not only from the increased demands on the Department of National Defence by reason of both the Gulf crisis and the dispatch of the army to Oka during the summer, but also, as the honourable senator will appreciate, because of the higher than forecast interest rates and the effects—

Senator Olson: Who caused that?

Senator Murray: —they are having on the cost of servicing the debt.

As far as attacking expenditures is concerned, I should have thought the honourable senator would give credit where credit is due. As I pointed out the other day, in recent years we have kept the increase in the operating expenses of this government at an average annual rate of 3.6 per cent, which is well below the rate of inflation. Further, we have taken what was a substantial deficit on the operating account and turned it into a $13 billion or $14 billion surplus in the past few years.

Senator Olson: That is cooking the books!

Senator Murray: The bottom line is that the management of national finances has been truly impressive. However, we are still suffering because of the large interest payments on the national debt. But for those payments, we would be showing a surplus.

Hon. M. Lorne Bonnell: Honourable senators, I should like to give some suggestions to the Leader of the Government to take back to the Minister of Finance. Perhaps the $74 million that is going to be paid to the patent office in Hull to install computers could be cut out until the Gulf situation is over. I do not think that computers are so important that $74 million of taxpayers' money at this time of restraint needs to be spent.

Honourable senators, an article in the *Globe and Mail* of November 9, 1990, states that corporate income tax payments show a small increase, but personal income tax hauls are up 24 per cent. The article states further:

> Federal government revenue is growing at a rate far faster than inflation because of a large increase in personal income tax payments.
>
> Finance Department figures released yesterday show that individual taxpayers paid 24.1 per cent more during the six months from April to September than for the corresponding period in 1989.

As I said earlier, it seems that the working poor are being taxed 24 per cent more and corporate taxes have gone up only 3.6 per cent.

Senator Murray: Honourable senators, with great respect, the explanation for the increase in personal income tax collections is that more Canadians are working and are earning more.

Senator Bonnell: I understand, honourable senators, that the unemployment rate is higher now than it has been for six years. Perhaps the government leader could tell the minister that millions of dollars could be saved if the phoney advertising on the GST was stopped. If that advertising were stopped, more millions could be saved to help pay for the Gulf war. Also, part of the $22 million that the Canadian army spent in Oka could have been saved. Perhaps some of that amount should be charged back to the province of Quebec.

Senator Murray: Honourable senators, I am glad to have these suggestions from the honourable senator. He suggests that we eliminate what he calls the proposed $74 million expenditure on a patent office in Hull.

Senator Bonnell: For now, not forever.

Senator Murray: No, he wants it cut out.

Senator Bonnell: I said we should hold it back until the Gulf situation is over. We could save that money and use it in the Gulf rather than build new things now at a time of restraint.

Senator Murray: I am not familiar with the detail of the project that the honourable senator mentions, but I have to remind him that frequently it is quite a false economy to postpone a capital project of this kind. You end up spending much more later than you would have spent had you carried through with your original schedule.

I am always interested to have these suggestions. I am sure Senator Lefebvre, who is looking distinctly uncomfortable at the moment with my honourable friend's suggestion, might have some idea as to where we might cut costs in Prince Edward Island.

In any case, I note also the honourable senator's suggestion that we should cut out advertising on the GST. I was able to persuade Senator Denis not too long ago of the necessity for this advertising. The fact of the matter is that all the polls—and my friends opposite are very interested in polling—indicate that the overwhelming majority of Canadians want more information on the GST.

Senator Bonnell: True information, not false information.

Senator Murray: This is the purpose of our advertising and public communications program.

So far as Oka is concerned, quite frankly, it would have been irresponsible and, I think, an infringement of the law for us not to have responded to the request made by the Government of Quebec last summer with regard to Oka.

● (1430)

GOODS AND SERVICES TAX

COST OF ADVERTISING—GOVERNMENT POSITION

Hon. Azellus Denis: Having heard my name mentioned by the minister, I wish to tell him that the cost of the publicity for the GST is up to $34.3 million. The bill is so complicated that no one understands it. I have been told that 75 per cent of the population of the country does not understand how the GST will work.

Seeing that millions of dollars has been spent on advertising, does the government leader not think that spending all that money has only resulted in people being more mixed up? Does he not think it would be a better thing to try to stop the advertising so that people might understand the bill better?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, either we do not have enough advertising or our advertising is not effective.

Senator Olson: That is the point!

Senator Murray: I take the point raised by the honourable senator and I will look into it.

PERSIAN GULF

COST OF CANADIAN TROOP DEPLOYMENT—GOVERNMENT POSITION

Hon. Heath Macquarrie: Honourable senators, returning to the question originally put by Senator Bonnell, as one of the leading "Peaceniks" here—and I say that with pride—I wonder whether the Leader of the Government in the Senate might convey to the Prime Minister this message: Some honourable senators in this chamber, and a great many people in the country, believe that, regardless of who is the best deficit cutter, or who is the best services cutter, if our young people are to be sent to the Gulf area—an area of great peril—they deserve the best facilities and the best of equipment. I am sure that many in the Senate agree with that attitude, as do the majority of the Canadian people.

[Senator Murray.]

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, naturally I appreciate the very wise point made by the honourable senator.

GENERAL AGREEMENT ON TARIFFS AND TRADE

AGRICULTURE SUPPORT PROGRAMS—POSSIBLE ELIMINATION OF CROW RATE—ALTERNATIVES—GOVERNMENT POSITION

Hon. Dan Hays: Honourable senators, I should like to direct to the Leader of the Government in the Senate a number of questions arising out of the tabling last month at the GATT negotiations of an estimate of agricultural support program values amounting to a total of $8.8 billion. That total was arrived at by using the aggregate measure of support model.

One of the items identified as a support program in the grain sector—which, interestingly enough, is the agricultural sector that this document shows as receiving the most in support—is identified as the Western Grain Transportation Act, or the Crow rate.

This becomes relevant in that, in the most recent submission at the GATT, having identified the Crow rate as a support to agriculture, the Government of Canada's offer is to reduce this support by 50 per cent over ten years. This has prompted the Alberta government, in a document I received earlier this month, although it is dated last month, to raise a concern. I quote from that news release, which is dated October 25:

> As it is currently paid, however, the status of the Crow Benefit as an internal support could be challenged within the GATT, and the Benefit defined instead as a trade distorting export subsidy. In that case, Western Canadian farmers could face 100 per cent elimination of the Crow.

The other way the Crow benefit could be diminished is pursuant to the Canadian offer on the table, which, as I have said, is to reduce all support programs by 50 per cent over ten years.

My question is: Can the Leader of the Government in the Senate advise us on the government's position with respect to the Crow and with respect to alternatives that would eliminate the potential problem identified by the Government of Alberta? That problem is that Canada may lose the entire benefit of the Crow, having identified it as a support measure which may now be attacked as a trade distorting export subsidy. Are there any forthcoming announcements in this regard? Is there anything under consideration that would avoid this problem? Specifically, what I have in mind is one of the proposals put forward by the Government of Alberta, which is that there be a Crow benefit buyout, which involves a capital payment based on land ownership. That would mean the end of the Crow benefit, but it would also eliminate its potential attack as a trade distorting export subsidy. This would also take it out of the realm of supports, which would lessen the problem for the Alberta government, for instance, and those of other prairie provinces because of the diminution of money paid in aid of grain transportation.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable

senators, I have a brief note from the Minister of International Trade on this matter. I must say, however, that it does not cover the specific questions raised by my honourable friend. I shall have to make inquiries and see what information I can bring forward early next week.

AGGREGATE FIGURE—RELEVANCE OT AGRICULTURAL COMMODITIES IN CANADA—GOVERNMENT POSITION

Hon. Dan Hays: I would appreciate that. This is a very controversial matter and will not be an easy issue with which to deal, due to the strong feelings associated with it. I do not envy any government having to make a decision in this regard. But, because of the current GATT negotiations and potential risks that they present, it seems to be a more urgent matter now than it ever has been.

I should also like to raise a question on the figure of $8.8 billion. In a general way, this has prompted an interesting exchange between the Minister of International Trade and the Minister of Agriculture as to the quantum, the $8.8 billion. I point out that, to its credit, the government, when it tabled this information, denounced the system by which the totals were arrived at. As someone who is interested in agricultural issues, I take heart in that.

The aggregate measure of support model uses what some might call "mythical" figures or, at any rate, assumed figures to represent what the price of a commodity would be in world markets. I think it is fair to make the point that this $8.8 billion is not a real number in the sense of relating to any actual cost. Rather, it is at best a measurement that might give us some idea of how much, proportionally, Canada, compared to other countries, supports its agricultural sector.

The point I wanted to raise is this: The $8.8 billion is not an actual number, being based only on assumptions, many of which people are not generally familiar with. But that figure attracts a lot of adverse attention from the public towards the agricultural sector. My question is: Is the government doing anything, or is it prepared to do anything, to try to come up with additional information that would put that $8.8 billion figure in perspective? In that way, people will realize that it is not a payment out of general revenues but, rather, an aggregate number which includes consumer support and many other things. It also relates to arbitrary international numbers, which have nothing to do with the actual price of agricultural commodities in Canada.

If we were to look at the budget, I think we would see that we pay out something between $2 billion and $3 billion. How does that relate to the $8.8 billion?

Honourable senators, this is a piece of disinformation, if you will, although it has been put forward for the good reason that we are involved in the GATT negotiations. It seems to me that it would be helpful if more information were obtained in order to put the number in perspective. Editorial writers and people in general would then have some idea of the real amount of support going to the agricultural sector. I suggest that the government should be making efforts to put this number in perspective so that we do not leave the wrong impression with Canadian taxpayers.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I appreciate the valid points raised by Senator Hays. However, I do not think it is fair to say that this is disinformation in the context of the GATT negotiations. On the contrary, in the context of those negotiations, the calculations we have done and tabled in Geneva can be quite helpful.

• (1440)

For example, participants in the negotiations will get credit for reductions made since the GATT negotiations began. Therefore, we have included in the figure programs that have already been eliminated since the negotiations began. I believe the best course for me to follow, however, would be to read a brief note that reinforces the point which the honourable senator has made, that in using this $8.8 billion figure they are certainly not speaking of subsidies from the federal government treasury.

> In the base line data tabled by Canada in Geneva, total support to Canadian agriculture was estimated to be $8.8 billion. This figure was calculated following the guidelines in the chairman's report. It includes not only expenditures by government, both federal and provincial, but also the estimated effect of support provided by other measures, including internal support, border protection, and export competition measures. Canada submitted this data in accordance with the chairman's report and without prejudice to our negotiating position.

The statement from the Minister of International Trade then goes on to make the point that I referred to earlier, that the chairman's report called for measures to be included from the start of the negotiations.

> Participants will receive credit in the negotiations for programs eliminated or changed since the start of negotiations.

This is why Canada's base line data includes programs no longer in use.

COMPARATIVE AGGREGATE MEASURES OF SUPPORT

Hon. Dan Hays: That is an answer which gives rise to another question I wanted to raise. I accept the comment, and understand the Special Canadian Grains Program is included in the period from which that number was derived, which was a billion-dollar-plus payment in each of two years. The payment has not been paid for at least two years.

The thrust of my question, however, is that the people do not understand that. It would be helpful for people in the agricultural sector to see that the government is making sure that people are well-informed. We, in agriculture, represent less than 3 per cent of the population, and increasingly we are aware of the fact that we are in the hands of the other 97 per cent. To the extent that people do not have good information about the support we are receiving, we are at risk and are put

in a disadvantageous position in which we feel very uncomfortable.

The question I would like to raise now concerns the aggregate measure of the support figure and the obligation of other GATT participants to generate a similar figure.

Canada was first to table the figure. The United States was late, however. It tabled the figure between $60 and $70 billion U.S. as its aggregate measure of support. The Europeans did the same, even later still. The problem was that Canada, the United States, and Europe, used slightly different means of calculating this figure. In other words, they did not use a common standard in each of the three cases. If we convert $65 billion U.S. into Canadian dollars, it starts to approach, per capita, what was the Canadian aggregate measure of support.

My understanding is that the methods of calculation were different in each of the three cases. It seems to me that it would be useful if Canada could draw attention to that fact and try to produce, if possible, a figure that gave a true comparison between those three regions. It is absolutely essential that behind our GATT position is a well-informed public. To the extent that we are (a) not aware of the exact amount of our own aggregate measure of support, and (b) do not have a valid comparison with other regions, such as Europe or the United States, we are at a disadvantage.

My question is: Is the government prepared to attempt to do anything to produce a comparable figure among these three tablers of reports to the GATT so that we may have better information than we now receive on the extent to which agriculture is supported?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I trust we are, and I will attempt to confirm that in consultation with the appropriate departments in the next little while. We always run into this problem in regard to international comparisons, whether it is the proportion of gross domestic product that is devoted to official development assistance, or national defence, or research and development, or whatever. Senator Olson and I had an exchange on this a few days ago.

I would hope that the secretariat of the GATT would have some way of ensuring that the statistics provided by the various countries are indeed comparable. Whether they do or not, I agree with the honourable senator that we should ensure that they are.

Hon. H. A. Olson: Honourable senators, I wonder if Senator Murray could be more specific and ascertain from the Minister of International Trade, when he was bandying about this $8.8 billion figure, if he found out, after he put the cost of the so called Crow benefit on the table, whether or not that is a direct subsidy to agriculture. Ask him whether the United States Army engineers' cost of maintaining the Missouri and Mississippi river system also went into the United States' figure, because a very high percentage of their grain goes down that river. The Department of National Defence pays for all the maintenance of that transportation system, whereas it seems to us that the Minister of International Trade has put in $720 million as an agriculture subsidy with respect to making payments to the railways in Canada.

In other words, what is fair is fair. The other countries, even though it is paid through the Department of National Defence, do put their subsidies on the table.

Senator Murray: Senator Olson raised that very question in the course of our exchange a week or so ago. I will endeavour to obtain the information he is seeking.

CANADA-UNITED STATES FREE TRADE AGREEMENT

PROPOSED EXTENSION OF AGREEMENT TO INCLUDE MEXICO—RELOCATION OF CANADIAN BUSINESSES—EXPLOITATION OF LABOUR—LOSS OF CANADIAN JOBS—GOVERNMENT RESPONSE

Hon. Raymond J. Perrault: Honourable senators, I have a question about our Free Trade Agreement with the United States. There have been a number of reports that we intend to table when the Americans sit down with the Mexicans and talk about an extension of the Free Trade Agreement. Yet I have in mind the statistics that ARE available to us, which indicate that since the inception of this trade deal, 160,000—they are not Liberal figures, but are figures of Statistics Canada—industrial jobs have been lost since the inception of the deal, many of them attributable to the trade deal. I recall one company, for example, that decided it would manufacture its automotive parts in Mexico to avail itself of the low-cost Mexican labour.

I have before me photostatic evidence of what is happening, which I wish to place on the record of the Senate. I have before me a letter sent by a company in Toronto, Ontario, called "Bottom Line Technologies Incorporated." It says:

> Dear Mr.
>
> We are introducing a service on behalf of a U.S. Corporation, PINSA Group, who co-ordinates, develops and sets up manufacturing programs in Mexico.

• (1450)

This is a Canadian company enticing Canadians to close down Canadian factories and move them to Mexico.

> PINSA Group—

I quote from the letter, which I will table.

> . . . provides access to potentially highly productive, highly profitable Mexican labour force in several ways—ranging from sub-contracting full scale subsidiary operations for clients in the U.S. and now Canada. They have been working with these programs for many years and have been very successful and are now expanding their service to the Canadian market place.
>
> Enclosed is a brochure illustrating the services offered through PINSA Group.
>
> To get a better understanding of your needs, we are requesting you complete the attached questionnaire, and return it in the enclosed self-addressed, stamped envelope.

If you have any questions regarding this matter, please contact me.

Thanking you in advance.

So, what does the brochure say? On page 2 of the brochure, it says:

MEXICO—No Stranger to Industry.

More than 1,000 firms now operate in Mexico where they have reduced their production costs as much as 50% saving up to $20,000 —or more—per direct labour employee per year!

In other words, honourable senators, this is a company soliciting business out of Toronto, saying "Come on down, you Canadian companies in Quebec and Ontario; come on down to Mexico and, we can cut a deal for $20,000 less per employee per year."

Senator Simard: Not so loud, not so loud.

Senator Perrault: Listen, this is something to raise an alarm about.

Senator Simard: You do not have to cry.

Senator Perrault: I hope you are not defending this desertion of Canadian jobs by certain companies.

Senator Haidasz: Sock it to them, senator!

Senator Simard: Just get your facts right.

Senator Haidasz: Sock it to them, senator!

Senator Perrault: Do you think they have medicare or hospital insurance down there in Mexico? The Mexicans are barely surviving, yet this company, operating in Canada, is saying: "Come on down to Mexico and you can really slash these employees' wages." Honourable senators on the opposite side should be up in arms about this type of thing. They should tell the companies involved that we will not enter into any deal that will measurably affect workers, whether they be Canadian workers or Mexican workers, wherever they are exploited, wherever it be, in Mexico or in Canada.

Senator Simard: What is the question?

Senator Perrault: It then goes on to say

Members of America's Fortune 500 and leading Japanese firms predominate in this population.

Oh, I bet they do.

But profit-conscious smaller companies have also found that under the maquiladora (twin plant) program—

You know, that is the deal whereby they got a manufacturing zone in Mexico and they can—

Senator Simard: What is the question?

Senator Perrault: Do not defend this kind of thing, senator.

Senator Simard: I am not defending anything.

Senator Perrault: Your talents are better used in other directions.

Senator Simard: Let us stick by the rules of this house. What is your question?

Senator Perrault: Here we are in a situation of being enticed into an agreement with a nation where obviously the working people are being exploited.

Members of America's Fortune 500 and leading Japanese firms predominate in this population. But profit-conscious smaller companies have also found that under the maquiladora (twin plant) program, Mexico's low labour cost—

Senator Simard: Disgusting!

Senator Perrault: Listen to this: Mexico's low labour cost, $400,000. In the course of asking this question, I will put some other facts and statistics on the record.

Mexico's low labour cost and quality of workmanship have given them a strong competitive edge and important gains in their market share worldwide.

Of course, they do not have any hospital insurance, and they do not have any workmen's compensation; they just work in those plants at levels which would be totally unacceptable in Canada. I do not care how we vote in this country, we cannot condone exploitation of working people, whether it is the labour force in our own country or in another country.

Here is another advertisement from the *Wall Street Journal*, of Thursday, April 6, 1989. What is the headline? "Learn how you can cut manufacturing costs up to 50 per cent in Mexico!" These are the cheery headlines in this advertisement, honourable senators.

Over 1,000 U.S. Manufacturers Now Have Off shore Operations in Neighbouring Mexico."

Real friendly.

"They assemble/manufacture a wide variety of products under the "maquila" program; many are heavily involved in sophisticated computer instrumentation, electro-mechanical production operations and so on.

Then the following is featured in larger headlines.

They Save Up To $25,000 Per Assembler Per Year! These profit, production-wise firms have proved that eager, highly motivated Mexican workers—

listen to that prose—

. . . do cut their manufacturing costs 50%—and more! And they do it with quality of workmanship and productivity that equals or exceeds their U.S. operations!

Isn't that great news?

Senator Cochrane: Let us get to the question.

Senator Perrault: Another cry of "Let us get to the question." I would have thought that this information would be of interest and concern to many senators, whether or not they sit on this side or that side of the chamber. The advertisement then goes on:

Learn About Three Simple Ways To Start-up And Manufacture In Mexico. You'll be given the pros and cons of three ways to "enter" Mexico.

This is the inside information; this is the kind of information that encouraged that Canadian parts company to leave

Ontario overnight, like the Baltimore Colts departing from Baltimore and heading for Indianapolis.

Senator Marsden: Or adding new senators.

Senator Perrault: Yes, or adding new senators. First of all, according to this advertisement, you subcontract with American manufacturers now operating in Mexico.

> Use the "shelter plan" concept to eliminate international red tape.

I suppose that is a network of contacts that you can make that will ease your way in getting out of Canada and go to Mexico. Thirdly,—

> Select a turnkey option that puts you in a ready-to-operate plant.

Honourable senators, my question relates to the kind of support that we may or may not be giving to this type of operation. Are we involved in a going-out-of-business sale in Canada?

Senator Petten: Free trade; you got it.

Senator Perrault: Are we going to hear the words, "Will the last company that leaves please turn off the lights?" Honourable senators, I am terribly concerned about this. By supporting the formation of a regional economic bloc, we could be weakening the multilateral trading systems such as GATT. We give to the big partner, the United States, more power to impose unilaterally, and in violation of GATT principles, its vision and interests on other nations. Small- and medium-size nations always do better as part of a system that has many players. Rules protect against the abuse of power by the dominant nations. The cost to a dominant nation of breaking the rules are great because other powerful actors may act in the same way against it.

However, in a bilateral or trilateral setting, especially where one player is overwhelmingly dominant, that player can break the rules with relatively little cost to itself. Any short-term preferences granted to the smaller partners are outweighed by the negative consequences of weakening the integrity of the multilateral system. This is a view held by many of us on this side of the house. Canada and Mexico, acting with other nations, have more leverage under GATT rules to influence U.S. policies. Under FTA they basically have to accept the actions of the United States of America.

With respect to the wage levels paid down there in Mexico, let me tell you that there are over 400,000 Mexican workers today making less than $2 a day—two dollars a day. Our good trade union senator here, Charles Turner, is nodding in assent. Are we to condone the exploitation of people wherever they live?

Senator Haidasz: No.

Senator Perrault: I do not believe we should be condoning such a thing, honourable senators. I think we should be up in arms about it. This is not a political issue. We are just saying that if we have any contribution to make to trilateral discussions with the Americans, it will be to make sure that human rights are to be protected, and that people and companies will not be allowed to exploit low-cost labour, whether it is in Canada, the United States or in any other country.

• (1500)

I want to ask the Leader of the Government a question.

Senator Simard: Finally, we will hear the question!

Senator Perrault: Honourable senators, why is it that anything relating to human rights is greeted with your impatience and you have no time for it?

Senator Simard: We have all kinds of time.

Senator Perrault: What kind of philosophy does that suggest?

Senator Denis: He has none!

Senator Perrault: Do you have any philosophy at all?

Senator Simard: We know what that is!

Senator Perrault: Have you no time for the working people of this country who are suffering a great deal under this recession?

Senator Denis: Never!

Senator Simard: You taxed everything that moved and everything that did not move!

Senator Perrault: I am not getting back to those old disputes. I am making an appeal to the Senate—

Senator Simard: You do not want to—

Senator Perrault: —whether we are members of the Conservative, Liberal or Reform Parties—to be aware of what is going on in the Mexican market at the present time, that so-called productivity zone where it is claimed that labour is being exploited.

Can the Leader of the Government give us today an update regarding the situation? Can he tell us whether or not we are planning to meet with the Mexicans and what kind of Canadian agenda will be brought to those free trade meetings?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, Senator Perrault confirms that the policy of the Liberal Party under its new leader, Mr. Chrétien, is the same policy that the party held under Mr. Turner—namely, that they will tear up the Free Trade Agreement with the United States and, presumably, any agreement that we reach in trilateral discussions with the United States and Mexico. It is good to have that on the record.

Senator Simard: Yes!

Senator Murray: The honourable senator rails against exploitation of workers and human rights offences in various parts of the world. I deplore them as much as he does, but the argument he makes is an argument against trade, aid and investment links with much of the Third World. He should reflect on that.

There are some home truths that have to be brought to the attention of the honourable senator. The first is that Canada,

more so than any industrialized country, depends for its income on external trade.

Secondly, I have to remind him of the truism that trade is a two-way street. Thirdly, I have to remind him that we win—that is, Canada—from more open and freer trade in goods and services and investment. What that indicates in terms of national policy is that we must continue to increase our productivity, to adapt our industry, to adjust our work force and to modernize our economy for the 1990s. The honourable senator sets his face totally against that. His position is as reactionary as it is unproductive and ultimately detrimental to the living standards of Canadians.

Senator Perrault: I regret that the Leader of the Government in this place, who has some rank and standing and is a member of cabinet, has to offer us such a politicized response today. It is a response which I note that he read from a document that was, I suspect, prepared for him by some tawdry government servant who does not know what the facts are all about.

Senator Doyle: A tawdry servant?

Senator Perrault: I notice the senators over there mocking what I have said, but it is of real concern. Ask some of the industrial workers who have lost their jobs recently, many more of whom have lost their jobs today, whether or not they are in sympathy with the bland nonsense just uttered by the Leader of the Government in the Senate.

Senator Simard: Your premise is wrong!

Senator Perrault: The fact of the matter is that tens of thousands of workers in North America, including Canadian workers, have lost their jobs or seen employment opportunities vanish as their companies move to take advantage of the poverty of Mexican workers and the absence of any effective regulations on company operations.

Over 400,000 Mexican workers are now employed at wages under $1 an hour producing goods destined almost entirely for the U.S. market, in addition to the others that I mentioned working for less than $2 a day.

We are concerned about this situation—that is, some of us-but obviously the members on the government side, who are oblivious to the enormous impact of massive unemployment which they are helping to create in this country, are not. It is a similar situation to that of Nero fiddling while Rome was burning; to the attitude of Marie Antoinette and her "Let them eat cake". There seems to be a total lack of understanding the problems of the workers and of what is going through the minds of those workers whose jobs are being lost today and are being threatened.

Senator Simard: What is the question?

Senator Perrault: You keep quiet. The question is: Why are you so noisy?

Senator Simard: That is the question?

Senator Perrault: That is the main question. Why can't you sit still and listen to an intervention?

Senator Simard: I have a question to ask, too!

Senator Perrault: Some of us are concerned that an extended free trade agreement will only encourage greater capital outflows and bring about an increase in imports from Mexico, further harming the industrial base of this country. That is another one of our concerns.

Originally conceived in the mid-1960s as a bilateral effort to bring prosperity to both sides of the Mexican-U.S. border, the program has been perverted into a system that employs some 300,000 Mexican assembly workers at substandard wages. That is our concern. We do not need the Leader of the Government standing up in this place saying, "Well, the Liberals did this and that." You are the government.

An Hon. Senator: We did very well!

Senator Perrault: Tell us what you will do to protect the integrity of the jobs of Canadians, whether they live in the Atlantic provinces, the north, western or central Canada?

Senator Simard: Just vote for the GST and we will do the job! You can start with that.

Senator Perrault: Why are all the plants closing down, with some moving to the United States and some going to Mexico? What will we do about it?

Senator Simard: Just vote for the GST! That would be a good start.

Senator Perrault: Shall we wait for the universe to unfold and somehow pray for a miraculous solution?

Senator Murray, you have yet to tell us. I ask you this question: Will you stand up now and tell us the number of American and Mexican companies that have relocated and established in Canada since the free trade deal was signed? So far it is alleged to be one-way traffic in industries which are leaving Canada and going to the United States.

I remember when the Gillette Safety Razor Company was the first one to move. They moved the day after the election. Senator Simard, do you still shave with Gillette products after that? They moved their factory to New York State. They said they hestitated to announce that they were going to pull out of Canada until the election results were known. That has been happening every month since that event. Are you concerned about it? Is it unfair of me to raise this on behalf of the workers of this country?

Senator Simard: We should not be eating oranges from California, then.

Senator Perrault: The Leader of the Government said that we have to think about the Third World countries. Yet his kind of economic policies will ensure that we may well become citizens of a Third World country ourselves someday, unless we arrest the trends that are under way.

Senator Simard: Is that your question?

Senator Haidasz: Tory times are bad times!

Senator Murray: It is much to be deplored that an honourable senator in the Liberal Party—

Senator Perrault: There is the old political railing again!

Senator Murray: —the party of Sir Wilfrid Laurier, would espouse a policy of narrow protectionism in an age of globalization.

● (1510)

I cannot think of anything more counterproductive or detrimental to the living standards of Canadians.

The fact of the matter is that in a dynamic country such as ours, companies do go out of business.

Senator Perrault: They sure do!

Senator Murray: In the last few years, however, you will find that new companies have sprung up by the thousands as some companies have gone out of business.

Senator Perrault: Give us a list!

Senator Murray: The honourable senator keeps asking for a list. I can give him some examples, although I hesitate to impose upon the time of the Senate in the same way he has.

Senator Perrault: Go ahead!

Senator Murray: Let me give him a few examples of Canadian companies that are expanding, or of American companies that are relocating here because of the Free Trade Agreement with the United States which, as I remind the honourable senator, is being phased in over a ten-year period and is only in its second year at the present time. I will give the honourable senators some examples.

DND Galvanizing has chosen Windsor, Ontario as the location for a $240 million steel-rolling mill, partly owned by Dofasco Inc.

Senator Perrault: How much government money is in it?

Senator Murray: Pratt and Whitney Canada expects to win a $100 million contract to build auxiliary power units for the B-777 airliner, which is very much in demand. Mississauga-based AGRA Industries Limited, a diversified engineering manufacturing and high tech company has acquired Northern Engineering of Houston to increase its penetration of the U.S. market. There you go! They are Canadian-based multinationals.

Senator Simard: There is Irving in New Brunswick too!

Senator Murray: My honourable friend Senator Simard mentions the continuing growth of the Irving Industries, which is based in New Brunswick, into New England. Dexx Energy Corporation is bidding for Shogun Oil, which has Texas and Utah petroleum assets. A U.S. high tech company, Nu-Metrics, has chosen London, Ontario as the Canadian base for the sale and distribution of electronic vehicle measuring equipment. J.J. Farmer Clothing of Mount Royal is entering the U.S. market through an American partner.

What does this mean in terms of increased export sales, increased jobs and increased incomes for Canadians precisely because of the Free Trade Agreement? Comco, an Edmonton-based pipe distributor, seeks better access to the U.S. market through the purchase of a Los Angeles-based distributor. Procycle, of Saint Georges-de-Beauce, the largest bicycle maker in Canada, has signed sales agreements designed to double sales to $100 million by 1995, many of these within the U.S. market, again encouraged by the Free Trade Agreement between Canada and the United States.

CCL Industries, a Toronto-based detergent company, has acquired Korex of Detroit to make inroads into the U.S. dish and laundry detergent sector. Marconi and CAE Industries, both of Montreal, have been awarded contracts by the U.S. military: the former have a $59.8 million contract for 1,600 radios by the U.S. Army; and the latter, similator/logistic equipment for the U.S. Air Force valued at $19.2 million. Cinram Ltd. of Scarborough, Canada's largest manufacturer of compact discs, acquired PRC Tape of Richmond, Indiana, to gain better access to the U.S. market. Bombardier of Montreal has received an order for 10 raid coaches from Metro North Commuter Railroad Company of New York worth $11.4 million.

These are just a few examples of dynamic Canadian companies expanding, making acquisitions in the United States, and penetrating the United States market with the resultant increases in incomes, jobs and prosperity for Canadians. This is what I mean when I say we have to have those markets. We win from having more open markets. It is absolutely necessary that we adjust our workforce, adapt our industry and modernize our economy for the 1990s. I would hope, through whatever modest persuasive powers I may have, to bring the honourable senator not only into the 1990s but into the 20th and 21st centuries.

Senator Perrault: I have been a long-time supporter of freer trade with the United States and other countries. I am talking about the nature of the deal we signed with the United States. That is what I am talking about.

Senator Murray: You are going to tear it up!

Senator Perrault: I am not going to tear it up.

Senator Murray: What are you going to do with it?

Senator Perrault: It should be substantially modified, and we should not wait until the next election to do it. Second, I want to thank the Leader of the Government for bringing that list of companies to the attention of the Senate.

Senator Murray: I have a list that I put on the record a few months ago.

Senator Perrault: In the coming six days I will put forward my list. We can compare them with your list. As well, I will ask the Leader of the Government to tell me the number of employees affected, the amount of government loans or grants involved in the establishment of these companies on the Canadian side, and the economic benefits that have accrued or are expected to accrue.

Senator Simard, who has been very vocal this afternoon—

Hon. Jean-Maurice Simard: If you would sit down, I could ask a couple of questions myself! Are you going to monopolize this house all afternoon, Senator Perrault? Is this part of your filibustering?

Senator Perrault: Senator, are you trying to break the sound barrier? Let us get down to facts.

Senator Frith: He is helping our filibuster.

Senator Perrault: I know how grief-stricken the senator must have been when, the day after the election, the Square D Company pulled out of Edmundston, New Brunswick and went back to the United States.

Senator Simard: Will you take your seat!

Senator Perrault: What did you do to fight that move? Why didn't you stand up and fight for the workers?

Some Hon. Senators: Hear, hear!

Senator Simard: Did that happen because of free trade? No, but you do not have the guts to admit that.

Senator Perrault: Why were you such a tame tabby when it came to Square D? What did you do about Square D?

Senator Simard: I know about that company. I helped to bring it to New Brunswick 17 years ago, along with the Liberal government. It provided 300 jobs.

Senator Perrault: And they took it as soon as you turned your back. Free trade chased Square D right out of your own riding and you did not even see it!

Senator Simard: You did not even know Square D existed 17 years ago.

Senator Perrault: Stand up and fight for your workers! Don't be a tame tabby!

The Hon. the Speaker: Honourable senators, it is my responsibility to maintain order and decorum in the house. I would urge senators to speak one after the other instead of at the same time.

Senator Simard: The Liberals have had five questioners, and, in the name of democracy, I should be allowed to ask a couple of questions too. After all, senators opposite made up their minds to speak until 5.45.

[*Translation*]

After all your shenanigans, I hope there is still some democracy left in this House.

[*English*]

Senator Perrault: Speak quietly.

Senator Simard: It would be hard to break your sound barrier, senator.

An Hon. Senator: Behave yourself!

An Hon. Senator: Question!

[*Translation*]

Senator Simard: I have a few questions.

[*English*]

Senator Frith: Pardon?

Senator Simard: I have a couple of questions, Senator Frith.

Senator Frith: They can hear you in Toronto!

[*Translation*]

Senator Simard: My first question is the following, and it complements another question asked by Senator Bonnell.

[*English*]

Senator Haidasz: We should get our information from the government, not from him.

Senator Simard: Are you all right now?

Senator Haidasz: I do not think that is in order.

[*Translation*]

Senator Simard: This is a supplementary to Senator Bonnell's question. Earlier, Senator Bonnell suggested that there might be cutbacks in order to pay the cost of higher interest rates and government spending on the crisis in the gulf and in Oka.

Senator Murray, could you give us the assurance that the base at Summerside will not be hit by these cuts, even if Senator Bonnell voted against the GST, continues his filibustering and predicts that the GST will not be approved before the end of December? Can you give us a guarantee, considering the interest, enthusiasm and repeated requests of people from Summerside and from Prince Edward Island in general, that the government will go ahead with this project, and I am referring to the GST centre?

Can you give us the assurance, Senator Murray, that the base in Summerside and the $30 million that go along with it will not be cut?

That is my first question.

Senator Murray: Honourable senators, as always, we intend to keep our word. We will keep our commitment to the people of Summerside and to Prince Edward Island.

Senator Simard: Thank you. My second question concerns the election in Beauséjour.

There are people associated with the Liberal Party in his riding who would have the people of Beauséjour believe that the Mitel plant built about ten years ago, which cost the Province of New Brunswick five or six million dollars worth of services, including water and sewer mains by the way, perhaps some of our colleagues don't know, but this Mitel plant never materialized and never produced a single dollar's worth of Canadian products. It's a white elephant.

However, during the election campaign in Beauséjour, people associated with the Liberal Party are making plans in order to convince the people of Beauséjour that if the Liberal leader, Mr. Chrétien, is elected, the plant might be converted and then produce goods and create jobs.

Has an application of any nature been filed with the federal government to obtain grants that would encourage a company to locate there?

Does the federal government at this time have in its possession an application for grants or subsidies or assistance of any kind that would encourage taking over the plant from Mitel, or is this another Liberal balloon launched at the last minute?

Senator Murray: I am not in a position to say yes or no. For the time being, I can only take the question as notice and make enquiries among my colleagues. However, I think it is always regrettable to see a candidate use scare tactics.

Senator Simard: My third question, and as you may have noticed, Senator Corbin, and your other colleagues as well, my questions are short and my preambles are brief. This time, however, I will make an exception, because my third question will include a long preamble. However, I believe the article I intend to read into the record of this Chamber is relevant. It is relevant, because the reason why we have to put up with the opposition's strategy is because the opposition has decided to delay debate on the GST as long as possible. Last week, they used petitions, and today, they are using Question Period . . .

● (1520)

[*English*]

Senator Frith: The man just discovered that we want to delay the GST. He is a slow learner.

[*Translation*]

Senator Simard: For an hour and a half, we had to sit and listen to four Liberal senators asking questions. If that is not an abusive use of question period, I do not know what is.

However, if I want to be consistent, I should refrain from playing the same game as the people on the other side, but there comes a time when fire must be fought with fire. Even more so when we have the opportunity to raise the tone of the debate and deal more closely with the bill about which the people on the other side have been making antics and filibustering for a month.

Before putting my question to senator Murray, I would like to quote an article signed by Hyman Solomon whcih was published in the *Financial Post* on November 14, 1990.

I think it is appropriate at this time. I would request leave from my colleagues opposite to . . .

Senator Poitras: You have it.

Senator Simard: Thank you, senator Poitras. I am reassured. I hope to read through the text without being interrupted.

Some Hon. Senators: Go ahead.

Senator Simard: Well, here is what Mr. Hyman Solomon was saying in the *Financial Post*.

[*English*]

"Within the next month . . .

[*Translation*]

Senator Haidasz: In French, please.

Senator Hébert: Translate it for me, then.

[*English*]

Senator Simard: I will tell you one thing. If I had written a book, I would not use this place to have it translated; but I do not intend to publish a book.

POINT OF ORDER

Hon. Philippe D. Gigantès: I have a point of order. The Leader of the Government apologized for making the same suggestion. My book was translated a year ago by me and submitted to publishers in Quebec. They turned it down.

Senator Barootes: They are very wise people.

Senator Gigantès: I do not have to use the translation service of the Senate to have my text translated. Only an illiterate would think that one can pick up a translation done at high speed by the excellent translators here and offer that to a publisher. A professional writer would not do that.

You, sir, have not read the *Hansard* in which your leader apologized for making the same suggestion. It was a false suggestion then, it is a false suggestion now and it is only indicative of the kind of person you are.

Senator Simard: It is true that Senator Murray has apologized and that is his right. However, I do not have to apologize. I am not going to apologize.

Senator Gigantès: Come and say that outside and I will take you to court. Then we will fight it out in court and I will give evidence.

Senator Simard: I will meet you any time.

Senator Gigantès: Come and say that outside in front of the press, and I will drag you in front of tribunals. If you are going to accuse me of something dishonest, do it where you can be punished. You judge others by your own standards. You, sir, may be capable of doing such a thing; I am not. Come and say that outside the chamber and face the consequences. You, sir, are lying.

[*Translation*]

Senator Simard: Honourable colleagues, I will not apologize. Here is why, if it will allow you to breathe easier, senator.

Senator Gigantès: Say it outside this House. Then I will drag you before the courts.

Senator Simard: I will tell you why and I am going to repeat it outside as well.

Senator Simard: I will tell you why I won't apologize. I will tell you why, if you will let me finish. You just told us that your book was translated a year ago.

Senator Gigantès: Yes.

Senator Simard: Last week or the week before, at the beginning of November or around the end of October, you answered one of my questions which is probably in *Hansard*. My question was whether your book had been published in English or in French, and I asked you another question, and you answered. I think we can find the question in *Hansard*, and you said this: It was published in English. That is basically what you said. It was published in English. It has been the bookstores since April, and you told us that the French version was being prepared. Now you just told me from your seat five minutes ago that the translation was ready a year ago. As soon as you have make up your mind and confirm that either

today's version or the one we got two weeks ago is the correct one, I will make up my mind whether I will meet you outside.

[*English*]

Tell the truth. Did you tell the truth three weeks ago?

[*Translation*]

Senator Gigantès: First of all, *The Road Ahead* was published in English a year ago.

Second, a substantial part is now going to be produced on the basis of what I wrote in French last year, not at government expense and that will be quite clear, because like in all my other books, there will be several new chapters, at the beginning and the end. This is a new book. It is not the same book. Perhaps, substantial parts of what you heard will be published, but they will be published at my publisher's expense. There will not be a single word of Senate translation used in the book, and only someone who does not know French would even consider using the text in *Hansard*. I suggest you read it. They don't have time to do a good translation of 70,000 words in 24 hours.

Senator Simard: If I understand correctly, what you said two weeks ago is not exactly the same as what you said just now. You told us five minutes ago, in your initial comments when you challenged me to meet you outside, that the translation had been done a year ago. Now you just changed your story. I intend to compare both versions in *Hansard*, and then I will decide.

GOODS AND SERVICES TAX

STANCE OF LIBERAL PARTY—GOVERNMENT RESPONSE

Hon. Jean-Maurice Simard: And now I would like to ask my third question. I was about to read an article by Hyman Solomon, and I will have a question as soon as I finish reading the article.

● (1530)

[*English*]

> Within the next month, Canada's non-elected Liberal senators will probably be forced to end their charade as the last bastion of popular democracy and allow passage of the despised goods and services tax. They will claim that, unlike the deaf, discredited Mulroney government, they listened to Canadians and did all they could to oppose a tax most consumers would prefer not to pay. They will take full credit for a moral victory, if not a legislative one.
>
> How heroic! Direct democracy brought to us by appointed Liberal senators who only recently turned in their rubber stamps for opposition, public-opinion politics. What a favour they have done Canada! And what a legacy they have left for the next elected government, particularly a Liberal or New Democratic majority or minority administration which inherits a Tory-dominated Senate.
>
> Senate Liberal Leader Allan MacEachen, recently converted populist, says it is now legitimate in the Canadian parliamentary system for appointed senators to thwart the will of elected governments provided they represent the clear voice of the people. Looking back, he thinks the former Liberal-dominated Senate was too easy on the Trudeau administration and earlier Liberal governments in which he was a key player.
>
> The mind boggles. But if the appointed Senate is to become the new champion of populism, what incentive is there for future elected governments to do tough, unpopular things? And without really thinking about the consequences, do we really want to undermine our British parliamentary system of government for a more open U.S. design, which responds to popular and interest group pressure on every issue?
>
> On paper, the U.S. system has great appeal. Unlike Canadian MPs, individual members of Congress are not bound by strict party discipline. They can therefore interject directly on behalf of their constituency and special interests, whether these are in line with party policy or not.
>
> In return, they are held personally accountable by voters and cannot take refuge behind party policy for voting the wrong way.
>
> The GST would never have had a chance in Washington. But then, neither do most tough tax measures or spending cuts aimed at bringing the spiraling U.S. budget deficit under control. The Mulroney government is not immune from strong popular or political opposition to painful policy. But compared to recent U.S. governments, it is politically fearless.
>
> The difference in political courage is not an issue of tough guys vs whimps. It happens because parliamentary democracy allows majority governments to practise a form of temporary dictatorship between elections, and the U.S. system does not. As a result, Canadian governments have more leeway to make policy and legislative decisions which are not only popular or politically expedient, but unpopular and necessary.
>
> Richard Lipsey, one of Canada's outstanding economists who is now directing a major economic policy program at Simon Fraser University, recently told a graduating class at Queen's University that Canada's system of government is in danger of being neutered. Senate obstructionism has already forced one election.

Honourable colleagues, that is his opinion. I happen to disagree as far as that part of the statement is concerned. In fact, we had an election and we know what happened then. To continue with the article written by Mr. Solomon:

> It has now seriously frustrated the tough, unpopular or "statesmanlike" core of Mulroney's legislative program in defence of voter populism.
>
> "If the new practice becomes the norm, the government will have to face a major political battle every time it tries

to do something unpopular—just as the U.S. administration now does," Lipsey warned.

Senator Marchand: Where is the question? Are we still in Question Period. What are we doing?

Senator Simard: Yes, senator, we are still in Question Period. That should be obvious—

Senator Marchand: Where is the question, then?

Senator Simard: —to those who take one and one-half hours to ask four questions. At any rate, I will soon complete this preamble.

Senator Marchand: I want to hear your question. Pass that over to me and I will read it. Where is your question?

Senator Simard: Let me finish. I will read three more paragraphs and I will then ask my question.

> Many Canadians will welcome democratising the system, claiming they aren't heard now, and have few means of influencing legislation except at election time. Reform Party Leader Preston Manning—

I wish Senator Waters was here today. In any event, I will continue:

> Reform Party Leader Preston Manning has built much of his growing popularity on the theme of direct democracy. What he seldom explains is how governments take their lead from voters and still do unpopular things.
>
> Canada in coming years will be fighting for both its trading life and standard of living by trying to remain internationally competitive in a world where borders and barriers are falling, and only the most efficient can stay whole. In such insecure times, many Canadians are circling the wagons, looking inward, and seeking protection. It is not the way to survive in a globalized world.
>
> Meanwhile, senators—

Honourable senators, he left out the word "Liberal", and I will insert it.

> Meanwhile, Liberal senators pander to voter insecurity in the name of democratic populism. Is that supposed to pass for sober second thought?

My question to you, Senator Murray, is this:

Some Hon. Senators: Ah!

Senator Stanbury: Here comes the question!

Senator Simard: Do you agree with Mr. Jean Chrétien as he was reported yesterday in *La Presse*?

[*Translation*]

I will read to you in English what Mr. Chrétien said:

> The unpopularity of the Tories hurts even the Liberals.

In fact, according to Mr. Jean Chrétien:

The Tories' discredit is so serious, he noted, that it even hurts the Liberals and the New Democrats in the polls.

Do you agree with the Liberal leader's opinion?

Rather, do you agree with another opinion shared by many Canadians who believe that real leadership requires setting a course of action defending it, instead of this direct democracy policy which says: "Dites-moi où vont les gens pour que je les suive."

Do you not believe, Senator Murray, that the second opinion is more valid and that it explains the spectacular, eloquent, unprecedented drop of the Liberal leader's—not the Conservative Party's—popularity in the last three months?

If Mr. Chrétien's opinion were valid, it would be really difficult to understand. I would like to have an explanation on this, Senator Murray.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senator, if you look at the history of polls in this country in the last 25 years, you will note an obvious pattern, that is after every election of a new national leader of a political party, his or her popularity increases steadily for a year or two. That was the case with Mr. Stanfield, Mr. Clark, Mr. Trudeau, and even Mr. Turner in 1984. Totally unprecedented is the fact that after his election as national leader of the Liberal Party of Canada, the honourable Jean Chrétien's popularity seems to have dropped very quickly.

Hon. Roméo LeBlanc (Beauséjour): I have a supplementary for you. First I should like to ask the Leader of the Government in the Senate whether Senator Simard still belongs to his caucus. I have the impression he joined one of the parties now campaigning in my former riding of Beauséjour since he alone in this chamber raises questions on that issue, so I am wondering whether he is still a member of the party to which he is supposed to belong—or at least the party that repatriated him after an absence of a few months or a year or two.

I have a supplementary question. The Mitel case interests me because I was very proud when company management not only unveiled their project and held their sod-turning ceremony, but also when they invested something like $10 million when that was considered to be a rather worthwhile and daring deed. I was also very proud that New Brunswick had been chosen as the site for an industry which, traditionally and historically, had been reserved for major urban centres in Canada. I have in mind the City of Ottawa and other major cities that seem to think that they alone can accommodate this kind of project, when in fact Mitel had built plants in Ogensburg in New York State as well as in Britain. I do not quite recall the name of the locality but it was not a very big city. All this to say that at the time this was considered a success and an advantage. I know that the government of which Mr. Simard and half a dozen of our colleagues opposite were members back then was not particularly pleased that it could not take most of the credit for that, but apparently there were better days ahead. This is why I would ask the Leader of the Government in the Senate if he could obtain a very interesting document—

● (1540)

[*English*]

With respect to the document concerning which I am asking the Leader of the Government, Senator Murray has plenty of

assistance. He can have the help of Senator Hatfield, Senator Deware, Senator Simard and Senator Brenda Robertson. In other words, he has enough former ministers of the provincial government of New Brunswick to pass Orders in Council and even special warrants, if they need them.

I am confident that with that team they can find the document I am interested in. It has some relation to the present byelection. In the previous federal election of 1988, Senator Simard's former colleague, the former minister Omer Legère, went around Beauséjour. That plant has been closed, frankly, for a number of years.

Senator Simard: It never opened.

Senator LeBlanc: M. Legère discovered it would be good politics to go around with a clipboard and take the names of people who wanted jobs at Mitel when, upon becoming a member of Parliament for Beauséjour, he would oversee the reopening of Mitel. I would have thought that with that sort of commitment to the people of Beauséjour, the last thing that Senator Simard would want to do is recall to the people of that riding the actions of his colleague, Omer Legère, the official Progressive Conservative candidate, in 1988.

I wonder if Senator Murray can find that clipboard and that list for us?

Senator Murray: Honourable senators, whatever else it is, it is not within my ministerial responsibility.

Hon. Jean-Maurice Simard: Senator LeBlanc has included me in the group that could be of assistance to Senator Murray. I would like to offer supplemental information.

Senator Stanbury: No one has asked you a question.

[*Translation*]

Senator LeBlanc just told us that he attended the official opening of Mitel. I insist on the word "official", because there never were work openings. Mitel did not do much, as far as I know. Did it produce even a dollar's worth of Canadian products? I think you know the answer is no.

That being said, Senator LeBlanc believes that, because they took part in a certain by-election, the Liberal candidates who were defeated have the same privileges in the Party as the members of Parliament and the senators. That is not true. I do not know if it is the case in your Party, but I think it would be dangerous and not too appropriate either to base a question to senator Murray on what your friend Omer Légère may have done. By the way, Mr. Légère did great things. He was a dedicated Minister, three times around and he made his mark.

You preferred, senator LeBlanc, to refer to an election held in 1988, while my question dealt with the 1990 election. I have never been to Beauséjour yet, and will probably not go before the election because our Party has decided not to take part in the campaign. I will abide by the decision made by our Party and our Leader. But you were there, senator LeBlanc, and according to my sources, you travelled to Beauséjour regularly during the past two weeks. Can you confirm whether or not . . .

[*English*]

Senator Frith: Let us continue with questions.

Senator Simard: We are talking of job creation, Senator Frith. If you do not care about job creation, that is your problem, but Senator LeBlanc and I do.

Hon. Royce Frith (Deputy Leader of the Opposition): The Senate decided at the outset that we would deal with Question Period. I think we have been giving each other a great deal of liberty, but the idea, I believe, in Question Period is to ask ministers questions and to have those questions answered. We have only one minister in the Senate, and we have been allowing Senator Simard to—

Senator Simard: You have not been allowing anything, Senator Frith. I am using my rights as a senator, in case you do not know. I do not need your permission to ask questions. You are not thea Speaker yet, you know.

Senator Frith: I was saying that yourstanding to answer questions on his behalf would appear to usurp the function of the Leader of the Government. The last question was one asked by Senator LeBlanc of New Brunswick, which Senator Murray answered very briefly. The next thing we know, Senator Simard is on his feet without any indication being given to us of his being designated deputy leader or assistant question-answerer, or whatever it is.

● (1550)

Then the next thing we know, we are into a lengthy diatribe. Senator Simard, noted as he is for his fairness of mind, perhaps would agree to wind up his remarks and allow some other senators an opportunity to ask questions.

Senator Simard: I agree. Since Senator LeBlanc has been visiting that riding regularly in the last two or three weeks, perhaps he could explain or confirm the rumour that Liberal organizers in and around Mr. Chretien are promoting the reopening of Mitel.

Senator Murray: That is where the clipboard is.

Senator LeBlanc: I would not deprive myself of continuing this entertaining exchange, except that I take the admonition of my deputy leader. However, I know Senator Simard would want to afford me a chance to correct the record if what I said was misleading. If I said that I had attended the official opening, that was misleading because, to my knowledge, there was never, in fact, an official opening of that plant. There was a "première pelletée de terre," or in English, the launching of the project. The plant was then built and, to everyone's sorrow, the company ran into a period of difficulty, and eventually, if my memory is correct, the establishment was sold to the government of New Brunswick.

I do not know if that is still the status quo. I do not know the latest details. It is true that I have been to Beauséjour a few times, and I have read carefully the newspapers and whatever press reports I have been able to find. I have seen no mention of anyone discussing Mitel.

However, I suspect that such a discussion might have take place at a time when two or three of the candidates had a meeting at the Buctouche Chamber of Commerce, a sort of joint evening session. I am told that that was one of the

questions asked of all the candidates, but I have not heard or read what comments were made about this matter.

Whatever credit there is to be gleaned from this situation, I hope, for the sake of the people of that area, that some day that plant will reopen, because it is an excellent building with great potential. To everyone's great sadness, it never did formally open.

NATIVE AFFAIRS

OKA CRISIS—ROYAL COMMISSION OF INQUIRY—ABORIGINAL ISSUES—GOVERNMENT RESPONSE

Hon. Len Marchand: No wonder we Indians lost all of our land. I was too patient and they out-waited me.

About a week and a half ago I raised a couple of serious questions that I now want to follow up with the Leader of the Government in the Senate. Does the Government of Canada intend to carry out an investigation into this past summer's events at Oka, Kanesatake and Kahnawake? I also asked the Leader of the Government if he could inquire about the work of the Aboriginal Affairs committee in the other place and find out what are its goals. At that time I also raised the question of a royal commission on Aboriginal issues, and put on the record the views that I held on such a commission and the fact that I think it is urgent that such a commission go forward.

I wonder if the government leader has had an opportunity to consider those questions and whether he could enlighten the Senate and me today on this matter.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I am still awaiting a reply from my colleague, the Minister of Indian Affairs and Northern Development with regard to the questions put by my friend on November 6 concerning the Oka crisis.

With regard to a royal commission on Aboriginal affairs, as I indicated earlier, we do not at all preclude that possibility. For the moment, however, we think it is very important that Aboriginals and others participate in the consensus-building dialogue that we are attempting to promote through the Citizens' Forum. As the honourable senator is aware, and as I mentioned last week, the relationship between the Aboriginal peoples and non-Aboriginal citizens is near the top—if not at the top—of the terms of reference of the Citizens' Forum. That forum has also been asked to ensure that there is a dialogue among Canadians concerning institutions that would maintain and strengthen the identity and heritage of Canada's Aboriginal citizens and their links to the rest of Canadian society in the context of modern society.

As I pointed out earlier, and as Mr. Spicer has said, there are great depths of ignorance in this country concerning the aspirations of our Aboriginal peoples and native affairs generally. We need to overcome that and we also need to build or re-build a consensus on some of these issues. That is one of the important tasks before the Citizens' Forum and we want to give them the opportunity to get on with it before proceeding with a parallel inquiry such as a royal commission or another study of Aboriginal matters.

Meanwhile, as the honourable senator knows, and as I told him last week, we are proceeding along quite a broad front with regard to accelerating land claims negotiations, improving conditions on Indian reserves, changing the Indian Act, and enhancing self-government opportunities generally.

Hon. Charles Watt: Honourable senators, I have a question for the Leader of the Government in the Senate in relation to the same subject matter, but more in the area of public inquiry requirements relating to when the incident actually took place at Oka. I am not talking about the setting up of the commission; I am talking about a public inquiry in regard to the actual problem that took place in the two areas to which Senator Marchand has referred.

Senator Murray: At Oka?

Senator Watt: Well, in Oka and Kahnawake. The reason behind that, honourable senators, is that the word "natives" was used pretty heavily over the whole summer period. People could not distinguish between the Indians, the Inuit and the other groups; so they were all lumped together.

Due to that fact, many of my people, who are trying to advance themselves in the field of education, were harassed all summer long—not by the warriors, not by the Mohawks, but by the people living around the Dorval and Lachine areas, because these are the areas where the largest concentration of our people go to school. We had to transport some people back up to the Arctic because their parents had started worrying, and so on. We had no choice. At one point we had to gather them into one hotel for their own protection.

In addition to that, we also had a number of problems related to the bases. People came down from the Arctic to go to the hospitals, and while in these waiting houses, awaiting the basic services to look after them, they were also harassed. When I say "harassed", I mean they had their legs broken, their bones broken, their ribs broken and generally got beaten up by whoever those people were.

I think we owe it to Canadians in general to set up a public inquiry into this incident to finally determine what exactly instigated this incident at Oka. We know that it was related to the land. They then move on to some other so-called inherent rights, and things of that nature. In other words, I am saying that it was blown out of proportion to a certain extent. The violence then took over.

• (1600)

Both sides are to be blamed, but I cannot begin to start pointing my finger at whether it is the police, the Oka, or the warriors who should be blamed. I just do not know. I do not think the public is fully aware today of exactly what took place in terms of who should be blamed for this. If we just let this one skip by, I am afraid that the way it will be recorded in the history books will be misleading.

In order to correct this matter, a public inquiry is important. It has nothing to do with land claims, so do not focus on the land claim aspect of it. Look at it simply as a question of

justice. Was justice served this summer? I do not know. I cannot say yes or no to that question because I do not know the answer.

I am not asking the Leader of the Government to answer me today, but I am asking him to look into it to see what can be done.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, the question put by my honourable friend is similar to that asked some days ago by Senator Marchand, in respect of which I am awaiting a reply from Mr. Siddon. Meanwhile, I should point out that we do have in this Senate a Standing Committee on Aboriginal Affairs chaired by Senator Marchand. There is nothing to prevent that committee from taking up this question.

Hon. Len Marchand: Honourable senators, I am happy to hear that from Senator Murray. I take that as an endorsement from him. We will certainly get started on this question. I try to be sensible in the way that we proceed in this place. I am sensitive of the dollars that we spend in this place because it is all public dollars. I felt that if the standing committee in the Commons was doing the job, then why should we duplicate it? That was why I asked that question.

Senator Barootes: Tell Senator Buckwold that, will you?

Senator Marchand: I am glad to have that reply from you, Senator Murray, because Senator Watt mentioned a lot of reasons why it is absolutely urgent and important that we have a proper public record of what went on at Oka. We have to put all the facts on the table.

Some ugly things occurred in relation to our people. There were undertones of racism, conflicts between the Mohawk and the French, conflicts between the Mohawk and the police, and a lot of other things that went on—such as, for example, accusations by the International Human Rights people, and so on. We would be doing all the people of Canada a great disservice if a complete public record were not made of what occurred at Oka this past summer.

As Senator Watt put it, we have to know the facts. We do not know all the facts concerning what occurred there. It is most important that we do know those facts.

ENERGY

HIBERNIA DEVELOPMENT PROJECT—PROPOSED SALE OF INTEREST BY GULF CANADA RESOURCES LTD.—GOVERNMENT POSITION

Hon. Eymard G. Corbin: Honourable senators, I have a question for the Leader of the Government dealing with Hibernia and Gulf Canada Resources Limited.

On November 2, 1990, this house passed Bill C-44, the act respecting the Hibernia Development Project and to amend certain acts in relation thereto. The bill received Royal Assent on November 6, 1990.

On Novmeber 9, 1990, the *Financial Post* published a story based on information that came out on the previous day, November 8—two days after Bill C-44 received Royal Assent in the Senate. The article is datelined Ottawa and is written by Peter Morton. I should like to read a few brief quotes as a preamble to the question, so that I can get to the gist of it. The article states:

> Gulf Canada Resources Ltd. has put up to half of its 25% interest in the $5.2-billion Hibernia project on the auction block as a part of a strategy to dump expensive Canadian frontier energy projects. But Energy minister Jake Epp said yesterday it's too soon to demand that the potential buyer be Canadian. Epp has already come under criticism for handing over $2.7 billion in cash and loan guarantees when all the oil from Hibernia will head to U.S. markets.

I do not have to explain to the minister the arrangements of the consortium in any great detail. Canadian interests, Petro-Canada and Gulf Canada Resources own 50 per cent; the other 50 per cent is owned by Mobil Oil Canada Limited and Chevron Canada Resources Limited. They respectively have 28.12 per cent and 21.88 per cent interest in the project. At present Petro-Canada, Mobil Oil and Chevron have refused to buy Gulf's stake in the project.

Apparently Gulf has entire liberty to dispose of its interest in the project for the simple reason that the field was discovered in 1979. Regulations stating that a 50 per cent minimum interest must remain under Canadian ownership apply only since 1982; so Gulf can dispense with that regulation.

Surely there is an obvious connection here between the passage of Bill C-44 on November 6 and the decision by Gulf Oil to put up 12.5 per cent of its interest on the block. The concern that we have as Canadians is that it is in Canada's interest that it retain 50 per cent of the control of that Hibernia Project. As the article states, the Energy Minister stated that "it's too soon to demand that the potential buyer be Canadian."

If it is too soon, at what point in time will the Canadian government step in to ensure that 50 per cent does in fact remain under Canadian control?

• (1610)

At what point? After the sale of Gulf's assets to a foreign-owned company? Before or the day after? When? That is what a lot of people would like to know at this stage.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I shall have to make inquiries. I have not seen the statement attributed to my colleague Mr. Epp, to which the honourable senator refers, and I can only undertake to bring in a report on the matter as soon as possible.

TRANS-CANADA HIGHWAY

CONSTRUCTION OF NEW BRUNSWICK SECTION—CONCLUSION OF GOVERNMENT STUDY—REQUEST FOR DETAILS

Hon. Eymard G. Corbin: I know my colleagues have questions, but I would like to move to another matter. The other

day I asked the Leader of the Government in the Senate if there was any news with respect to the reconstruction of the Trans-Canada Highway in New Brunswick and whether or not the federal government would participate in that regard. The honourable leader responded that he had not heard the last part of my question because Senator Simard was talking to him, but that he had the general purport of my question. He said that no decision had been taken by his government in this respect.

Perhaps I had not made myself clear. My question was to find out if the study had been completed. If the study, which has been going on, as I understand it, for 18 months, has not been concluded, when will it be concluded? If it is, in fact, terminated, will the honourable leader agree to lay a copy of that study on the Table so we may have a look at it?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): The study in question was a national study, as I recall.

Senator Corbin: Yes.

Senator Murray: I shall make inquiries, honourable senators.

Senator Corbin: Thank you.

PERSIAN GULF

CANADIAN HOSTAGES—ROLE OF CBC RADIO INTERNATIONAL—FINANCIAL CONDITIONS—GOVERNMENT POSITION

Hon. Jerahmiel S. Grafstein: I have a question for the Leader of the Government in the Senate with respect to the Gulf crisis that has arisen as a result of the unprovoked aggression of Iraq against Kuwait. I listened with interest to the Prime Minister's commitment in the media the other day to provide whatever resources are necessary in order to fully support Canadian armed personnel in the Gulf. Could the Prime Minister's commitment include an increase in the budget and resources available to CBC Radio International?

The Leader of the Government may not be aware that CBC Radio International's budget was slashed at the same time that the budget to the CBC was reduced in the past few years. Its resources are now sparse. At the same time, at an interesting point in our history, CBC Radio International is performing a magnificent duty. It provides an electronic lifeline to the Canadian hostages being held in Kuwait and Iraq. It is my understanding that Canadian families—both francophone and anglophone—have used CBC Radio International to send messages to their families and loved ones who are being held hostage there. It forms an important communication link to those people.

I query the government as to whether or not the broad and generous commitment by the Prime Minister to make whatever resources are available could include funds for CBC Radio International so that it could fulfil two functions: First, to maintain that electronic lifeline to Canadian hostages held both in Kuwait and Iraq; and, second, to provide a valuable communications link to dissidents in Iraq and the resistance in Kuwait, so that those forces understand that we in Canada are prepared to assist them with every appropriate measure.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, at a time of considerable budgetary pressures, I can give no undertaking that the resources available to Radio Canada International would be increased. Indeed, I cannot give an undertaking that they will escape the knife when CBC and the government generally review their expenditure programs.

Second, while I cannot comment on the role my friend attributes to Radio Canada International in supporting dissidents in Kuwait or Iraq, insofar as the families of Canadians still in Iraq and Kuwait are concerned, we do have a consular officer who is dedicated to maintaining a fulltime liaison between Canadians in Iraq and Kuwait and their families here. He calls those people in Canada almost every day and returns their calls immediately to save them the cost of long-distance tolls. So we are in continuing contact with those people on a personal basis.

Senator Grafstein: In no way, shape or form am I diminishing the role of the consular forces in Kuwait, who served heroically until they withdrew and who certainly continue to provide magnificent service protecting Canadian interests and Canadian families in Iraq itself.

My point to the Leader of the Government in the Senate is that the Prime Minister made a sweeping and generous statement when he advised that economic restraints on the government would in no way, shape or form diminish the resources that would be made available to any of those objects that required support pursuant to events in the Gulf. I therefore assumed that this area, which needs minimal budgetary increases to perform a magnificent job, could be one of the objects of that generous gesture the Prime Minister made the other day. I think it is an important policy that democracies try to support the free-flow of information, particularly in Iraq where the media is controlled and its public does not have access to the wonderful discourse from the public media that we are subject to daily. I would ask the Leader of the Government to take that matter up with the government and examine this suggestion to see if it has any merit. I believe it does.

Senator Murray: Honourable senators, I take the honourable senator's question as representation.

AGRICULTURE

MEAT INSPECTION AT CANADA-U.S. BORDER—GOVERNMENT POSITION

Hon. Dan Hays: Honourable senators, I should like to ask a question of the Leader of the Government in the Senate that arises from a speech given by the Minister of Agriculture and Deputy Prime Minister on October 13 to the Federation of Canadian Farm Writers. This has to do with meat inspection

at the Canada-U.S. border. It is one of the "good news" items Mr. Mazankowski delivered. He said:

> While we haven't resolved the issue completely, the progress that we're making with respect to the U.S. border inspection on meat is encouraging. Here you have a classic situation where administration is fully committed and wants to harmonize the meat inspection systems of Canada and the United States, based on equivalency. There's no question about their commitment. They've got to go through the regulatory process that has been made somewhat complex, I suppose, by U.S. elections and by people that are concerned about the impact of such a move.

This is a story I have been following for some time and about which I have been meaning to ask, Senator Murray. It did not seem to go away. Perhaps this is an appropriate time for it, in light of the Deputy Prime Minister's recent statement.

By way of background, this story first came to my attention while reading the *Montana Farmer-Stockman* in the spring of this year. It is a brief quote:

> Bill Lehman, Sweetgrass, a 26-year veteran of federal meat inspection, calls the USDA policies toward reinspection of meat imported from Canada "intolerable and potentially dangerous".

● (1620)

> Lehman recently "blew the whistle" and released documentation of cases where the USDA-Food Safety Inspection Service knowingly allowed unwholesome and contaminated meat to enter meat distribution channels in the U.S.

To bring it up to date, another story from the agriculture clipping service came to my attention. This story was in the St. John's *Evening Telegram*, and I should like to quote from it:

> Canadian and U.S. agriculture officials have criticized the inspector . . .

This is referring to Dr. Lehman,

> . . . as an overzealous nitpicker who goes out of his way to find reasons to reject Canadian products.
>
> But a review of the federal meat inspectors' procedures by the state of Montana found that he is doing "a fair and competent job of . . . inspecting meat products coming in from Canada."

Elsewhere in the story it says:

> Listening to some U.S. senators in recent weeks, you could get the impression that Canadians are willing to put up with putrid meat on their plates.
>
> An attack on Canadian meat inspection standards that began last spring has escalated in recent weeks as senators from midwestern states raised fears that a trade deal earlier this year could allow tainted Canadian meat to flood into American supermarkets.
>
> "The level of public concern over this proposal has risen to a boil," said Senator Max Baucus, a Democrat from Montana.
>
> The senators are ringing alarm bells about the quality of Canadian meat in an attempt to force the U.S. Department of Agriculture Officials to abandon an open border with Canada for meat imports.

This is part and parcel of the harmonization that is to occur under the Canada-U.S. Free Trade Agreement. It has been made an unresolved issue and is typical of ways of circumventing agreements such as that agreement, or any trade agreement, and imposing barriers to the movement of a product.

The implication is that either the Canadian meat inspection system is bad and we are eating bad products, or Dr. Lehman is single-handedly raising a non-tariff barrier to trade.

My question to the Leader of the Government is this: Could he bring us up-to-date on the most recent statement that I have, which was about a month ago, from the Minister of Agriculture?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I shall undertake to do that.

THE HONOURABLE JACQUES FLYNN, P.C.

PRESENCE ON PARLIAMENT HILL—CAPACITY AND PAYMENT—FURTHER INFORMATION REQUESTED

Hon. Eymard Corbin: Honourable senators, I should like to follow up on a question I put to Senator Doody on November 7, 1990 respecting our former colleague, Senator Jacques Flynn. He has told some of us that he is here to watch the Liberal senators for the duration of the GST debate.

I had asked Senator Doody if Senator Flynn was here on a retainer basis. To our knowledge, he has spent quite a lot of time here, and he is here again this week. Is he being paid out of Senator Murray's personal research fund? Do the funds come out of Privy Council? Is he here on a voluntary basis and receiving no pay? Is he being paid by the Prime Minister's Office? If he is being paid, who is paying him?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, my former chief, Senator Flynn, is here partly because of his interest in what is happening in Parliament and, in particular, the Senate; and partly, I take it, on personal business.

I have taken the occasion to consult him on a professional basis. To the extent that I have done so, or may do so in the future, it would certainly be my intention to ask him to submit an account for those services. However, I have not discussed any contract with him, nor has any payment been made to him.

Hon. Royce Frith (Deputy Leader of the Opposition): When you say "I" do you mean as Leader of the Government, which would mean he would be paid out of Senate funds?

Senator Murray: Very definitely.

PERSIAN GULF

CANADIAN CONTINGENT—ADDITIONAL GROUND FORCES

Hon. Stanley Haidasz: Honourable senators, I should like to ask the Leader of the Government in the Senate whether the cabinet has decided to send ground forces to the Persian Gulf area to strengthen the Canadian contingent and help the keeping of security, where segments of the Canadian navy and air force are already present?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): No, honourable senators.

PROTECTION AGAINST NERVE GAS—TESTING OF ANTIDOTE

Hon. Stanley Haidasz: My supplementary question is this: Can the Leader of the Government assure us that the Canadian armed forces present in the Persian Gulf are adequately equipped to protect themselves against any nerve gas attack by Iraq?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, the best information that I have from competent military officers in charge of Canadians who are there is that they are more than adequately equipped for all eventualities.

Senator Haidasz: The Leader of the Government in the Senate is no doubt aware that the Department of National Defence has been conducting controversial tests of a nerve gas antidote. A worker in that department resigned because he considered those tests to be unethical. Can the Leader of the Government in the Senate, who is a member of the cabinet, tell us whether the federal government has instructed the Department of National Defence to either stop this unethical testing or change its policy somewhat in order to make it appear ethical?

Senator Murray: The honourable senator is using some strong adjectives in his question. Without accepting the validity of his description, I shall inquire of the appropriate department whether there is something that I can report on that matter to the Senate.

Senator Haidasz: Will the Leader of the Government, during his inquiries, obtain the consent form which the human guinea pigs have apparently signed and have been paid over $1,000 in order to be the victims of this nerve gas antidote? Can he tell us if a new consent form for such tests to human guinea pigs will contain the statement that this nerve gas antidote can possibly cause cancer in a human being?

Senator Murray: Honourable senators, without accepting for a moment the rhetoric that the honourable senator has injected into his question, if it was a question, I will draw his intervention to the attention of the appropriate colleagues and bring in any appropriate report.

● (1630)

Senator Haidasz: I thank the Leader of the Government in the Senate for his cooperation.

[Senator Murray.]

[*Translation*]

THE ECONOMY

AGRICULTURAL MARKETING BOARDS—COST OF INEFFICIENCY—GOVERNMENT POLICY

Hon. Eymard G. Corbin: Honourable senators, I have a final question today for the Leader of the Government in the Senate. Yesterday, we heard that agricultural marketing boards had cost Canadian consumers millions of dollars, which all went to support an inefficient system. This is not my opinion but the opinion of the Consumers' Association of Canada. The association says that the marketing boards system should be completely revamped.

My question is this: does the government agree with this opinion and does it intend to launch another study on the so-called problems raised by the association? Every year, for longer than I can remember, they have been saying that marketing boards should be abolished.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, in a word, the answer is no. At the talks in Geneva, we are trying to have article 11 of this treaty clarified or reinforced. We have made a clear commitment to maintain our supply management system in the agricultural sector.

DELAYED ANSWERS TO ORAL QUESTIONS

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I have two delayed answers to questions. I believe that the Leader of the Government previously read into the record answers to two questions asked by Senator Olson on November 6 and November 8.

UNEMPLOYMENT INSURANCE

EXTENDED MATERNITY BENEFITS—DATE OF AVAILABILITY TO WORKING WOMEN—GOVERNMENT POSITION

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, the first delayed answer I have is in response to a question asked by the Honourable Senator Haidasz on October 23, 1990 regarding Unemployment Insurance—extended maternity benefits—date of availability to working women—government position.

(*The answer follows:*)

> Senator Haidasz has asked how the parent(s) of a child born before November 18, 1990, might be able to receive the new parental benefits provided for in Bill C-21 and due to come into effect on that date.
>
> In many cases, eligibility is simply impossible for persons whose child was born while Liberal Senators delayed passage of Bill C-21. Tens of thousands of new parents across Canada will, therefore, not benefit from provisions the House of Commons approved in November, 1989.
>
> As the Minister of Employment and Immigration stated in reply to a question concerning retroactivity

raised in the House of Commons on November 1, 1990, the Government is not in a position too make these benefits available retroactively.

In some cases, however, a parent whose child is born before November 18, 1990 may be entitled to receive the new parental benefits. Such eligibility is not an example of retroactivity; rather, it results from the transitional provisions of Bill C-21 as they have been stated since the Bill was tabled in the House of Commons in June, 1989.

It should be noted, too, that—eligibility notwithstanding—one's ability to leave work to receive parental benefits will depend on the terms of one's contract or collective agreement and/or the Labour Code provisions governing the workplace. In the example to follow, such ability is assumed.

Let us take, then, the case of a young couple, Stanley and Natalie: there are three typical situations in which they could qualify for parental benefits if the child is born before November 18, 1990.

(1) The child is born before November 18, 1990, but he claim is filed only on or after November 18, 1990.

In this case the mother would be entitled to the 10 week parental benefits, but might lose some weeks of maternity benefits, which are only payable during a "window" open from 8 weeks before the anticipated week of birth or actual birth, until the later of 17 weeks after the anticipated week of birth or actual birth.*

eg: If Natalie gives birth on November 1, 1990, and claims only on November 18, 1990 she would be entitled to 13 weeks of maternity benefits and 10 weeks of parental benefits.

* The maternity benefits window can be extended for "baby" hospitalization.

(2) The child is born before November 18, 1990 and the claim is filed before November 18, 1990.

In this case the mother can receive the 15 weeks of maternity, benefits already available, return to work for at least 20 insurable weeks, and then file a new claim for the 10 weeks of parental benefits, as long as this claim falls within the 52 week period following the arrival of the child at home.

eg: Natalie gives birth on March 20, 1990. she is on maternity leave for 15 weeks and goes back to work on July 2, 1990. Natalie takes more leave (or is laid off) 22 weeks later on November 20, 1990. If she files a new UI claim, now under the new rules, she would be entitled to receive 10 weeks of parental benefits.

If the mother files a claim for maternity benefits before November 18, 1990 and then decides that it is better to claim on or after that date, she can cancel her claim if no cheque has been issued. In accord with a Federal Court decision on this subject, even if a person has not received the first cheque, if the cheque has been produced by the Department it will be considered as having been issued.

eg: Natalie gives birth on November 1, 1990. She claims on November 2, 1990 but, then deciding that she should wait until November 18, 1990, she quickly cancels her claim. If no cheque has been issued, Natalie can claim on November 18 and will then qualify for 13 weeks of maternity benefits and 10 weeks of parental benefits.

(3) The child is born before November 18, 1990 and the father claims parental benefits.

Even if the mother does not receive parental benefits (she does not qualify or she does not want to claim), the father, if he meets the usual qualifying conditions, can receive 10 weeks of parental benefits as long as he makes his claim on or after November 18, 1990.

eg: Natalie gives birth on March 20, 1990, completes her maternity claim and returns to work. Her husband Stanley claims his parental benefits on November 18, 1990. If Stanley has 20 weeks of insurable work, he would qualify for the parental benefits.

eg: Natalie gives birth on March 29, 1990. She has been self-employed all year, and for that reason does not qualify for unemployment insurance benefits. Her husband Stanley, however, has been working as an employee in a firm and qualifies for unemployment insurance. Stanley therefore applies for parental benefits on November 18, 1990 and receives the full 10 weeks.

It is also possible for parents to share the 10 weeks between them, and in view of the complex nature of the Unemployment Insurance Act and Regulations, any person seeking to draw parental benefits would be best advised to contact a local Canada Employment Centre for official advice concerning his or her eligibility.

To conclude, honourable senators, I remind you again that even though these cases may cover many Canadian families, they do not represent the situation that many other Canadian families find themselves in. There are thousands of Canadians who cannot qualify for parental benefits because of the delay in passing Bill C-21, and we should be mindful of this fact.

FOREIGN AFFAIRS

JOINT CANADA-EEC DECLARATION OF SHARED PRINCIPLES—REQUEST FOR TABLING OF PROPOSED DRAFT

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, the second delayed answer I have is in response to a question raised in the Senate on October 24, 1990, by the Honourable Jerahmiel S. Grafstein, regarding Joint Canada—EEC declaration of Shared Principles—Request for Tabling of Proposed Draft.

(*The answer follows:*)

The idea for a TransAtlantic Declaration originated with German Foreign Minister Genscher during his visits to Ottawa and Washington in April, 1990. The Italian EC

Presidency has been working on this idea which has now evolved into proposals for two declarations on relations between Canada and the EC and the United States and the EC.

This approach would reflect the specific nature of the history of relations between Canada and the EC, which include the framework agreement of 1976 and the agreement on political consultation of 1988, and those between the USA and the EC.

The aim of the declaration is to re-affirm the principles that serve as a basis for relations between Canada and the EC, and would associate us in dealing with common challenges in the future.

The key consideration for us is that the TransAtlantic co-operation developed successfully over the past forty-five years will continue in light of the changes that have occurred over the past year, in Europe in particular, and those likely to come out of the European integration process now under way.

As for the tabling of the proposed draft, it is a matter of standard practice not to publish a document until the text is agreed upon.

GOODS AND SERVICES TAX

PRESENTATION OF PETITIONS ON BILL C-62

Leave having been given to revert to Presentation of Petitions:

Hon. Stanley Haidasz: Honourable senators, I rise at this time to perform an ancient duty of members of the British Parliament and the Canadian Parliament since 1867, which is, to present a petition signed by Canadian citizens who oppose the GST legislation. The petition I have in my hand consists of 18 pages with the signatures and addresses of Canadian citizens who say that they humbly pray and call upon the Senate to prevail upon the Government of Canada to stop the introduction of the proposed goods and services tax.

These concerned Canadian citizens would like us to petition the government for redress. That is the point of the amendments that we on this side, the Liberal senators, have been presenting in this chamber for the past few days in order to bring relief to Canadian citizens who are already overtaxed, particularly those citizens living in Ontario.

Honourable senators, I repeat that the Canadian taxpayer is overtaxed. He cannot sustain paying more taxes. The Canadian worker and taxpayer in Ontario, and indeed across Canada, has to work seven months in order to pay his taxes. That, honourable senators, is immoral.

I see that one of our colleagues, Senator Barootes, an eminent physician and prominent urologist from the city of Regina, Saskatchewan, is sitting in the chamber this afternoon. I hope he is listening to what I have to say. As a former member of the executive of the Canadian Medical Association, I know that Senator Barootes has at heart the welfare of the

[Senator Doody.]

practising physician in Canada. He will recall that the Canadian Medical Association, of which he was a member, came to Ottawa to present a brief before the Standing Senate Committee on Banking, Trade and Commerce, requesting the removal of the discrimination in the GST legislation, Bill C-62, which is going to cost practising physicians in Canada, according to their brief, anywhere from $3,000 to $20,000 per year.

The Canadian Medical Association also estimates that Bill C-62 in its current form will cost Canadian physicians in excess of $100 million per year.

During debate on this amendment, we on this side would like to hear Senator Barootes and Senator Keon, in particular, state their views. If they are gagged by their Leader or by the Prime Minister, at least I hope they will have the decency either to vote with us on this amendment or to abstain from voting.

Last evening Senator Olson made a good speech on the amendment under discussion, which also seeks relief from the GST discriminatory legislation for people like dietiticians, who are important allied health care workers, providing advice to doctors' patients in order either to treat their condition or to prevent further illness. It also involves certain physiotherapists, massage therapists, social workers, psychotherapists and psychoanalysts.

● (1640)

Returning to this petition, the petitioner is Patty Piggott from Lakefield. Lakefield, as the honourable senators may know, is in central Ontario in an area between Peterborough and the Madawaska Valley, where the first permanent immigrants from Poland to Canada settled. They began settling in 1859, 8 years before Confederation. They worked mostly in the fields and in the lumber industry.

Many of these settlers, if not all, came from a northern province of Poland called Kashube. That is why these Canadian citizens of Polish origin are very often referred to as "Kashubs". Many of their descendants live and work in Ontario, especially in Ottawa where many of them work for the various government departments.

Senator Frith: Who is it who are called "Kashubs"?

Senator Haidasz: The first Polish permanent settlers who settled in the Madawaska Valley.

Senator Frith: Why are they called that?

Senator Haidasz: They are called "Kashubs" because they came from a northern province of Poland which borders on the Baltic Sea, called Kashube, a Kashubian territory of Poland.

During the occupation of Poland from 1772 until 1918, many of these Kashubs were under the occupation of the Prussians and many of them spoke German. These Kashubs have a dialect of their own which they have preserved to this very day. All the church services in the Madawaska Valley that are frequented by the Kashubs are conducted in the Kashube dialect. I attended one of these services many years ago. Although I am considered to be fluent in Polish, I could not understand everything that was spoken in the Kashube

dialect. Should you wish to know more about the Kashubs, Professor Isabella Jost, a former public servant in the Department of Energy, Mines and Resources, who is a geographer, demographer and cartographer, wrote her doctoral thesis about this settlement of the Kashubs in the Madawaska Valley. Professor Jost's work is published and available for all those who are interested in these people from Poland who settled in the Madawaska Valley.

The second name on this petition is Maria Tryba. I presume she is one of the Kashubs. That is a Polish name. Don't confuse it with "ryba", which means "fish".

(*Names of signatories read*)

One of the signatories is from Warsaw, Ontario. I presume one of the Kashubs who bought some land in that area named it after Warsaw, the capital city of Poland.

(*Names of signatories read*)

Another signatory has an Irish name. There are many Irish people living in that area. One of the most prominent Irish Canadians from that area was a member of the House of Commons, Arthur Maloney, whose father, Dr. Maloney, tended to many Kashubs in the Madawaska Valley.

(*Names of signatories read*)

• (1650)

I have here the name Roseanne Richard. Apparently she was spending some time in the Peterborough area because her address is not Peterborough but 20 Cummings Street, Toronto, Ontario. May I say that many people in Toronto have summer cottages or homes in that area. It is a very good fishing area. In fact, my nephew has a summer and a hunting cottage in that area.

(*Names of signatories read*)

Here is the name Kathie Malone.

Senator Perrault: A good Irish name. Quite a few Irish names.

Senator Haidasz: Beautiful, beautiful names.

(*Names of signatories read*)

Here is the name Van Leeuwen. That is a beautiful Dutch name.

(*Names of signatories read*)

That is another page for *Hansard*. Thank you. Here are the names on the third page:

(*Names of signatories read*)

Here is another page, for *Hansard*, too, eventually.

(*Names of signatories read*)

Here is the name George Brown. That is a familiar name, at least to Liberals—the great Liberal leader of Ontario and, I think, the founder of the *Globe and Mail* empire.

Senator Perrault: Did he return to sign the petition?

Senator Gigantès: The *Globe*.

Senator Haidasz: The *Globe*. Thank you, senator. He could have been the Prime Minister of Canada had it not been for some arguments.

Senator Gigantès: Thank God we Liberals are Macdonald Liberals and the Tories are Brown Tories.

Senator Perrault: Black Tories.

Senator Haidasz: Oh, is that what happened.

(*Names of signatories read*)

We have a petitioner from Lindsay, Ontario.

Senator Frith: Hear, hear, for Lindsay!

Senator Haidasz: Of course, Lindsay was the residence of Leslie Frost, one of the most prominent and popular premiers of Ontario. Even though he was of Conservative persuasion, he was liked by many Liberals.

(*Names of signatories read*)

• (1700)

Lisa Coyne is the next name. I wonder if that is a descendant or the wife of Mr. Coyne, the former Bank of Canada Chairman. She gives her address as R.R.7, Peterborough, Ontario.

(*Names of signatories read*)

Next is Bill Templeton from Peterborough. Perhaps we can hear from Senator Frith. He knows the Templetons. He knows Charles Templeton. Does he know whether any of his children or relatives live in Peterborough?

Senator Frith: I do not know.

Senator Haidasz: Thank you. Next is Ann Coomes from Peterborough, Ontario.

An Hon. Senator: Anne Cools?

Senator Haidasz: No, Coomes.

(*Names of signatories read*)

Next is Kathleen Kelly. Do you hear that?

Senator Stanbury: How is it spelled?

Senator Haidasz: K-e-l-l-y, 400 Downie Street, Peterborough.

An Hon. Senator: There is hope for the Kellys yet!

Senator Haidasz: Next is Eva Thernbert.

(*Names of signatories read*)

The following petition begins with the name of George Tinkin, R.R. 2, Bracebridge, Ontario. That is a beautiful area in the Muskoka Lakes. Next is D. Niekolic, 50 Meadow Heights Drive, Bracebridge, Ontario. Dr. Drynan, Box 2460, Bracebridge, Ontario, is one of the doctors who has been discriminated by the GST with the way that this legislation treats doctors. It is unfair.

I hope that at least the doctors on the other side will vote with us on this amendment in order—

Senator Simard: Do not hold your breath!

Senator Haidasz: —to eliminate the discrimination that is proposed in Bill C-62. I hope that Dr. David is one of them.

Senator David: Is that a forthcoming amendment?

Senator Haidasz: Next is Mike Marin, Box 402, Bracebridge, Ontario.

(*Names of signatories read*)

Next is Pat McMullen, Port Carling, Ontario. I am sure that Senator Kelly knows a lot about Port Carling, the playground of many people from Toronto. Next is Mike Davies from Bracebridge, Ontario.

(*Names of signatories read*)

The next page begins with the signature of M. D. Ward from R.R. 1, Peterborough, Ontario.

(*Names of signatories read*)

I will yield to any other honourable colleague who wishes to continue reading petitions.

Hon. Raymond J. Perrault: Honourable senators, first, I know that I speak on behalf of all honourable senators in thanking Senator Haidasz for the fascinating and interesting information—

Senator Frith: Hear, hear!

Senator Simard: You do not speak for all honourable senators!

Senator Perrault: —that he has brought to us this afternoon.

Senator Simard: Speak for yourself!

Senator Perrault: It is heartening to know how vigorous democracy is in this country, despite the efforts of certain members on the government side.

● (1710)

Honourable senators, I rise today to present a petition that originated from one of our leading schools in the province of British Columbia. It is known as the Sands School, located at 8134-111B Street, Delta, British Columbia. It is good to see young people who are not disenchanted with the political process, but who are becoming involved in it. They have studied the GST bill. They are concerned about how the bill will affect their future, and they have asked me to read their statement and their names to the Senate. This is how it reads:

> We, the students of Sands Jr. Secondary would like to express to the Senate our views and feelings of said GST. We would like to state that through our views Mr. Mulroney has committed an unconstitutional act. We feel that by placing the GST on the back of the working class it not only limits us, it prevents us from attaining a financially stable adulthood.

POINT OF ORDER

Hon. William M. Kelly: Honourable senators, may I please raise a point of order.

Hon. Raymond J. Perrault: This is an explanation about the reason for the petition.

Hon. Royce Frith (Deputy Leader of the Opposition): This is some sort of routine. This is what is called your procedural "shtick". There is something more to this, because every time he gets up, he makes a comment; he sits down, and then does it again.

Senator Simard: You would know about routine, Senator Frith.

Senator Kelly: May I give a brief explanation of the reason I am doing this. When I first came to this chamber, I admired Senator Frith—as I still do—because he would always stand up and eloquently interpret the rules. I thought that if some day I could do that in that fashion, I would be forever proud. I know that I am nowhere near that, but this is part of my practice.

Senator Frith: You do this every time. There is something more to this. This is a plot.

Senator Kelly: I would draw the attention of honourable senators to page 57 of our red book.

Senator Perrault: I have it memorized and so do you.

Senator Kelly: It has to do with Presentation of Petitions. It begins:

> A Senator presenting a public petition makes a brief statement . . .

But it clearly says:

> . . . the petition itself is not read.

You make a brief summary of what the petition says, but you do not read it.

PRESENTATION OF PETITIONS ON BILL C-62

Hon. Raymond J. Perrault: Precisely. Am I to tell these students at the Sands School in Delta, British Columbia that when I attempted to bring their views to the attention of the Senate, I was muzzled by the Conservative majority? Do you want that message to go out to the schools? Do you want the students to be told that their views could not be brought to the Senate because of your attitude? Surely, senator, you cannot possibly support that. It is a short explanation:

> We think he is abusing his powers as Prime Minister, when he can legally write off a $31 million debt from Zimbabwe and yet claim we don't have enough money to keep the country functioning. "Charity begins at home". To force the passing of the GST he has added new members to the Senate, just like a crooked dealer would stack a deck. This makes it seem like it is no longer a democracy but a dictatorship. Our ancestors did not fight against dictators in "Two World Wars" only to be betrayed and to have their children's future sabotaged by their own Prime Minister.
>
> Yours truly,
>
> The Students of Sands

Every one of them have signed this petition. I will read their names.

(*Names of signatories read*)

There are a number of Kerrs on the petition. The family seems to be united in their opposition to the GST.

Senator Haidasz: It is a good family.

Senator Perrault: It is a good, upstanding British Columbia family.

(*Names of signatories read*)

It sounds like there are some people of Greek descent out their too.

(*Names of signatories read*)

There are people who appear to be of Vietnamese descent on this petition too.

(*Names of signatories read*)

I would like to table this, please. Each of their names is on this piece of paper, and I would like to thank them on behalf of all senators. They said there was not enough room on this petition, so they asked if it would be permissible to attach an auxiliary list; and I said "Of course."

(*Names of signatories read*)

There are many people of Chinese descent in our province who are making a great contribution to our community.

(*Names of signatories read*)

• (1720)

Those are the names from the school. Senator Turner has received petitions from his area, and I shall now yield to him. Thank you, honourable senators.

Hon. Consiglio Di Nino: Will the honourable senator permit a question?

Senator Perrault: Yes.

Senator Di Nino: Do you agree with the opinion expressed in the letter that you read a moment ago regarding the generous offer of our government towards the country of Zimbabwe?

Senator Perrault: Our foreign aid program is a good one. Generally, it is beyond serious criticism. I do believe that, like all of our spending commitments at the present time, we should review each one of them to ensure that the Canadian interest is being protected in the process.

There was an article in the *Ottawa Citizen* a few weeks ago which said that we are giving $125 million a year to a country overseas where the dictator has imprisoned or murdered all of the opposition and has five villas in Europe. The *Ottawa Citizen* quite properly asked the question: Is this type of foreign aid being misdirected? Like any other program, we should review our spending patterns to ensure that the essential Canadian interest is being protected.

Senator Di Nino: Thank you, honourable senator. The specific question I referred to is the forgiveness of the $31 million debt of Zimbabwe. Is that particular act by our government one that you approve of, or do you agree with the opinion expressed in the letter that it may be inappropriate?

Senator Perrault: I have not received the facts of the loan, nor what motivated it. The Department of External Affairs has not provided me with an explanation, unless the honourable senator has a copy of it. The students apparently have studied this and this is their view. Do honourable senators want me to change their view and to editorialize?

I am bringing this to the attention of the Senate as an expression of the students of one of the schools in British Columbia. They do not necessarily represent my views. I am in favour of foreign aid programs tied to the Canadian interest.

Senator Di Nino: I am grateful to the honourable senator for bringing forth the views of citizens across this country. However, he has not answered my question. Does he agree with the position taken by that group of young men and women and what I read to be a criticism of our government with an act that I feel is very generous and appropriate?

Senator Perrault: There may be perfectly legitimate grounds to forgive that debt. I have absolutely no documentation on the subject. If the honourable senator would provide me with the background of the loan, I would be glad to make a statement in the Senate at the appropriate time.

Throughout my time in Ottawa I have been supportive of Canada's foreign aid effort. Indeed, if anything, we have spent too small a percentage on certain programs.

Hon. Charles Turner: Honourable senators, I have the honour to present petitions from the people of London, Ontario and the County of Middlesex. This area is part of the Golden Horseshoe of southern Ontario. These residents are the heart and soul of the fruit-growing, farming and industrial areas of southwestern Ontario.

These residents request that the Senate reject Bill C-62 because it will tax magazines, books and newspapers, which has not been done since Confederation.

(*Names of signatories read*)

• (1730)

Honourable senators, I have another petition with 25 names on it from southwestern Ontario.

(*Names of signatories read*)

Honourable senators, I have another petition with 25 names on it.

(*Names of signatories read*)

Honourable senators, I have yet another petition here with 25 names on it. These people are upset over the GST.

Surely, honourable senators, these names mean something. They do to me. Why don't they mean something to senators opposite?

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE ACT
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMEND—THIRD READING—MOTION IN AMENDMENT NEGATIVED

The Hon. the Speaker: Honourable senators, it is 5:45 p.m. Pursuant to Provisional Rule P-3.(a), the Senate will proceed to the deferred division on Senator Frith's motion in amendment to Bill C-62.

Honourable senators, it was moved by the Honourable Senator Kelly, seconded by the Honourable Senator Beaudoin, that Bill C-62 be now read the third time.

In amendment, it was moved by the Honourable Senator Olson, for Senator Frith, seconded by the Honourable Senator Molgat:

That Bill C-62 be not now read a third time but that the Schedule of the Bill be amended to include within Exempt Supplies certain medical, educational and governmental services, and to include, within Zero-rated Supplies, passenger transportation services and funeral services.

(a) in respect of Exempt Supplies in Schedule V,

(i) on page 316, by striking out the word "and" at the end of paragraph 7(i) and by adding immediately after paragraph 7(j) the following:

"(k) dietetic services;

(l) services of registered massage therapists;

(m) social workers' services;

(n) services rendered by practitioners of Christian Science, and

(o) services rendered by naturopathic physicians.";

(ii) on page 317, by striking out subparagraph 12(b)(ii) and substituting the following:

"(ii) consists of

(A) 300 members or more in Canada of which 2/3 are medical practitioners, or

(B) less than 300 members in Canada all of whom specialize in providing psychoanalytic services to children";

(iii) on page 318,

(A) by striking out the first line of section 7 and substituting the following:

"**7.** A supply made by a school authority, public or private college or";

(B) by striking out in section 7 the words "for which credit may be obtained toward a diploma or degree";

[Senator Turner.]

(C) by striking out the second line of section 8 and substituting the following:

"public or private college or university of a service of instructing";

(iv) on page 319,

(A) by striking out the first line of section 13 and substituting the following:

"**13.** A supply of a meal at a university or public or private college to a";

(B) by striking out the third line of section 14 and substituting the following:

"ty, or public or private college under a contract to provide food or";

(C) by striking out the first line of section 16 and substituting the following:

"**16.** A supply made by a public or private college or university of a";

(v) on page 324, by striking out the words "providing primarily to children 14 years of age or under" in section 12 and substituting the following:

"provided primarily to individuals 18 years of age or under";

(vi) on page 325,

(A) by striking out the first line of section 15 and substituting the following:

"**15.** A supply made by or on behalf of a public sector body of food or",

and

(B) by striking out the third line of section 16 and substituting the following:

"supply is made by or on behalf of";

(vii) on page 326, by striking out the first three lines of section 20 and substituting the following:

"**20.** The following supplies made by or on behalf of a government or municipality or by or on behalf of a board, commission or other body established by a government or municipality:";

and

(b) in respect of Zero-rated Supplies in Schedule VI,

(i) on page 341, by adding to Part VII of Schedule VI the following new section:

"**13.** A supply of a passenger transportation service by train, bus or taxicab";

and

(ii) on page 342, by adding to Schedule VI, and numbering accordingly, a new heading and Part as follows:

"FUNERAL SERVICES"

1. A supply of funeral services."

Please call in the senators.

● (1740)

Let the doors to the chamber be locked.

Motion in amendment negatived on the following division:

YEAS

THE HONOURABLE SENATORS

Adams	Lefebvre
Bonnell	Lewis
Bosa	Lucier
Buckwold	MacEachen
Cools	Marchand
Corbin	Marsden
Davey	Molgat
De Bané	Neiman
Denis	Olson
Fairbairn	Perrault
Frith	Petten
Gigantès	Riel
Grafstein	Rizzuto
Graham	Stanbury
Haidasz	Steuart
Hastings	*(Prince Albert-Duck Lake)*
Hays	Stewart
Hébert	*(Antigonish-Guysborough)*
Kenny	Stollery
Kirby	Thériault
Kolber	Turner
Lawson	Waters
Leblanc *(Saurel)*	Watt
LeBlanc *(Beauséjour)*	Wood—46

NAYS

THE HONOURABLE SENATORS

Atkins	Buchanan
Balfour	Castonguay
Barootes	Chaput-Rolland
Beaudoin	Charbonneau
Beaulieu	Cochrane
Bélisle	Cogger
Berntson	Comeau
Bolduc	David
DeWare	Macquarrie
Di Nino	Marshall
Doody	Muir
Doyle	Murray
Eyton	Nurgitz
Forrestall	Oliver
Grimard	Ottenheimer
Hatfield	Phillips
Johnson	Poitras
Kelleher	Robertson
Kelly	Roblin
Keon	Ross
Kinsella	Rossiter
Lavoie-Roux	Simard
Lynch-Staunton	Spivak
Macdonald *(Cape Breton)*	Sylvain
MacDonald *(Halifax)*	Teed
	Tremblay
	Twinn-52

NAYS

THE HONOURABLE SENATORS

Nil

ABSTENTIONS

THE HONOURABLE SENATORS

Nil

The Hon. the Speaker: I declare the motion in amendment negatived.

Hon. Royce Frith (Deputy Leader of the Opposition): For the box score today, honourable senators, 52 minus 8 would be 44, and the motion would then have carried.

Honourable senators, before we adjourn, I would like to offer congratulations to one of our colleagues whose voice of brass and leather lungs stay undiminished after 72 years on the planet. I refer to Senator Barootes.

BUSINESS OF THE SENATE

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, may I say a few words on the proceedings for the rest of the week. There are eight amendments which under our provisional orders are the prerogative of the Deputy Leader of the Opposition to move. We have had moved, and have voted on, six of them. We are told that amendment number 7 will not be moved until Monday.

● (1750)

Since the provisional rules allow for a recess on Thursday night, and since Friday would be a completely non-productive day, we have, in discussion, agreed that it would be best if we

suspended the sitting today and returned at 2 o'clock on Monday, November 19.

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

Hon. Senators: Agreed.

The Hon. the Speaker: I declare the Senate suspended until 2 o'clock in the afternoon on Monday next, November 19.

The sitting of the Senate was suspended until Monday, November 19, at 2 p.m.

THE SENATE

Monday, November 15, 1990

[*Editor's Note: Continuation of Proceedings from Issue No. 111A.*]

The sitting of the Senate was resumed at 2 p.m., Monday, November 19, 1990, the Speaker in the Chair.

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE ACT
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMEND—DEBATE ON THIRD READING CONTINUED—MOTION IN AMENDMENT

On the Order:

Resuming the debate on the motion of the Honourable Senator Kelly, seconded by the Honourable Senator Beaudoin, for the third reading of the Bill C-62, an Act to amend the Excise Tax Act, the Criminal Code, the Customs Act, the Customs Tariff, the Excise Act, the Income Tax Act, the Statistics Act and the Tax Court of Canada Act.

Hon. Charlie Watt: Honourable senators, I have the pleasure, on behalf of Senator MacEachen, seconded by Senator Adams, to move:

That Bill C-62 be not now read a third time but that the Schedule of the Bill be amended, on page 342, to make special provision for the Yukon, Northwest Territories, Northern Quebec and Labrador by adding to Schedule VI, and numbering accordingly, a new heading and Part as follows:

"YUKON, NORTHWEST TERRITORIES, NORTHERN QUEBEC AND LABRADOR

1. In this Part,

"Labrador" means that part of Labrador within the Province of Newfoundland;

"Northern Quebec" means the part of Quebec that is north of the 55th parallel of north latitude.

2. A supply of any goods, service or property made in the Yukon, Northwest Territories, Northern Quebec or Labrador.

3. A supply of any goods, service or property made to a resident of the Yukon, Northwest Territories, Northern Quebec or Labrador for use or consumption primarily in the Yukon, Northwest Territories, Northern Quebec or Labrador.

4. A supply of service of transportation that commences or terminates in the Yukon, Northwest Territories, Northern Quebec or Labrador."

The Hon. the Speaker: It is moved by the Honourable Senator Watt, for the Honourable Senator MacEachen P.C., seconded by the Honourable Senator Adams, that Bill C-62 be not now read the third time—

An Hon. Senator: Dispense.

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

Some Hon. Senators: Explain!

Senator Watt: Honourable senators, before I speak on the motion, I should like first to show my appreciation to, as well as introduce, a large delegation here in our galleries of people from the Great North, from the Northwest Territories, northern Quebec and Labrador. We all know how expensive it is to travel from the north down to central Canada.

Excuse me, once more, honourable senators, for I wish to speak a few words in Inuktitut for the benefit of the people who are gathered here today.

Hon. Senators: Hear, hear!

[*Editor's Note: The Honourable Senator Watt spoke in Inuktitut*]

I would like to translate that, honourable senators. I appreciate the appearance here today of people from the different parts of the north, including the Northwest Territories, Labrador and northern Quebec. I appreciate the fact that they have come to Ottawa. As I said before, we all know that it costs a great deal of money to come down to central Canada from the north. Nevertheless, these people feel that their livelihood will be tremendously affected by the proposed legislation, Bill C-62.

Why are they here? They are here because they want the government, which is responsible for the promotion of this legislation, to understand that it will not advance either the people of the north, whether Aboriginal or otherwise, or the north itself.

[*Editor's Note: The Honourable Senator Watt spoke in Inuktitut*]

Honourable senators, every now and again during my presentation I will say a few words in Inuktitut. I wish the Senate to know that northerners are fed up with the high cost of living. They have had it with the lack of economic opportunity

in their regions. They are tired of an unemployment rate that is often five, six and even seven times higher than the national average. Most of all, they do not want to hear about a tax scheme that will force them to pay more than a resident of southern Canada has to pay for the same goods and services.

If honourable senators do not believe me, they should glance up at our visitors' galleries to see those Inuit and other northerners who have travelled thousands of miles just to be here today.

Hon. Senators: Hear, hear!

Senator Watt: Earlier, honourable senators could have seen the first protest in the Parliament Buildings ever to be organized by Inuit. Honourable senators have probably never seen such a large number of Inuit in Ottawa. They have come to express their point of view on how this legislation will affect them. For the rest of the day and tomorrow parliamentarians from all parts of Canada will hear a good deal about our concerns.

● (1410)

What does all this mean? It means that northerners are no longer willing to accept situations that deny them the hope of economic prosperity for their homeland. Northerners are Canadians in the fullest sense of the word, and Canadians from every region of the country have the right to look forward to real economic growth, reasonable employment prospects, and the opportunity to build viable and productive businesses. However, there appear to be unwritten rules that say that things are somewhat different for the people of the north. We are often left with the impression that northerners do not have the right to hope for the same kind of economic prosperity as other Canadians. Instead, there is an attitude which suggests that shockingly high unemployment and lack of business opportunities are both normal and acceptable for the north. By the presence of their representatives in Ottawa today, northerners are putting Canada on notice that such an attitude towards the north will no longer be tolerated.

By our very nature, northerners are tough and adaptable people. However, an economic and tax structure which continually suppresses prospects for a productive future is beginning to take its toll on our resourcefulness. It is for this reason that the proposed goods and services tax is striking a raw nerve for many residents in Canada's northern region.

As I indicated on previous occasions, there can be no doubt that the GST will place an unfair burden on the north. This was made clear by the findings of the Thirteenth Report of the Standing Senate Committee on Banking, Trade and Commerce, which reported the following:

> . . . residents of remote regions will pay more consumption tax than residents of central Canada for the same goods and services.

The report goes on to explain how the GST system will provide greater benefits to families living in the south than to those living in the north. It says as an example, that an income of $24,000 in Iqaluit does not provide the same standard of living as a similar income in Ottawa. The report concluded:

> . . . a family in central Canada with this income is entitled to full GST credits, but a family in the north with the same standard of living would not receive full benefits because its nominal income has to be higher to offset the higher cost of living.

This is truly incredible. It means that the southern family who enjoys the advantage of a lower cost of living will pay less tax than the northern family and will receive greater benefit under the GST.

Unfortunately the opposite is also true. Inuit and other northern families, who must endure an extremely high cost of living will have to pay more in taxes and will receive fewer benefits under the GST compared with southern Canadians.

It is easy to demonstrate how the GST will be unfair for the people of the north. A consumer requiring a service that costs $100 in a southern centre will pay the GST of $7. I would like Senator Murray to listen to this very carefully. In the north, the lack of competition and high markups, along with the high cost of transportation, equipment and labour, means that the same service may cost as much as $200. In other words, a northern consumer will pay GST of $14 on a service that will generate a GST of $7 in Southern Canada. Where is the justice? Where is the fairness? Under this example, the GST will push up the cost of living by $7 in the south and $14 in the north. What can be said about such a situation? Ideally we would expect measures to help reduce the high cost of living in the north. At the very least we would expect a tax that would not force northerners to pay more tax than southerners. Instead, the GST will actually make northerners pay more tax than the rest of Canada for the same goods and services.

What are we to think about such a situation? Does it mean that the northern economy is being written off as hopeless? Does it mean that the high cost of living in the north will be forever spiralling upward out of control? Does it mean that we have no hope for economic prosperity, reasonable employment prospects, or the chance to build productive businesses in our homeland?

These are important questions about our future. Without hope, people have no motive to help themselves, to improve their economic situation, to create their own job opportunities, and to establish viable northern businesses.

This is what angers us about the GST. The fact is that it prevents us from having any hope for our future. Inuit and other northerners are working hard to make some headway in developing our economy and reducing unemployment. However, measures like the GST give us the impression that we are fighting a hopeless battle. It seems that northern economic development often means being forced to take two steps backwards for every step forward.

Examples of our desire to help ourselves can be found in the actions and plans of many northern institutions. I am, of course, most familiar with the efforts of the Inuit-owned Makivik Corporation of Nunavik in Northern Quebec. In recent years Makivik has pursued a number of objectives for the development of the Nunavik economy. They were

described in Makivik's 1988 statement to its membership, which reads in part:

> Nunavik's tourism potential has been emphasized in a number of economic development strategies. A well-developed tourism industry can benefit large businesses, such as hotels and the regional airline. A tourism industry may also benefit the individual entrepreneur who sells handicrafts, offers guided tours, operates a restaurant or local taxi service.

● (1420)

It goes on to state:

> Nunavik's economic development will require our region to produce and export its own products. In this regard, commercialization of our wildlife resources may offer significant prospects for success. I made repeated attempts over the past year to open discussions with Quebec on how we may begin to commercialize certain animal species.

These statements reflect a degree of optimism. They reflect the fact that the Inuit of Nunavik are ready to help themselves to take action to build their economy and their future.

Regrettably, this optimism did not carry through to Makivik's 1989 report to its membership. In fact, the tone of the message had changed considerably. It stated:

> Economic development remains an important priority. Unfortunately, it seems that government decisions will be responsible for taking money out of our northern economy as fast as we can earn it. I am referring to the proposed goods and services tax and the government's recent decision to cut subsidies to Canada Post which offset the high cost of transporting essential goods to the north.

It is obvious that the mere prospect of the GST is already robbing the north of the optimism required to get on with the job of developing our economies.

It is indeed ironic that a few short years ago Makivik was attempting to pursue the exact opposite of what is being proposed with the GST. At that time Makivik opened discussions with Quebec on the need to stimulate the economy of the province's northern region through selected tax breaks. Makivik's 1988 Annual Report stated:

> We are suggesting that a variety of personal and business taxes should be reduced or eliminated for a ten to twenty year period. The Quebec government must recognize that Nunavik's economy must first be allowed to grow before it can be expected to contribute any significant tax revenue.

It is easy to see why Makivik and other northern institutions are discouraged with the GST. Rather than receiving the tax breaks needed to develop our economies, we are faced with a situation where northerners will pay more tax than southerners for the same goods and services.

Honourable senators, I wish now to give a brief description of the proposed amendment to the bill that is presently before us. In its most general terms, the amendment would zero-rate goods and services relating to Canada's northern regions. In other words, no GST would be charged on those goods and services. The amendment would apply to all of Canada's northern regions, including Labrador and northern Quebec as well as the Northwest Territories and the Yukon.

The specific effect of the amendment would be that no GST would be paid on goods and services produced in Canada's northern regions or on goods and services to be used in Canada's northern regions. Moreover, there would be no GST on transportation services to and from Canada's northern regions.

It is important to provide an insight into why these goods and services are to be zero-rated rather than tax-exempt. As I have stated before, one of the main reasons the GST will have such a devastating impact on the north is because it will severely hinder our efforts to develop our economy. By zero-rating goods and services for the north, we are ensuring that businesses will be entitled to a refund of the GST they may have paid for goods and services destined for the north. That refund would clearly stimulate economic growth and would ensure that the GST is not hidden in the price of northern services and goods.

By comparison, tax-exempt status would simply mean that companies doing business relating to northern goods and services would not be able to pass the GST on to the final consumer. But those businesses would still have to pay GST on goods and services they are using. If those busininesses are not entitled to a refund and cannot pass the GST on to the final consumer, they will recover the GST they have paid by raising the price of the goods and services supplied to the consumer.

The bottom line is that tax-exempt status for the north would simply mean that GST costs would be hidden in the goods and services being purchased. Zero-rating means that the north would truly benefit from not having to pay GST.

Honourable senators, I come back to the same point over and over again. The high cost of living in the north is very real, and the GST will only make a bad situation worse.

A Canadian Press report, which appeared in the *Ottawa Citizen* on March 31 of this year, may help to give an understanding of the high cost of living in the north. The story was filed from Clyde River, a small Inuit settlement in the Northwest Territories. The article states:

> Amid the usual Friday night chatter at the Hudson's Bay store, there's a commotion at the refrigerator case.
>
> Two women are comparing cartons of eggs. The price on one is $4.90; on a fresher dozen it's $4.99.
>
> In January a carton of eggs cost $3.85. (The comparable price in Montreal is $1.68, in Edmonton $1.58.)
>
> "I just close my eyes when I go in there." says one resident of this tiny Baffin Island outpost, 425 kilometres north of the Arctic Circle. "I can't stand to look at the prices."

The Canadian Press report goes on to describe the situation of another resident of Clyde River. I again quote from the article which states:

> "Killiktee is only five feet tall, and she speaks quietly. But her soft, dark features harden as she talks about the cost of living in Clyde River and points to the entries in her chequebook.
>
> As a classroom assistant she takes home a relatively hefty salary of $1,500 a month. But nearly half of that goes to groceries for her family of four. The rest has to cover rent of $398, electricity, babysitting and clothing for the children.
>
> Killiktee's husband hunts for "country food" such as seal and caribou, which many Inuit prefer over imported beef or pork. But country food is no steal either. Gasoline for the snowmobile costs 62 cents a litre; a can of motor oil is $5.98. Then there's ammunition and other supplies for each trip.

● (1430)

> Among the Inuit, there's another expense: lending a hand to needy relatives. Killiktee recently paid a $38 power bill for her grandparents. Some of her neighbours pick up groceries regularly for their parents and in-laws. It's estimated that most government workers in the region share their paycheques with an average of 15 people.
>
> All Killiktee knows is that it's getting tougher and tougher to cover all the necessities.
>
> She hoists a two-kilogram bag of flour into her shopping cart after noting the price, $11.17.
>
> 'That's up $3 in the last year. We make bannock out of it, so it's a necessity for Inuit people,' she says, referring to the traditional biscuit-like bread of the North.
>
> The same bag of flour would cost $1.98 in Montreal or $2.99 in Edmonton.

This press report demonstrates that it is easy to document and examine the fact that prices are much higher in the north.

Senator Frith: What was the northern price again?

Senator Watt: The same bag of flour that costs $1.98 in Montreal or $2.99 in Edmonton costs $11.17 in the north.

Senator Cools: That's not possible!

Senator Fairbairn: It is even worse in Pelly Bay where the price is $12.06.

Senator Watt: That is just one example. There are a great many more items that cost five, six, or ten times the southern price. That is the reality. This is the message we are trying to get across to senators on the other side so that they will understand what we are faced with on a daily basis in the north.

Just to give you an illustration, in order to offset the high cost of living, often a single income will have to be shared by a number of people, at times not only by one household but by two or three households, due to the lack of economic opportunities. At the same time, those people have to spend a great deal of money in order to equip themselves to transport their food. I am talking about buying Skidoos. At one time we had dog teams. Dog teams were quite costly, too, but the dog teams were wiped out by the R.C.M.P. on the instruction of the Government of Canada because they were felt to be dangerous when they were loose. The dogs do not have the same capability to become a workhorse for the people. They have to be let loose in order to be in reasonable condition to do the work required of them. Dogs have now been replaced by Skidoos. In the north, one Skidoo can cost as much as $10,000. Canoes are also expensive. Only a few years ago, freighter canoes cost between $2,000 and $3,000. Today they cost between $4,000 and $6,000. Also, depending on the horsepower that is needed, because of the load you have to carry and the distance you have to go, you may have to spend another $6,000 or $7,000 for a motor to drive the canoe.

We are appealing to senators on the other side, and we give a clear message. What you are doing to us is very unfair, and you are not doing Canada a favour. When you do not do a favour to the north, you also do not do a favour to Canada. That is very wrong, and I hope it is the result of a misconception or misunderstanding. I believe this legislation was not thoroughly examined. Honourable senators opposite should feel guilty to let this bill go through without an amendment. Why is that, honourable senators? It is because you are, in a sense, turning a blind eye to Canada, which you are supposed to represent. People who live in the north need fair treatment. We are not asking for anything extraordinary; we are asking you to look deep within yourselves to see what you are doing to the people of the north.

Some Hon. Senators: Hear, hear!

Senator Watt: Honourable senators, let me go on. This press report demonstrates that it is easy to document and examine the fact that prices are much higher in the north. How much higher? A recent research paper published by the Canadian Arctic Resources Committee indicated that, in relation to southern Canada, prices are 98 per cent higher in the Grise Fiord, 86 per cent higher in Sachs Harbour and 63 per cent higher Iqaluit. When we see those differences and we look at the geography of Canada, we wonder if this bill has been carefully examined. What are we doing to ourselves as a people? What are we doing to the country? Were these problems just examined from the perspective of central Canada by the politicians and law-makers, who now say that everything is the same and that this legislation is to be applied equally across the country?

Honourable senators, whether it is this government or the next, I think it is time that we took a good look at the geography of this country and at what we are doing to it. The people of the north have been watching from a distance and they know there is a great deal of mismanagement when it comes to making attempts to generate revenues for the north. That is not so difficult to understand. You do not have to be a genius to understand that what you are doing to the north does not make business sense because you are trying to take money from people who do not have anything to give. There are

approximately 75,000 people living across the north, and, by putting them in a position where they do not have any more money in their pockets, you will not be doing a favour for Canada. As a matter of fact, if you leave them alone and give them a tax exemption, I am sure you would be doing both yourselves and the country a favour. In other words, you would be doing Canada a favour. That is the message we are giving you, and that is one of the reasons why the people from the north have said, "Enough is enough." They want to do what they can to show Canadians in general what is wrong, and especially the Senate, because this legislation is in the hands of the Senate. You should vote your own conscience, honourable senators—and particularly Senator Murray, because he is the government leader and also a minister of the government. This is a message for him. It is unfortunate that the Prime Minister is not in the country today while the northern people are making this presentation to Canada.

• (1440)

Hon. John B. Stewart: Honourable senator, will you permit a question.

Senator Watt: Yes.

Senator Stewart: You have made a special appeal to the Leader of the Government in the Senate. I wonder if that is realistic, given the fact that he is a member of the cabinet which dreamed up this bill. Would it not be more realistic to make your appeal to the six independent senators whose votes could well be decisive on your amendment. Is it not on those independent senators you ought to rely for the success of the amendment you have put forward this afternoon?

Senator Watt: Honourable senator, I appreciate your question. I believe that it would be expedient for me to appeal to the independent senators. Unfortunately, at this point the independent senators do not have the opportunity to hear the points I am making. The Leader of the Government in the Senate—

Senator Barootes: Are any of the independent senators here at the present time?

Senator Hastings: He said it was unfortunate they were not here.

Senator Watt: Honourable senators, I think it is important to appeal to the Leader of the Government in the Senate because I know Senator Murray is a man of principle who will vote according to his principles. If he believes that the messages that are being related to him make sense, and he understands them correctly, as I am sure he does, he can encourage his fellow members to vote for this amendment.

Some Hon. Senators: Hear, hear.

Senator Watt: I will keep on trying, senator, even if I have to stand here all day and all night; but I do not wish to keep senators here around the clock. That is not what I am here for.

At times I do not understand the way we conduct our business. As Inuits from the north, we have a way of approaching our people and it does not matter who that person is, if we are appealing to him we will appeal in a sensitive way and not alienate that person. I am making that attempt here. I will not make an attempt to alienate senators opposite, because that is not what I am here for.

At times people wonder what I am. Am I a Liberal or Conservative? I am certainly not NDP. At times I have been pointed out as having much of the concservative in me. That is true. Normally I am more Conservative than a Conservative. Why then am I a Liberal? It is because I do not have a rigid view. In mordern society we have to be flexible in order to accommodate the changes that are taking place in the country. That is more important than anything else.

Some Hon. Senators: Hear, hear.

Senator Watt: As I have travelled across the country, I have also heard a number of times the view expressed that liberalism is finished. I have also heard that conservatism is finished. I have often heard it said that a new forum is required in this country. But that is not the reality today. Let us wait for a few years, because we all know that the country is changing, hopefully for the better. However, if we keep getting the type of legislation that is before us today in the goods and services tax, I am afraid that before our children, and their children, have an opportunity to enjoy this country, the country as we know it may no longer exist.

Perhaps, because we have had it so good in this country, we are doing everything we can to destroy it. Many countries in the western world are modernizing and developing their economies and political structures in order to provide a better tomorrow. In Canada, whether it is the French, the English, the Aboriginal peoples, or other races, it seems that we are all doing whatever we can to destroy the country. Let us not do that.

Some Hon. Senators: Hear, hear.

Senator Watt: Honourable senators, I would like to return to the central question in relation to the goods and services tax. The price of food also reveals something about the high cost of living in the north. The 1991 NWT data book informs us that food prices in the Baffin and Kitikmeot regions are more than twice as high as in Edmonton. In Leewatin they are approximately 1.9 times higher than in Edmonton. Figures for northern Quebec show that fresh products cost 64 per cent more than in southern areas, while heating oil is 78 per cent more. It makes one wonder how the people are able to be still alive; but I can understand that, and I can relate to it. We have lived through many more hardships in the past. There is no such thing as luxury. Yet, in the south, when one talks of skidoos, canoes and boats, one talks of things that are a luxury. Those items are tools to us in the north; they are not a luxury, they are survival. In the north, we do not have the time to enjoy ourselves as do people in the south. We only have time to keep ourselves alive.

Let us not forget that air transportation is often the only means of travelling and of shipping freight to and from the north. As a result, transportation costs are unbelievably high,

especially when compared to the south where people have the choice of using roads, water, or rail transportation.

I will give honourable senators some examples of the high cost of travelling in the north. The figures I am using are based on a survey of airline prices on November 13, 1990. It costs $50 to travel 100 kilometres by air between Kuujjuaq and Salluit. If you are not familiar with those names, then I suggest you look at a map to know what I am talking about. I do not have a map with me so I cannot point to it.

● (1450)

It costs $36.36 to travel 100 kilometres by air between Kuujjuaq and Montreal. It costs $25 to travel 100 kilometres by air between Yellowknife and Edmonton. By comparison, in the south it costs only $16 to travel 100 kilometres by air between Toronto and Edmonton or between Montreal and Vancouver. Between Yellowknife and Edmonton it costs $25.

Those figures clearly demonstrate the high cost of living that we must endure in northern Canada.

And now I will draw your attention to some findings of a recent Makivik study on the potential impact of the GST on northern Quebec. It concludes that the GST is particularly unfair to Inuit families and businesses. The study bases its conclusion on the fact that Inuit families spend 93 per cent of their income on goods and services because of the high cost of living. Inuit have very little left over for savings, meaning that almost all of the money that comes in then goes out on expenses and is thus subject to the GST. Inuit must spend a large proportion of their income to make ends meet despite the fact that housing rents are subsidized. In other words, tax exempt status for rent provides little benefit to Inuit.

The study also highlights the fact that the GST is designed to foster capital investment. However, capital investment does little to benefit northern Quebec's economy. The study indicates that 83 cents of every dollar invested in northern Quebec is actually spent in the south. It is amazing.

Finally, the study concludes that the GST will do very little to foster economic development in northern Quebec. The GST means that services will be taxed for the first time, yet the service industry accounts for 80 per cent of northern Quebec's domestic product. From this point of view it is clear that the GST will only discourage economic development in many northern regions. This leads to a rather interesting question about the effectiveness of government programs and grants to support economic development in the north.

Over a year ago the government announced a $600 million program as part of the Canadian aboriginal economic development strategy. A small portion of that money was supposed to be used to foster economic growth in the north. Based on what we now know, it appears the GST will counteract any positive effects flowing from those development funds. It seems that what the government gives with one hand, it takes away with the other. That is not unusual for us because we have lived through that from the time we began having relations with southern Canada. It is not new to us, but nevertheless the message still has to get to you and you have to understand it.

[Senator Watt.]

Let us be fair, let us be just, in order for people to live in harmony in this country.

I would also like to relate a fact I learned while sponsoring hunting and fishing trips and enterprises of that nature in the north. I was most surprised to learn this summer that a good number of Canadians do not know that Inuit are taxpayers, just like everyone who sits in this room. Apparently, they all think that the Inuit do not pay tax, but that we only absorb from the system. That is not the case. Unlike the Indians, Inuit are full-fledged taxpayers just like everyone else in Canada. They are proud to be Canadian and that is one reason why they are proud to be taxpayers; but it has to be fair.

Some Hon. Senators: Hear, hear!

Senator Watt: Ultimately the GST may mean that the government will have to spend a great deal more in development funds just to stay ahead of the damage the GST will be causing to the northern economy. None of this strikes me as a very efficient way of promoting economic development in our homeland. Regardless of how you examine the issue, there can be no escaping the fact that the GST will drain what little investment money exists to foster economic growth in the north. As I said before, this will rob northerners of their hope of becoming self-reliant. It is for this reason that I call on all senators to support the amendment now before us. I hope you will decide this matter with both your hearts and your minds.

Some Hon. Senators: Hear, hear!

Senator Watt: Honourable senators, I want to elaborate further on my attempt to reach out to the people on the other side. I guess all of us at times admire and support our leaders, and protect our leaders. Also at times in our lives we have to come to realize that we have the right to make decisions for ourselves despite our leaders—especially if to do so is a benefit to your leader and for the survival of your leader. I think you, honourable senators, are at that stage today, especially regarding this northern issue, because I am going to keep coming back to haunt you, time and time again. I will do what I can to utilize the media to my full ability to get this message across: for once in our lifetime let us deal with the north in such a way as to move it towards a position of balance as between the north and the south.

At times I have heard of a north-south dialogue. I have never made sense out of that. What do people mean by "north-south dialogue"? You really have a problem there. There has been no north-south dialogue in Canada, because the people in the south do not understand what the north is all about and what it needs, or what the north can do for them and what the north can do for the country in return.

We need a formalized forum. This is one of the reasons why I have worked so hard, along with colleagues like John Amagoalik and some other leaders from the north, to make our point that we have to be participants, not just observers, at the first ministers' conferences. At times we have succeeded in making our point. Senator Hatfield was one of the instruments of such success and I have always been grateful for the fact that he recognized, when he was a premier, that what the

aboriginal people were bringing to the table was an important issue needing to be dealt with. Perhaps if we had dealt only with Inuit issues at that time we could have made some progress. However, when we are dealing with different people from different cultural backgrounds it is not always easy to find common ground in terms of trying to move ahead in this great country.

• (1500)

I am leaving it with you, honourable senators. When the time comes to vote for this amendment tomorrow, stay away from the fact that you have been told what to do. Vote with your consciences and your understanding. I say that because I know what I am talking about. I mean it when I say that this bill is not good for the country. By voting in favour of it, you are not doing your country any favours. In fact, you are helping it take a step backward.

[*Editor's Note: The Honourable Senator Watt spoke in Inuktitut*]

Honourable senators, I was just saying to our visitors that the matter is now in your control. You must decide. I hope when it comes time to vote that you will vote not just to pass the bill but to pass it at least taking care of an injustice which is being dealt to this country.

Hon. Senators: Hear, hear!

Hon. Willie Adams: Honourable senators, I wish to say a few words on the amendment moved by my colleague, Senator Watt.

[*Editor's Note: The Honourable Senator Adams spoke in Inuktitut*]

Senator Watt and I are the only two in this place who come from the north. We know practically all of those who are in the visitors' galleries today. They are not only Inuit, but are people originally from the south who now live in the north and who protest against the GST.

[*Editor's Note: The Honourable Senator Adams spoke in Inuktitut*]

I have just said that on September 25 we started the study of Bill C-62 in the Senate. I hope that we will stay on it for a long time yet, at least until the amendment of Senator Watt is accepted.

It costs a great deal of money to live up in the territories. I know that in my community the cost of living is twice as high as it is in the south. Earlier, Senator Watt talked about some of the costs that northerners have to bear. In particular, he spoke about the cost of food when it has to be brought up from the south. At one time, we used to buy all of our goods from the Hudson's Bay stores. Now there are other stores besides the Bay; there are co-ops. At one time I checked out of a store with a 75-pound bag of potatoes that came from Winnipeg. There it could be bought for $14; however, by the time it got to Rankin Inlet the cost was up to $55. That shows honourable senators the difference in the costs of transportation as between places in the north and places in the south.

This bill will not only affect the cost of food for the people of the north. Some salaries in the north are higher because certain people receive a cost-of-living allowance to compensate them for living in the north. According to Bill C-62, if you earn more than $30,000 per year, then the government will charge a 7 per cent goods and services tax on everything you buy. A great many people who work in some of the communities are not making less than $40,000 per year, especially federal civil servants and some school teachers. I have been wondering just how many of those people will stay to work in the north next year, after this bill is passed. The cost of everything will increase. The people up there have to feed themselves and buy food just like the people in the south.

As Senator Watt mentioned a few moments ago, some people, but not all, can live off the land. They can sometimes hunt a few caribou for meat, but not many of the teachers would do that. So it will be very difficult for those of us who come from the north to see this bill passed without the amendment of Senator Watt.

I hope honourable senators understand the significance of what Senator Watt was saying to Senator Murray when he expressed the hope that the government today believes and understands how different it is for those of us who live in the north as compared to those who live in the south. As Senator Watt said, we are all Canadians, but some of us who live in the north know no other way.

[*Editor's Note: The Honourable Senator Adams spoke in Inuktitut*]

I say once again that this amendment, along with all the people you see in the gallery,involves an attempt to make sure that we do not pass the GST. I hope that by the time we vote on the amendment Senator Murray will have told his colleagues to vote in favour of it.

• (1510)

That about ends my remarks. I believe that Senator Lucier intends to say a few words on the amendment. Before I sit down, may I introduce to the spectators in the gallery the honourable senator who worked so hard this past summer and who, unfortunately, did not get a chance to go to all our northern communities, the Honourable Senator Buckwold, Chairman of the Banking, Trade and Commerce Committee.

[*Editor's Note: The Honourable Senator Adams spoke in Inuktitut*]

I want to thank my colleagues in this chamber, and I hope that I will see them sometime soon in our northern community.

Some Hon. Senators: Hear, hear.

Hon. Paul Lucier: Honourable senators, I would like to begin my remarks today by thanking all the northerners who have put forth the time, effort and expense to come here to show that they are dead serious in their opposition to the GST. They know how this GST will affect northerners. They do not need to be told by someone like Tom d'Aquino of the Business Council on National Issues and other such people that the reason people do not like the GST is because they do not

understand it. These people are here because they do understand it.

Senator Frith: That is the problem!

Senator Lucier: That is correct: they understand it. These people are here because they know that when they heat their homes beginning January 1, 1991, they will pay a disproportionate amount of GST on their fuel. They will pay more than other Canadians for the same amount of fuel to heat their homes. It is bad enough that they must use a lot more fuel to heat their homes, but with the GST they will pay more tax on a litre of fuel on and a kilowatt of electricity than people in southern Canada. If this legislation was drawn up to accommodate anybody, it has to be the people of southern Canada; it sure as hell was not drawn up to accommodate northerners.

The fact that it costs $.42 for a litre of oil in Toronto and $.57 for the same litre of oil in Coppermine seems to have somehow escaped the drafters of this tax bill. They have forgotten that in drafting tax legislation it is necessary to insert a small amount of fairness. Somehow that went right by the drafters.

I think that the people of Labrador and the territories, as well as we in the Senate, are very fortunate to have Senator Adams and Senator Watt here to represent the north. In the Senate they help us keep our feet on the ground on a fairly regular basis. In caucus and at meetings, if someone goes off half-cocked about this country, usually Senator Adams or Senator Watt brings us back down by pointing out that there are parts of Canada beyond the area encompassing Toronto, Montreal and Ottawa. The people of this government and the draughtsmen of this tax somehow think that once you have drawn a line from Montreal to Toronto to Ottawa you have established the boundaries of Canada. What else is there? Well, there is a great deal more.

It is unfortunate that Senator Murray, along with many of his senators, could not take the time to be in the chamber now.

Senator Austin: Count them; there are only six.

Senator Lucier: Perhaps we should call for a quorum. Their absence is typical of the government's feelings about the north and consistent with what we have been getting from them for some time.

Senator Murray and the government he represents have been talking about ice breakers and submarines. They have said that they will spend $12 billion on nuclear submarines that they will stuff under the ice in the Northwest Territories to establish sovereignty in the north. If Senator Murray were here, I would tell him how to establish sovereignty in the north: he would only need to look up into the gallery to see how to establish sovereignty in the north.

Some Hon. Senators: Hear, hear.

Senator Lucier: As I have said before, we do need ice breakers, and I am not quarelling with whether or not they should be in the north. Certainly they should be there, but to break ice, not to wave the flag. We do not need submarines under the ice, at least for any reason of which I can think and certainly not to show sovereignty. If you want sovereignty in the north, then you must encourage the people in the north to stay there by making it feasible for them to live there. You do not try to treat them as badly as you can.

No one can say that northerners have asked for any more than anyone else. They always ask for fair treatment, which is what they want in all things, and particularly in taxes. This tax is unfair. I know that that statement is not impressive to senators on the other side.

Senator Frith: The few that are here.

Senator Lucier: Yes, the six that are here.

Senator Austin: It is now seven.

• (1520)

Senator Lucier: Yes, we just got an import. They must have talked to the Queen and brought another one in.

Honourable senators, I do not know how it will happen but, sooner or later, this government will find out that, as they did with Meech Lake and as they do every time they try to ignore the north, this tax will not work. We were told that, with the passage of Meech Lake, it would be enshrined into the Constitution that northerners would be second-class citizens. When we brought that to the attention of this government they said, "Well, gee, you might have a point. Maybe that is true. However, why don't we just pass this with a unanimity clause that says we can never change it and once it has passed then we will change it? Right now it is a seamless web but if you pass it we will talk to you about it later. We don't want to talk now."

Senator Frith: "Sign now and we will talk later."

Senator Lucier: Yes, and "The cheque's in the mail."

Senator Buckwold: "We will respect you in the morning."

Senator Lucier: Now we have Bill C-62, a bill that unfairly taxes northerners and will be devastating to the tourism industry in the north. I find it interesting, honourable senators, that you will be able to fly to Hawaii to lie on the beach and you will not have to pay tax on your air bill. However, if you want to go to Nanisivik or to one of the ridings in the Northwest Territories or in the Yukon, then you will have to pay tax on your air fare.

Honourable senators, how can we have a tax on air fares that are paid by people who live in the most remote areas where it is more difficult for them to live? Have you people opposite never looked at a map of the Northwest Territories? There are no roads. If you want to go somewhere, then you have to fly. If you want to bring in food you have to fly it in. If you want to bring in a skidoo you have to fly it in. How the hell can you charge a tax on flying? It does not make sense.

The few senators opposite who are here today are having a very bad day. They are having a very uncomfortable day because they know they are dead wrong on this one.

Some Hon. Senators: Hear, hear!

Senator Lucier: They know that behind most of the amendments we have moved are very solid, valid reasons. Whoever heard of taxing books and reading material? Whoever heard of taxing cooperatives? The amendments we put forth were reasonable, but senators opposite have been saying that, although they know they are reasonable, they will ignore that and do something else.

However, senators opposite would be dead wrong to vote against this northern amendment. It is not fair. They will have to swallow their pride and say what Senator Chaput-Rolland said the other day, which was: "I know that this tax on reading materials is wrong. I know it is not proper, but my allegiance to the Prime Minister does not let me vote against it."

Honourable senators, I always thought that once you were appointed to a place like this your allegiance would be somewhat to the people you represent and to your conscience, if you have one. I can honestly say that, since I was appointed to this chamber in 1975, I have never voted in favour of something that I thought was bad for the north; and I never will.

Some Hon. Senators: Hear, hear!

Senator Lucier: When John Turner supported Meech Lake, I went to him and told him that it was wrong; that he should not do it; and that I would never support it. I fought Meech Lake every step of the way although my party and my leader supported it. I would not support it because it was not good for my people.

Honourable senators, who wants the GST? It is not the fishermen of either eastern or western Canada. It is not the coal miners in Cape Breton. It is not the forestry workers; they do not need it. It certainly is not the farmers. It is not the welders. It is not anyone who works for a living. It has to be a particular group that wants this tax because 15 per cent of the people of Canada support it. Who are they? They are obviously the rich people. It is a transfer of taxes from the people up there to the people down here. I know that Senator Eyton, Senator Molson and Senator Castonguay will support this bill. Why the hell should they not? They are multimillionnaires. They will pay less tax and we will pay more, so why should they not support it? What I cannot understand is why the other senators opposite are voting for it. The people they represent do not want it. You are absolutely wrong in taking this step.

Honourable senators, today we are talking about a 7 per cent tax but everyone knows it will not be 7 per cent for very long. It will soon be a lot more than 7 per cent. However, I would point out that it will be more than 7 per cent in many cases. I will use the example which I gave last week in the Senate. If you go to a laundromat—and the rich do not use laundromats—you will see that there are no 7-cent slots in the machines. If the cost of doing laundry now is $1, after January 1 it will be a $1.25. That means a 25-per-cent tax to the people who can least afford it.

Honourable senators, I have some figures on travel here. I sometimes wonder why I keep repeating these figures because I get discouraged every time I do. These figures relate to airline fares from Whitehorse to Vancouver. I use Whitehorse because I am familiar with it. That flight will cost an extra $40, which is really quite bad enough. However, people who want to fly from Vancouver to Ottawa will have to pay approximately $100 extra, after the GST.

• (1530)

We should take a look again at the structure of the country. We have central Canada, where most of the business is done, and the outlying areas from which you have to come to the centre to do business. If you live in Toronto and you want to go to Ottawa or Montreal to do business, it is a piece of cake and you will be charged $6 or $7 in tax. However, if you live in Vancouver and you have to come to Toronto or to this area to do business, it will cost $100 more. Why? Why will people have to pay more to come here to do business in this part of the country?

If you extrapolate that situation to the northern parts of the country, it just gets worse.

Senator Bosa: Is that in addition to the regular air fare?

Senator Lucier: Absolutely, yes. It is $100 in tax in addition to the regular fare. The Consumers' Association of Canada put out some figures for a comparison, and I just mention this to show you how these government departments operate. The consumers' office wanted to give out some figures so that people could do some comparisons with the GST. What figures did they use? Halifax to Moncton, and Montreal to Toronto. Great comparisons! They do not know that there is anything beyond those borders.

Honourable senators, I should like to mention something I spoke of last week, and that is heating a home. A 1,000 square foot home in Toronto, with the price of fuel in Toronto, will cost approximately $400 to heat. The GST on that amount will be $28. The same person in Dawson City heating the same size home will have a $2,700 fuel bill, and the GST will be $193. There is quite a difference between $28 and $193. Honourable senator, who would be stupid enough to draw up a bill like that? Furthermore, once it was drawn up, who would be stupid enough to pass it and to say, "Why don't you pass it and, perhaps later, after it has been passed and has been in place for a year or so, we may even change it?" That is what the government is saying, but it does not make any sense. They say, "It is a bad bill but let us pass it and perhaps later we will take a look. We may even change it." Well, if it is wrong, change it now! If that means you cannot get it passed by January 1, then you may have to let your 15 per cent supporters hold their breath for a year. Take a year off! After all, we are into a recession. Fix the thing and then pass it. Do yourselves a favour. Do all of us a favour!

Some Hon. Senators: Hear, hear!

Senator Lucier: Honourable senators, I should like to end my intervention today by saying how much it means to me to have with us so many people from the North who have taken the time and made the effort to come here today to support us in trying to deal with this amendment.

We honestly do not know why there is such insistence that this bill become law by January 1. It may create some discomfort for some people if it does not, but would that be so awful? When you have to many people who oppose something, how can you be worried about the few you will upset if you do not get it passed right away? We do not know why there is this insistence that this bill be passed as is, that it just cannot be touched, that it is cast in stone.

I can tell honourable senators that there will be many people in northern Canada who will suffer from this law. When I speak of northern Canada, I am not just speaking of the Northwest Territories and the Yukon and Labrador; I am also speaking of the northern parts of many of the provinces, and the people there will feel the pinch of this stupid law as much as will the people further north.

Let me mention another little part of this tax, the tax credit. The people who were drafting the bill sat down and said, "If you earn $24,000 a year in Toronto, you can live this sort of a lifestyle, and that is the guideline we will use. We will base our tax credit on $24,000 per year. The cost of heating a house is $400 per month, the cost of a 75-pound bag of potatoes is $11, the cost of steak is $4 per pound, a pair of shoes costs $50, a parka costs $100 and a Skidoo costs $2,000. So that will be the base for the tax credit."

However, if you go to the Northwest Territories, the Skidoo is no longer $2,000; it is $4,000. The bag of potatoes is no longer $11; it is $50. The fuel bill is no longer $400; it is $2,700. So now they say, "Well, we will perhaps have to change the tax credit because we cannot use the same base in Yellowknife. We may have to change that after it has been in place for a couple of years. Let us just pass it anyway, and perhaps later we will be able to change that."

Honourable senators, I do not usually do this, but I should like to address the people in the gallery at this point. I hope that, if nothing else, we will be able to show you today how absolutely ridiculous and stupid this piece of legislation is as it stands. The only thing more stupid would be passing this legislation as it is instead of delaying it for at least a year so that we can make some of the changes to it that have to be made.

Senator Frith: That's the spirit! They will accept that. A reasonable man like Senator Doody will nod to that suggestion.

Senator Doody: Absolutely!

Senator Lucier: As I have said before, I have been living in the North since 1949, and one thing I have found is that Northerners are fair. They are also not crybabies. They know it costs more to live up there. They know it is tougher, and that is why they are there. They do not mind that. They are not asking for any extra favours. They are not asking you for something that no one else has. What they are saying is, "Be fair with us." If you do not do that, honourable senators, I think you should hang your heads in shame.

Some Hon. Senators: Hear, hear!

[Senator Lucier.]

Hon. Joyce Fairbairn: Honourable senators, I am delighted as well to welcome those who have travelled so far from northern Quebec, from Labrador and from the eastern Arctic to be present today to see and to hear what the Senate of Canada has to say about an issue which is fundamental to the future well-being of the Northerners whom senators represent. I should like to tell my honourable colleagues exactly where some of our northern friends have journeyed from, and I apologize in advance if I mispronounce some of the names of the communities. They have come from Umiujaq, Kangiqaualujjuaq, Tapangayuk, Akulivik, Povungnituk, Kuujjuarapik, Inukjuak, Chisasibi, Ivujivik, Aupaluk, Kangirsuk, Quartaq, Salluit, Tasiujaq, Kangiqsujuaq and Kuujjuaq.

Some Hon. Senators: Hear, hear!

Senator MacEachen: Well done!

• (1540)

Senator Fairbairn: They have also come from Nain, Labrador; from the eastern Arctic—Pond Inlet, Pangnirtung, Clyde River, Lake Harbour, Resolute Bay, Broughton Island, and perhaps some other communities I have not been advised of. All of us welcome them here today.

Some Hon. Senators: Hear, hear.

Senator Fairbairn: Senator Watt, Senator Adams and Senator Lucier from the Yukon have spoken eloquently today, as they do continuously, on behalf of the people whom they serve across the largest, the harshest, and perhaps the most stunningly beautiful and mysterious region of our country. Our northern colleagues speak to us patiently and rationally, but also with frustration and anger, because, all too often, we hear them but do not listen. We treat them with courtesy and with respect, but we do not truly try to understand their message. They come from a part of our country which all too often we take for granted, or regard somewhat like a foreign land over which we, by virtue of our proximity, our wealth and sheer numbers, preside as colonial masters.

Those are harsh words, honourable senators, but constantly through our actions collectively as governments or singly as individuals indifferent to the reality of life in our north, in the Yukon, the Northwest Territories and Labrador and, as Senator Lucier said, also the northern parts of Ontario and all the western provinces, we seem compelled to try to impose our values and our methodology and our judgments on our northern people and their lifestyles. Yet it is a life in a land that is completely different from ours in southern Canada in every possible way. It demands different processes and different solutions. That is why, honourable senators, our northern friends are here today from the vast eastern reaches of our north. They have come to remind us of their unique situation to seek out our understanding and our help.

Our parliamentary committees in both the Senate and the House of Commons made stops in the north to hold hearings on the GST. The Senate Committee on Banking, Trade and Commerce went to Whitehorse and Yellowknife and heard important witnesses. The committee did not travel to the east of the north. In its report to the Senate, the committee noted

the high cost of living in the north. It noted that the GST tax credits as they will apply to low income families will fall far short of the mark in the north, as $24,000 in Yellowknife, Iqaluit and Whitehorse is a much lower standard of living than it is in Edmonton or in Ottawa. For example, in Yellowknife the cost of living, including shelter, is some 40 per cent higher than in the south. That percentage rises astronomically in other more remote communities. The same is true in the Yukon. Transportation costs take on a whole new meaning in a land of no roads. The northern deduction, which was set in 1986 at $5,400 based on 1982 living costs, has not been increased since.

These considerations were an important part of the conclusion of the majority of committee members to recommend to the Senate that the goods and services tax bill, Bill C-62, be dropped. The report was rejected in this house. Today, we are offered another opportunity, a second chance, for this chamber to respond to the very real and detrimental effect that this tax will have on northerners.

Our amendment would have three important results in the event that the GST were to become law. It would ensure that any sales in the north would be free of the GST, including transportation within the area. This would apply in the Yukon, in the Northwest Territories, in Labrador and the area of northern Quebec above the 55th parallel. Under our proposal residents of the north would pay no GST if they chose to bypass the usual retail network with its substantially higher markup in comparison to southern Canada. Finally, the amendment would ensure that transportation to and from the north would be tax free, GST free, including freight charges required to ship goods which a northerner migh have purchased in the south.

The rationale behind those proposals is quite simple. The rules for the GST, concocted here in Ottawa within the Department of Finance, cannot be applicable to the northern situation if any sense of fairness is to prevail for the citizens of those territories.

During a very long debate we have heard a great deal about the inequity of the GST because of the distances east to west in Canada. When we turn to the north the inequity is substantially magnified and I believe totally unacceptable. It is not only a question of distance, although that is obvious, but is a question of climate, which is unlike anything we endure. In terms of severity and length, their frigid winter has major implications for heating and construction in the northern territories. It is also a question of transportation in a land of few roads. What traffic there is, is by air, by sea, by solitary skidoo or by dog sled. It is a question of a small population spread throughout tiny communities themselves vast distances apart with limited regular linkages to the larger centres or to each other. It is a question of an economy which bears no resemblance to those in our southern provinces and, therefore, does not respond to the premises on which the goods and services tax is based.

Honourable senators, we can have no real confidence that the unique, high-cost realities of northern living were adequately considered by the government when the GST was being drafted. The early public documents on this tax did not appear to assess its impact on northerners. Over a year ago Jack Anawak, the Member of Parliament for Nunatsiaq, raised this question with Minister of Finance, Michael Wilson, who said a great deal of work had been done on the impact of the GST in the north and that it would be about the same as the national average. It would improve the economic fortunes of the north by some 1.5 per cent. That, of course, flies in the face of the information provided by northern governments, by individuals, or by business people who appeared before the committee.

● (1550)

Mr. Anawak asked for those studies on which Mr. Wilson's assurances were based and was told that it would take a little while to put them all together. Honourable senators, that was October of 1989, last year, and on checking last week I learned that no information has yet been produced by the Minister of Finance—more than one year later—in response to Jack Anawak's request.

Our committee did, however, hear from Michael Ballantyne, the Minister of Finance of the Northwest Territories, who took the trouble to provide the Senate committee with a very detailed brief as well as to meet with them to discuss it while they were in Yellowknife. Mr. Ballantyne is a very senior member of the Territorial Government who always takes time to try to help southern parliamentarians understand the concerns of his area, now as the Minister of Finance and previously when he was Minister of Justice. I would consider him a pretty reputable source and would like to take a few minutes to share with honourable senators some of the information he provided to us.

Mr. Ballantyne noted that most national taxation policies affect regions differently, but in the case of the GST the difference in the effect on the Northwest Territories would be particularly unfavourable. He said the GST will have limited benefits for northern industries and will increase the already disproportionately high tax burden that the current tax system imposes on northern residents.

Honourable senators, one of the key goals of territorial governments and the mayors of each community in the north, mayors who have visited us today, is to achieve economic self-sufficiency and self-reliance for their citizens. It is a tough task. That achievement would not only provide a solid basis for development of the political future of the north, but all Canadians would benefit through the reduction of dependence of that region on transfer payments from Ottawa.

The proposed imposition of the GST would indicate that the federal government has failed again to approach the north with any real sensitivity, particularly having regard to the dual economy which exists there. The so-called modern economy of the north is market driven in the larger centres where resource industries, public administration, tourism and service industries prevail. There is virtually no manufacturing sector in the north and the goods produced are primary commodities such as minerals, oil and gas, and construction. Almost 82 per cent

of total employment in the Northwest Territories is in the service sector, which is a significantly higher ratio than that in southern Canada.

The federal government has indicated that Canadian industries will benefit significantly from the removal of the manufacturers' sales tax in favour of the GST. However, Mr. Ballantyne told us that the north will not share equally in any such benefit. Although some long-term gains may result to some resource industries because of a drop in input costs, it is unlikely, he said, that the magnitude of the savings will be significant enough to increase either jobs or production. He noted that any fall in input costs will result in increased profits which will likely be exported to southern Canada or the United States since major industries in the north are not owned by northerners.

He also explained that a significant proportion—some 20 per cent—of employment income in the primary sector of the Northwest Territories is earned by non-residents; "fly in-fly out" workers who are brought in by their companies from the south to work on major projects. They continue to maintain permanent residence in southern Canada, they pay no territorial income tax while they are employed there, and then they leave when the job is done.

The other part of the dual economy in the north is traditional. Honourable senators will know that certainly in northern Quebec and the Northwest Territories the majority of citizens are aboriginal Canadians. Indeed, they provide the majority of members in the Northwest Territories Government and in its legislature. We must understand that for many hundreds of years aboriginal people in our Canadian northland have lived a subsistence type of lifestyle depending on fish and wildlife for their food, their clothing, their tools and their shelter. Although there have been many changes to this lifestyle, even today the primary foods for northern Dene, Métis and Inuit families still centre on fish from the lakes and the rivers and the oceans of the north and meat from caribou, moose, seal, muskox and waterfowl, which, I should tell honourable senators, I had the privilege, and, I should say, the pleasure of sampling several months ago when our national Liberal caucus held a summer meeting in Iqaluit.

Hunting, fishing and trapping, however, do not generate a substantial output in dollar terms, but they are significant in supporting this traditional lifestyle. Income from transfer payments and other sources of cash is spent almost entirely on the basic necessities required for subsistence. Therefore, honourable senators, this traditional economy is incredibly fragile and it is sensitive to price changes.

These northerners will receive no benefits as producers from the GST, but nonetheless they will pay the full burden as consumers along with their fellow northerners who participate in the market economy. So with the GST we have higher operating costs for businesses, higher labour costs to attract people to an area of high living costs, and shelter costs that are some 44 per cent higher in northern Canada.

[Senator Fairbairn.]

Tourism is the most important private service industry in the north today and it has been moving ahead rapidly in recent years in spite of the shortness of the tourist season. It is expensive to tour the north for the very reasons which make the effort and desire to go there so appealing, its remoteness and its isolation. That, honourable senators, brings me to the crux of many of the pressures in the north and that has to be transportation.

There is no question of a level playing field in northern Canada because of transportation costs. Transportation adds to the price of everything. Mr. Ballantyne noted that consumers, particularly those in remote regions, would experience a disproportionate increase in their cost of living if the GST were to pass, for two main reasons. First, the tax will apply to transportation costs. Second, the northern transportation costs themselves will be added to the already higher margins that are applied by retailers in northern stores.

• (1600)

A study by the Northwest Territories Department of Transportation has shown that the combined effect of these two factors creates a significant advantage for consumers to buy goods, in the south, particularly high-value durable goods, and to arrange for separate transportation to northern points. Furthermore, many northerners already order their basic foodstuffs directly from southern Canadian wholesalers because it is a lot cheaper.

Over the past few days I have been making some retail price comparisons, as have other senators, which illustrate this point quite dramatically. I should like to give honourable senators a few examples. The cost of a dozen eggs at the IGA in Ottawa is $1.09, while it is $3.99 in Spence Bay; $4.05 in Pond Inlet; $4.80 in Pelly Bay; and $4.00 in Grise Fiord. One litre of milk here in Ottawa costs $1.39, while it costs $5.45 in Spence Bay; $4.00 in Pond Inlet; and $4.59 in Pelly Bay. Five pounds of potatoes costs $1.49 in Ottawa. The cost for five pounds of potatoes in Spence Bay is $10.49, while it is $9.90 in Pond Inlet. A one-pound container of margarine costs $1.75 in Ottawa; $3.99 in Pond Inlet; $3.64 in Pelly Bay; and $2.75 in Grise Fiord. Five kilograms of flour cost $4.89 in Ottawa; $10.95 in Pond Inlet; $11.25 in Grise Fiord; and $12.06 in Pelly Bay. Five kilograms of sugar cost $0.89 in Ottawa; $4.99 in Spence Bay; $4.85 in Pond Inlet; and $6.50 in Grise Fiord. A 25 pound turkey in Ottawa is $44, while last year at the Bay in Iqualuit the price was $79.

Those figures, honourable senators, indicate clearly the dramatically different prices that northerners already pay for basic materials which they use in their daily lives. With the GST what these families will be facing looks to me suspiciously like the kind of food tax which the Minister of Finance, Mr. Wilson, says does not exist in his proposals. Granted, northern retail businesses will be able to submit input tax credits for the tax they will pay on the freight charges of their grocery shipments. However, individuals and families who choose to save by ordering their supplies directly from the south will not be able to submit similar credits for the freight charges of their grocery orders. Mr. Wilson has said categorically that there is

no tax on transportation as part of the cost of food. Again, he is not dealing realistically or sensitively with the special conditions of the north. He is dealing with business and not individuals.

Recently, the major airlines flying into the north have confirmed that as far as they understand the terms of the GST all air cargo, including groceries, is subject, without exception, to the GST. A retail outlet would have these cargo charges removed prior to selling zero-rated groceries to the consumer. However, a private individual shipping groceries to his or herself from the south would pay the GST on cargo charges.

On top of this, honourable senators, the GST comes at a time when Canada Post has just increased postal rates under the Northern Air Staging Network as a result of a decision in Ottawa to phase-out the subsidy for these services, services which are heavily used in remote areas of the north.

We are looking at part of our country where southern calculations do not fit. More importantly, our north is now looking at us to see if we understand that—or, indeed, to see if we even care. Our track record is not impressive in terms of our exports to the north. It is true that like a good parent we send money, and so we must and we always have, to provinces which need assistance. But over the years we have sent other things as well. We have sent a justice system to people who can neither understand our language nor our codified concept of justice. For a long time we have sent a southern education system to the mystification of aboriginal youngsters. That has changed. However, we still do not reflect sufficiently on facts such as the distance which keeps teachers from ever seeing each other over periods of years, something which requires incentives and real commitment for them to stay in the north. Neither do we reflect on the need for many young northerners to leave their homes in order even to receive an education at all.

Through the magic of electronic communications, we have sent a glimpse of a materialistic society for which there is no base in the north outside the major centres. On the one hand, we have assisted aboriginal northerners to develop their own system of television, radio and newspapers, something which is absolutely vital to communications in remote areas, while on the other hand we have cut back that funding. We have urged aboriginal northerners to become involved in our constitutional affairs, and then we have cut back the funds we offered to enable them to do that.

With the Meech Lake Accord we sent a powerful message to the northern territories about our view of their future. At no time were leaders of the north involved in Meech Lake discussions among first ministers because those territories obviously are not provinces. At a time that we were told was a moment of great national purpose, issues vital to the future of northern development were decided with no input from northerners. Northerners learned the day after the Meech Lake Agreement was reached, across the river in the Gatineau Hills, that their future provincial status would be subject to the unanimous agreement of all provincial premiers and the Prime Minister with no agreement required from them on terms and conditions. They learned that questions involving the possible extension of provincial boundaries into the territories was to be the unanimous preserve of first ministers. They also learned that the constitutional process for aboriginal Canadians was no longer on the table, simply because agreement had not been reached during the first round of conferences which had been established after 1982 for the first time in our history.

• (1610)

Northern leaders were shocked and angry. They tried to communicate with their only representative at the first ministers' conference, the Prime Minister, but he did not respond. Their leaders, Mr. Tony Penikett of the Yukon and Mr. Nick Sibbeston of the Northwest Territories, came to Ottawa to try to gain entrance to the post-Meech meeting held across the street in the Langevin Building, at least to have the chance to explain their views to the premiers and to the Prime Minister before they placed their final signatures on the deal. Their phone calls were not returned. It was only when the Senate sent a task force on the Meech Lake Accord to the north that these leaders and their citizens had any opportunity to be directly and fully heard.

However, it was far too late. I shall never forget the bitterness felt by these people which was caused by this rejection of their participation in a process that was to dominate the politics of our country for three long and difficult years.

The sadness is that those northern and aboriginal interests had nothing to do with the aspirations of Quebec, but everything to do with the aspirations of the north. Those issues sat there for three years as an open reminder of the unfairness and discourtesy to the north, and they ultimately became part of the reason why the accord collapsed last June.

There are other moments in the history of Canada's relationship with its north that some of us may have forgotten, and I believe that one is being discussed today over in the House of Commons. The issue, which dominated the CBC program *The Journal* last Friday, is the transplanting of northern Quebec Inuit families in desolate Arctic sites back in 1953, families who were told they would be better off up at Resolute Bay and Grise Fiord on Ellesmere Island. They were told that there would be more game, more jobs. What they were not told is that they would also be there as physical evidence of Canadian sovereignty over a territory of strategic importance in the cold war. These Inuit families were dropped and virtually abandoned in an alien area where there was no shelter and none of the food that they had hunted or eaten in northern Quebec. They had been promised help if they wished to come back to their homes but that help did not come until recent years, by which time they had become strangers in their own families. One of them is the eloquent leader of the Inuit Tapirisat of Canada, John Amagoalik, who as a little boy of five was dropped with his family on the shore of Resolute Bay. He remembers well the deprivation that led his family to search for food in the garbage dump at Resolute.

In a report last June the House of Commons Aboriginal Affairs Committee, which had been studying the relocation

saga, urged the Government of Canada to apologize officially for the wrongs done over the years to the Inuit in these two communities, to recognize their contribution to the protection of Canadian sovereignty in the north and to consider some kind of compensation for the affected families. I believe the government today is presenting a response to the unanimous report of that committee, but as of this moment I do not know what the response will be.

Honourable senators, all these bits of history, past and current, should be in our minds as we look at this amendment and contemplate our vote tomorrow. The GST should not become a new piece of history levied on northerners without fundamental changes to compensate for conditions which, clearly, could not have been carefully considered in the drafting of this bill. One of the key difficulties for northerners is that their economic options are limited, unlike those available to us in the south. They simply do not have the choices. There is one option that they do not wish to exercise, and that is to abandon their land and their heritage, past and future. They have followed our democratic process in appearing before our committees and in sending in their briefs. Today they have gone one step further and have sent their leaders down from the north to bring their concerns directly to us. They see the Senate as a final step in the democratic process where they must try, in their view, to make a difference. I earnestly urge all honourable senators to think very seriously in the hours ahead so that tomorrow's vote may stand as an important moment in history when Parliament and government has done the right thing for northerners, who are as important to our country as any other citizens.

Hon. Peter Stollery: Honourable senators, I wish to say a few words about the amendments. I am sure that my friends across the aisle must be wondering how they got themselves into this mess, because I doubt that they felt, when they found themselves supporting the idea, that they would be penalizing northern Canadians, penalizing people who live in some of the most difficult conditions in Canada. I do not think my friends opposite thought they would be doing that when they embarked on the course of introducing this tax.

● (1620)

Senator Hébert: They know now.

Senator Stollery: Honourable senators, the part of Canada we are talking about is so unusual and so desolate that last Easter Senator Hébert took his grandson with him to Igloolik.

Senator Frith: Two innocents.

Senator Simard: Order, Senator Frith, please.

Senator Stollery: A local gentleman built him an igloo and he spent the weekend in this igloo with his grandson so that his grandson would have the experience of living in the north. In fact, Senator Hébert has written a small book telling about his three or four days in Igloolik. He told me he was ready to give up after two extremely cold nights.

Senator Hébert: After one!

[Senator Fairbairn.]

Senator Stollery: I had not thought about the fact that unless it gets to the freezing point inside the igloo, the igloo will melt. Senator Hébert has made me realize that it would be a very cold and interesting experience.

Senator Simard: Is he going to read his book in the Senate?

Senator Frith: Do you want us to start that again? We will get Senator Gigantès back.

Senator Stollery: I think some people in the gallery understand very well the kind of experience Senator Hébert had last Easter. It seems to me that is the point we are trying to bring to your attention. Some of these people have travelled far to come here to watch the Senate, their last hope, try to persuade the government to change its mind.

Honourable senators, I have travelled quite a bit in the Arctic from Greenland to the Bering Strait. When describing a small community such as Inuvik, Sachs Harbour, Coppermine, Iqaluit, Hall Beach, Pond Inlet, the Belcher Islands and George River, I would like to emphasize to you, Senator Simard, the tininess of these communities which exist on the edge of an isolation that no southern Canadian like yourself can possibly understand or imagine.

When we go to the Arctic, we go to places like Iqaluit and Yellowknife which are administrative centres. They did not exist before administration arrived in the Arctic. The real Arctic consists of these tiny communities of often a few hundred or even fifty people—none of them having a population larger than 2,000. The people are cut off from the world, not only in the winter time but often in the summer. I remember one day in The Backway inlet talking to some people who, in July, were impatiently waiting for the cold weather so they could travel. They lived in what was a house, but inside that building they had built a traditional house. They were waiting for the ice because they could not move in the summer time. The nearest community to them where they had family was 300 miles away. They were bored waiting for the freeze-up, because once the freeze-up occurs they can travel. If there is a characteristic in the Inuit that I have noticed in my travels around the Arctic it is this instinct that they seem to have had from time immemorial to travel around the countryside. They do not stay in these often unattractive little communities which were established in the 1950s. They do not like them. If they do not have an expensive boat, on which there will now be a tax, they cannot travel. If they have at least a skidoo, then, once freeze-up takes place, they can move around and visit their relatives. They travel enormous distances.

The reason the community at Grise Fiord on Ellesmere Island was established in 1950 was to protect our sovereignty. The government of the day knew that we could not afford to police Ellesmere Island and that if they established Inuit communities around these tremendously remote areas they would move around and, in fact, provide the sovereignty that Canada does not provide and which this government provides less and less. We actually risk losing our own territory because of the way this government has cut back.

Senator Frith: The government is cutting its nose off to spite its face. That is what it is doing.

Senator Simard: Order!

Senator Stollery: What is most infuriating is that most people do not seem to understand that there are only a few thousand people living in the eastern Arctic as far as, I suppose, Banks Island. If you arrive at a place that has an airport you may see the arrival of a First Air or a Canadian jet from Montreal which would be operating on a government subsidy, because the government knows that the airlines could not possibly make this a viable commercial activity. You may go to Dorval and buy a ticket for Resolute Bay or Iqaluit, but all you would see when you arrive at your destination would be a lot of 50-gallon oil drums, a few Quonset huts and a row of cottages often along the sea where the people live. Often the population would be 300 or 500.

Senator Adams: It would already be dark.

Senator Stollery: Yes. What our friends opposite have not thought of is what it is like to live in this isolated world which depends more than anything else on transportation. It is not transportation as we think of it here today in terms of someone going from Toronto to Montreal. It is in the nature of the people. We are talking of hunters and gatherers who, only 20 or 30 years ago, had to earn their income in this way. Even today, it forms an important part of their income. I am talking about people who have lived this way since the last Ice Age and to whom travel across this barren countryside, to visit families in these tiny communities, is their life. That is what they do from the time it freezes up until the water opens.

● (1630)

Honourable senators, if any of you cared to go to some of these places, you would find that one of the characteristics—even in the summer time, never mind the winter—is the way you find a canvas tent with a man and his wife and children in the most isolated place, even in July. Why? This summer, I was actually on the Melville Peninsula, which is an extremely isolated place, and after some considerable time we went down a river, and what did we find? We found habitations. We found tent sites. They are all over the place because people use this river to go from one small community to another. It is like a highway all winter. Possibly one a week, or once every couple of weeks, they all go along using Skidoos. They also need extra heavy-duty clothing. The work pants have to be specially lined. They do not sell those work clothes in southern Canada. If you go into the Hudson's Bay store in Iqaluit, they will tell you they are often sold out because crews from the south buy them out. They buy out everything because you cannot buy clothes like that in southern Canada. They have to be specially made to withstand temperatures of minus 50 with a wind of 60 or 70 miles per hour. A man and his family can be outside for two weeks in that kind of weather, so everything is heavy duty.

You do not buy an ordinary boat when you are buying your fishing equipment. We all know that fishing is an important part of the lifestyle of the people of the north. They have to buy professional, heavy-duty fishing equipment. I do not know much about fishing equipment, but when you go into any cooperative in the Arctic, it is always filled with industrial-strength, if that is the phrase, fishing equipment, with heavy nets, buoys and so on.

How about the shotgun shells and the cartridges and the rifles and the shotguns? All of those are very heavy-duty stuff. You have just been told by Senator Fairbairn something of the cost of food. I can tell you what it costs to ship a Skidoo to the Arctic. It costs about $1,250 in freight, and I do not think that the reduction on the manufacturers' sales tax is going to add up to $1,250, but that is what the average Inuit family will have to pay just in transportation when they buy a Skidoo in Pond Inlet, in Rae Point, or in Eskimo Point, or in any of the other 20 or 50 small, isolated communities on the edge of this country, maintaining, in many cases, the sovereignty of this country because we do not do it ourselves.

Now what is being proposed? It is being proposed to add a tax that nobody else in Canada will have to pay because nobody else in Canada has to buy these kinds of items. They do not even sell them in southern Canada. Even in places like northern Ontario they do not sell this kind of stuff.

I know many honourable senators have visited the Arctic in the winter time, and you will know that you go over here to a place in Ottawa where they outfit you specially. I am sure you have been there, Senator Lucier. They outfit you specially with these double-inserted boots and double pants and huge parkas, all of which are tremendously expensive, so expensive that the departments in connection with which you happen to be going do not buy the stuff. After each trip it is brought back and then someone else uses it because it is just too expensive. No one else in any other part of Canada requires this equipment. Well, we are going to put a tax on all of that stuff. I do not think that my friends opposite had considered that when they thought of this bill and the impact it would have on these people.

I know that Senator Hébert has been to the Arctic before, as have others. We go there sometimes, but often only to the administrative centres, formerly Frobisher Bay and Yellowknife, which are not typical. Most of the people there come from the south. They are teachers, administrators or with the health department and so on. If these were the old imperial days, it would be the colonial office. They do not come from Baffin Island or from the central Arctic. The only place I might exclude is the Yukon, which has a substantial population.

Senator Lucier: We have roads as well!

Senator Stollery: And you have roads. When you go to this part of the world, I think that you are overwhelmed by the fact that you cannot go anywhere. There is the settlement and the airstrip, or if it does not have an airstrip, you just arrive by boat or by seaplane, which means you can only arrive at certain times of the year. Then there is a little road a quarter of a mile long, and then just thousands of miles of nothing. It is the same distance from here to Hall Beach as it is from here to Calgary, only to Hall Beach it is straight north. The

isolation is unequalled anywhere in the world. In the Sahara Desert it is not as isolated as it is in northern Canada. They can build roads in the Sahara Desert. There are tracks everywhere through the desert, but you cannot go driving across the tundra in Canada. It just cannot be done. It is just total isolation, and now there will be a tax on that isolation, and I do not think that, for example, Senator Poitras agrees with that.

Senator Poitras: Have you ever been there?

Senator Stollery: Yes, I have been there, many times.

[*Translation*]

I know it very well and I have for quite some time. Do you know it, Senator? Yes, of course you do. So you will agree it is very bad to raise taxes at the expense of people who live in such a difficult and harsh environment. I don't think you really thought about that when you decided to vote against the amendment. In fact, perhaps now you will vote in favour of the amendment, don't you think so, Senator Hébert?

Senator Hébert: Yes. He is hesitating.

Senator Stollery: And he is still hesitating.

I just wanted to emphasize for honourable senators opposite the problems of transportation, because it is the transportation of all of these things, more than anything, that is such an imposition on the people in the north. If you were going to tax something and if it were to be sold at the same price, or even some price comparable to that at which you could buy the item in southern Canada, that might be different. It costs $2.50 a pound to ship items north, and for a 500-pound Skidoo it costs an additional $1,250 for freight. I know senators are aware of that.

● (1640)

Food is not taxed, but it is an interesting and easy item to compare. In Ottawa, a 50-pound bag of potatoes costs $5. In Hall Beach, a five-pound bag of potatoes costs $11. I cannot believe that, having thought this through, the government would consider implementing the tax on those people and not supporting the amendment. We are here to try to persuade senators opposite to support our amendment, because it is a reasonable amendment. We are not talking about it costing a large amount of money, because it is a small number of people who will be affected. It is a vast area populated by a small number of people. More than anything, that area depends on transportation.

Very briefly, I wish to remind honourable senators of the cost of fuel, Skidoos, heavy clothes, basic commodities and ammunition. Everything is heavy. A box of 30.30 shells or shotgun shells is very heavy. How many boxes of shotgun shells would a hunter use if he is hunting for a couple of weeks? He would use many of them, and they are heavy. Every box costs $2.50 a pound in transportation on top of the cost of the shells. I do not know what a box of shotgun shells weighs, but I am sure it is quite a bit. As I say, cartridges, fishing equipment and boots, everything is heavy duty.

[Senator Stollery.]

In 1958 John Diefenbaker told us all about the northern dream. I remember that election. Never mind the election, I remember those days. I was not in politics, but I remember John Diefenbaker inspiring Canadians with his description of northern Canada.

Senator Simard: Did you vote for him?

Senator Stollery: Senator Simard, on February 11, 1957, which is a long time ago but is important in the theology of the Conservative Party, John Diefenbaker said:

> In so far as northern Canada is concerned, there can be no question whatever that in the territories there has not been a policy of vision in keeping with the tremendous potentialities of that area . . . I can see this north land of ours with developments envisaged by D'Arcy McGee in his magnificent speech at the time of Confederation as he saw that a great Canada. I can see cities in northern Canada north of the arctic circle . . . if only the government would catch the vision of the possibilities.

That is what that great Conservative John Diefenbaker had to say about northern Canada.

Senator Watt: Senator, may I ask you a question while you are on the topic of the vision of John Diefenbaker.

In your earlier remarks, you mentioned that the Inuit from northern Quebec, Port Harrison, now called Inukjuak were transplanted to the High Arctic to secure Canadian sovereignty in the Arctic. Have you had the opportunity to read the report that recently came out? There were some very interesting points which should be made here in the house.

Senator Stollery: I have not, but I am sure you will enlighten me.

Senator Watt: The report came out from the House of Commons today and it states:

> We do not see grounds for an apology by the Government for the manner in which the relocation project was conceived, planned and carried out. In our view, to apologize for a wrongdoing it did not commit would constitute deception on the part of the Government. It would also imply that the project had not been reasonably successful whereas this is not the case.

In other words, the government is basically stating that the Inuit were not sent to the Arctic to secure the sovereignty of this government in the north. There is no apology. There is no recognition. There is no compensation. There is no acknowledgement whatsoever. It is a total denial.

One of the reasons I am pointing this out is that the government attempted to hijack or use the Makivik Corporation, of which I am president. I watched the news on Friday where it stated that the consultant who was chosen jointly by the Government of Canada and the Makivik Corporation came out with an interpretation that there was no justification to this case. I wish to point out to you, senator, that the consultant was one of the persons who had worked for the Makivik Corporation in the past and was dismissed and then hired by the Government of Canada, but never was it jointly

agreed that that consultant should come out with the interpretation of the outcome.

Senator Stollery: That is very important. In the past, we all know that the Inuit and native people of Canada have been treated badly. If anything, it only proves that if the Inuit and other aboriginal peoples do not hang together—as the old line states—they will hang separately. That is what happened in the past and that is what will happen today. That is what will happen with the bill, if my friends on the other side should choose not to support the amendment. Without the amendment, this bill discriminates against a part of Canada and a people of Canada who have the least strength to defend themselves. There is not a large number of people in that region, and it seems to me it is the duty of those of us in southern Canada to stand up for the rights of people who live in this huge, empty area of our country. This is the Senate. We are here to stand up for their rights. This is where the regions are supposed to be represented.

• (1650)

Obviously, if we were talking of the House of Commons, representation is by population, the Inuit and the other people who live in the Northwest Territories, north of 60, and in northern Quebec, would not have a chance because they do not have enough people living there. That is why the Senate exists. We are here to represent their rights and their rights are being trampled upon by the government through this bill. It is possible that the government is doing this innocently, I do not know. The government probably did not think about it. That is why I hope Conservative members of the Senate will support the amendment.

I am not being harshly critical of the government. I am trying to persuade my colleagues on the other side to support an amendment protecting the inhabitants of the north, an amendment which would certainly have been supported by John Diefenbaker and by a large number of Canadians, because Mr. Diefenbaker won a pretty big election. This is the kind of thing he talked about when he won that election. It is not something I throw out lightly. This was the basis for a tremendous election campaign, because Canadians agreed with John Diefenbaker when he said:

> One Canada, one Canada, where Canadians will have preserved to them the control of their own economic and political destiny. Sir John A. Macdonald gave his life to this party. He opened the West. He saw Canada from east to west. I see a new Canada—*a Canada of the North*!

I think my friends opposite will support the amendment. I hope they do. It will not cost very much money, and it gives justice to a part of Canada that deserves justice. I know my friends opposite are not unjust. They do not go around being unjust to people. I know that if they think at all independently and consider why they are here in the Senate, the chamber which is supposed to represent the regions of Canada, they will realize that there is nothing more fundamental than that the Senate represent the regions and that we are dealing with an item which is important to the largest region of the country.

North of 60, or whatever boundary you want to use, is a large territory with a small number of people who are unable to represent themselves through electoral politics because they can never elect enough people to give them that kind of representation. Never. That is why the Fathers of Confederation, back in 1867, established the second chamber as it is in all large federal states. If you have representation by population, that means the rights of the people in the large, underpopulated areas of the country are extinguished, and they will never join a federation if their rights are going to be extinguished by representation by population. Is that not the basis of the Canadian problem?

Hon. Jack Austin: Honourable senators, I would like to ask Senator Stollery a question. He has referred to John Diefenbaker and that very important northern vision which captured the imagination of Canadians. You might recall that one of John Diefenbaker's most aggressive disciples was the Honourable Eric Nielsen who served in the other place for 25 years as the Honourable Member for Yukon.

I wonder whether Senator Stollery would give us his view of whether such legislation as the GST could be before us today, affecting the north as it does, if Eric Nielsen were still in the government caucus? Do you feel Eric Nielsen is not in the government caucus because he disagreed with the policy of the Minister of Finance to bring this legislation in and to affect the north in this way?

Senator Stollery: I think it is very clear that Eric Nielsen, the Chairman of the Canadian Transportation Commission—and responsible, as he must have been, for the fact that even with the policy on deregulation of airlines there are still subsidies for transportation to the high north—would have supported the idea of this amendment, particularly when we know that the reat of this tax will go up. The proposed rate of the GST is 7 per cent, and it will be 15 per cent in no time. I am sure Eric Nielsen would have opposed it.

I want to thank honourable senators for their patience with me but I did want to take a moment to bring to your attention the need to represent the under-represented areas. This is not something inimicable to conservatism. The Conservative Party and John Diefenbaker were famous for their belief—

Senator Simard: Leave John out of it.

Senator Stollery: —belief in the regions of Canada. It seems to me that this amendment is straightforward, it does not cost very much, and I hope enough Conservative senators can support the amendment so that it passes, can then be passed by the House of Commons, and then take its course.

Senator Cogger: I understand Senator Stewart has a motion and I will yield.

Hon. John B. Stewart: Honourable senators, I am most grateful to Senator Cogger. I would like leave to revert to Notices of Motions for one purpose, namely to move a motion concerning the Standing Senate Committee on Foreign Affairs.

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

Some Hon. Senators: Agreed.

FOREIGN AFFAIRS

COMMITTEE AUTHORIZED TO MEET DURING SITTING OF THE SENATE

Hon. John B. Stewart, with leave of the Senate and notwithstanding Rule 45(1)(*a*), moved:

> That the Standing Senate Committee on Foreign Affairs have power to sit at four o'clock in the afternoon tomorrow, Tuesday, November 20, 1990, even though the Senate may then be sitting, and that Rule 76(4) be suspended in relation thereto.

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

Hon. Senators: Agreed.

Motion agreed to.

● (1700)

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE ACT
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMEND—DEBATE ON THIRD READING CONTINUED—MOTION IN AMENDMENT—DEBATE RESUMED

Hon. Michel Cogger: Honourable senators, given the lateness of the hour I thought it would be my duty this afternoon to empty out the gallery. However, I see that Senator Stollery has done that for me. I thank him for that.

While we had an exceptionally large number of visitors this afternoon, and presumably what transpired and what will transpire will be reported back to them, I, too, on behalf of senators on this side of the house wish to extend to them a belated welcome for a number of reasons. Indeed, we should be honoured that they pay a great deal of interest in the workings of the Senate. As well, on behalf of senators on the other side of the house, I must admit that it is refreshing and pleasant to realize what a difference an audience makes. The attendance on the other side, as well as the quality of the debate from senators opposite, has improved substantially as a result. I think we owe that to the presence in the gallery of a large number of visitors. For that, I am very grateful.

Some Hon. Senators: Hear, hear!

Senator Cogger: Indeed, it was a pleasure to be exempt this afternoon from the tedium of the reading of interminable petitions. My God, we have not heard a kazoo or a bell—hardly anything—and I congratulate honourable senators opposite. Your behaviour was exemplary.

[Senator Stewart.]

I am indeed impressed by the heavy task that is given to me to answer such a formidable array of speakers, starting with Senator Watt, who was followed by Senators Adams, Fairbairn, Stollery and Lucier.

I am reminded of when I was in law school where I had a wise and old teacher who used to say to us, "Don't worry too much if you show up in court and you find a whole bunch of lawyers. The worse the case of your opponent is, the more bodies he will produce and the longer he will try to speak. If they cannot convince the court, at least they will try to wear it out."

Senator Hébert: That is why you need eight more senators.

Senator Cogger: I never interrupt anyone. I do not know why the senator opposite is interrupting me.

Senator Frith: Will the real Michel Cogger stand up, or is he standing up?

Senator Cogger: The other thing I wanted to say to our distinguished guests this afternoon, something which I also want to pass on to senators across the way, is that while it is not easy indeed, as I said, to face a formidable array of speakers, I also think that the entire quality of the exercise is coloured by the way the opposition has chosen to produce its amendments.

Senator Steuart: You mean one after the other?

Senator Cogger: Let me explain it to you, Senator Steuart. It seems to me that if the opposition were really interested in a solid and in-depth debate, something of substance, then it would do us the courtesy, the favour, call it what you like, of telling us what it is going to be instead of springing it upon us at the very last minute. For instance, it seems to me, Senator Steuart, that my colleagues on this side of the house and I only heard what the amendment would be at around 1.30 p.m. or 2 p.m. this afternoon while everybody in the gallery surely knew long before I did. If not, why else would they have bothered to fly in from the north? When was that press communiqué on the letterhead of Senator MacEachen circulated? That did not take place at 1.30 this afternoon. It seems to me that if the opposition were really concerned—and I have never been convinced of this—about a real, serious and genuine debate on the GST then it would not play these little surprises, producing amendments out of a hat.

Some Hon. Senators: Hear, hear!

Senator Cogger: We all know that Senator Buckwold produced 25 amendments. He turned them over to the leadership and said, "You guys go at it." I do not know who puts their hand into the hat every morning and says, "Today, it will be funeral costs. This afternoon, it will be the north." It seems to me that this is hardly a relevant and serious way to go about debating legislation.

I wish our distinguished guests were still here since these are important points to make. First, I would have said to them, "You have seen the opposition on its best behaviour this afternoon. Unfortunately, I have to point out to you that it is not always that way." Second, I would have said to them, "I

would never accuse those gentlemen of saying anything less than the truth. However, be careful, because sometimes they have been known to speak with forked tongue."

Senator Buckwold: Would the honourable senator consider a question?

Senator Cogger: Senator Buckwold, I shall gladly answer your questions after I finish my remarks.

With respect to the amendment proposed by Senator Watt on behalf of Senator MacEachen, which I guess for all intents and purposes can be referred to as the zero-taxing-of-transportation amendment—and never mind all the stuff we heard this afternoon about the cost of cartridges and so on—what we are dealing with is an amendment the purpose of which would be to zero-tax transportation to the Yukon, the Northwest Territories, Labrador and northern Quebec.

On that very subject, there are two points I wish to make. First, Senator Watt, and all the speakers who spoke after him on the same point, wished to convey the impression, which is wrong, that under the system that we live by today there is absolutely no tax affecting transportation to the north. For that matter, they would have us believe that there is no tax affecting transportation anywhere in the country. Indeed, we all know that this is not the case and that while currently transportation costs are not directly subject to tax, they are, however, indirectly taxed in two ways. First, any freight costs incurred prior to the point at which they are taxed under the current system are effectively taxed in their entirety since these costs are reflected in the selling price to which the tax applies. Federally, this means that freight costs incurred on inbound movements of raw materials and semi-processed goods for production of taxable manufactured goods form part of the tax base. Provincially, all freight costs incurred prior to the retail level are fully taxed. There go your skidoos, cartridges, ammunition, hunting rifles, fishing gear, heavy-duty boots and the specially-lined pants worn to work in the mines.

● (1510)

Senator Buckwold: You will have to do better than that.

Senator Cogger: However, freight is also indirectly taxed under existing sales tax systems on a wide range of purchases by freight carriers which serve to increase their operating costs. In turn these costs are reflected in higher freight prices to their customers. Among those items purchased by carriers that are currently taxed by both levels of government are things like motor fuels, telecommunication services, office furniture and supplies, maintenance supplies, construction materials used to build terminal facilities, loading equipment and so on and so forth. Therefore, it is not quite accurate or correct to paint the simplistic picture that with the GST a $2,000 skidoo will increase by 7 per cent, as if there were no tax at all incorporated in either the price of the skidoo or the cost of transportation once the skidoo reaches Yellowknife.

Now that it is established that there currently exists a form of indirect taxation on transportation and the items themselves, let us look at the effect of the proposed changes as a result of the coming into force of the GST, how it will affect the economy of the north as well as the pocket books of those people who have bothered to come down and watch the proceedings of the Senate this afternoon. Let me refer to some figures which, unfortunately, are only for the Northwest Territories and the Yukon, although I am assured by officials of the Department of Finance that they are proportionately applicable as far as both Labrador and northern Quebec are concerned. In aggregate, residents of the Yukon and the Northwest Territories pay about $70 million per year in sales tax under the existing system. That amounts to approximately $850 per person. Under the GST it is forecast that there will be a net reduction of approximately $10 million in the overall tax burden for residents of the Northwest Territories and the Yukon, resulting in a net saving per person of $125 and a net saving per family of $275.

Senator Lucier: That is if everything is passed on.

Senator Cogger: Currently industries in the territories pay a substantial amount of sales tax on virtually all their purchases. These purchases are either taxed directly, as in the case of motor vehicle fuels and telecommunications services, or indirectly as a result of the manufacturers' sales tax that is paid at previous stages of construction or production. In addition, purchasers of capital goods such as machinery equipment and buildings, must pay a substantial amount of sales tax under the current system. On average the current MST accounts for about 4 per cent of the total price of capital goods. Even though the existing system provides for a number of exemptions from sales tax in the resource sector, the tax accounts for almost 3 per cent of the price of capital goods produced by this sector. Overall, sales tax reform—that is, the bringing into force of the GST—is expected to increase real input in the Yukon and the Northwest Territories by about $40 million in today's dollars. As I have said, I have been assured by the Department of Finance officials that similar increases and rebates, where they apply, are forecast for Labrador and Northern Quebec.

In addition to the structural elements of the GST which will be of benefit to the north, I would also like to outline briefly some other benefits and programs which the government has specifically targeted for northern communities. The Northern Benefits Program, which is administered through the Income Tax Act, provides for an annual deduction of income of up to $5,400 in recognition of the higher living costs associated with living in northern and isolated areas. It also provides for two employer-provided trips per year—in other words, the GST will be paid by the employer—which are not treated as taxable benefits for income tax purposes. The existing Postal Rate Subsidy Program currently provides a subsidy of about $15 million per year to assist in the transportation costs of perishable goods to northern regions. In addition, the Government of Canada has a formula financing agreement with the governments of the Yukon and the Northwest Territories to allow them to subsidize the purchase of services on behalf of their residents. This program allots about $14,500 for each resident of the Northwest Territories and $7,600 for each resident of the Yukon.

I thought I would bring these figures on the subsidies to the attention of colleagues opposite because it gets depressing listening, as we have this afternoon, to their doom and gloom. They have had nothing good to say about the measures the Government of Canada has put in place to alleviate the difficulties northerners face, which we all know and recognize.

Senator Lucier: Are you going to give us the figures on the subsidies that the people of Quebec and the Atlantic provinces receive? If you are going to give them for the north, you might as well give them for the other regions.

Senator Cogger: I would be pleased to do that. As I indicated—

Senator Simard: This is public information, by the way. Why didn't you use the figures on Quebec, Ontario or wherever?

Senator Cogger: I would be pleased to provide the honourable senator with those numbers as they apply to northern Quebec and Labrador either tomorrow or on the following days.

Senator Lucier: I am talking about all of Quebec.

Senator Doyle: Oh, you are changing the subject.

Senator Cogger: I thought this amendment had to do with Northern Quebec.

Senator Lucier: Half of the figures you have given have nothing to do with the amendment, and I accept that, but if you are going to give those figures, why do you not give the figures of, for example, Quebec?

Senator Cogger: My figures apply to the entire north. I will give the honourable senator the numbers for northern Quebec, because it is mentioned in the amendment. It so happens, if you look at a map, that parts of Quebec are in the south. The numbers will be provided to the honourable senator in due course.

[*Translation*]

Honourable senators, for all the reasons I just mentioned, I think that we on this side of the Chamber realize what is behind the Liberal amendments we have been served up for almost three weeks, at a rate of two or three per week, without fair warning for the government side, which means we never know ahead of time what we will be discussing on a given day. That just shows how seriously the Official Opposition takes debate in this Chamber.

In any case, when given a chance, I believe we do make a serious effort to consider the amendments that are tabled, and to examine them to the best of our ability, even if they were tabled late in the day and practically as a dilatory measure. We do make an effort, nevertheless, to consider them and to respond as best we can. And this is just one more instance of an amendment that, to me, is redundant, useless, unnecessary, dilatory, belated and, consequently, an amendment that deserves to be defeated. Thank you.

● (1720)

Hon. Willie Adams: I have a question for Senator Cogger which relates to the comments he made about transportation costs in the north. I would remind him that shipping articles in the Arctic is quite different from shipping articles by truck from city to city in southern Canada. Any item, even building supplies, has to be crated before it is shipped to the north and that involves an additional cost.

The honourable senator mentioned subsidies. If a local person from the community is hired then there is no subsidy. If a schoolteacher, a tradesman such as an electrician or plumber are hired from the south, then they will get a northern allowance.

The people in the gallery today come from the communities of the north. The mayors of the municipalities are here today. They are concerned about everything being taxed and the increased cost of goods and services. Representatives of the municipality are concerned because they will have to pay 7 per cent more tax when they hire people to work in the community.

The honourable senator also mentioned that some people in the community are paid by the government. I live in Rankin Inlet and I work for the government. When I fly from Rankin Inlet to Winnipeg, that flight is subsidized, but the flight from Winnipeg to Ottawa is not subsidized. People living in Baffin or in Frobisher Bay who want to go to Montreal will benefit from the government subsidy, but if they want to go to Florida then they will have to pay full fare.

I think the GST will hurt people living in the north and that is why the people here today have come to the Senate. They are concerned about the fact that everything from snow removal equipment to the cost of electricity will go up.

Senator Cogger: As I understand the point Senator Adams was making it is that everything will be "higher." I would just like to say that "higher" is a relative term. Higher than what? Seven per cent is higher than nothing; but the point I was making is that it is a falsehood to try to convince people that there is currently no tax and, therefore, 7 per cent is higher. That is not the situation and senators opposite, including Senator Adams, know it.

As a matter of fact, when I look at this Mayday message that went from Senator Molgat, Senator Buckwold and other people to the Canadian Parliamentary Association, I see in paragraph 8 a reference to Bill C-62 where they say that the bill is a complex and far-reaching bill which seems to replace the manufacturers' sales tax, currently at 13.5 per cent, with a more broadly based value-added tax of 7 per cent. That is the case, and to say to these people that everything will go up by 7 per cent is just not correct. The 13.5 per cent that Senator Lucier mentioned is already in the cost of the skidoo and it is also hidden somewhere in the cost of transportation of the skidoo to Yellowknife. That is the point I was making.

Hon. Jack Austin: Honourable senators, I rise to support the motion of Senator Watt on behalf of Senator MacEachen that Bill C-62 be amended to make special provision for the Yukon, Northwest Territories, northern Quebec and Labrador.

In so doing, let me first deal with the extemporaneous remarks of Senator Cogger. I have a chard of sympathy for his

discomfort in the absence of substantial notice of which amendment will be presented on the part of senators on this side. The reason is that it is the opinion of senators here, which I am sure he knows, that this bill is so defective that so many amendments could be presented that, of course, surprise is inevitable. Our choice is from amongst a panoply of options.

Senator Cogger: The people in the gallery know.

Senator Austin: Do you suppose, Senator Cogger, the people in the gallery today would have listened to you with anything but hostility? Your remarks are, at best, beside the point and, at worst, they are downright ignorant of the conditions of people in Canada's north.

Senator Lucier: Right on!

Senator Austin: I served in the Department of Northern Affairs and Natural Resources for five years; I served in the Department of Energy, Mines and Resources for four years; and I was Minister of State for Indian Affairs and Northern Development for nearly a year, so I claim some knowledge of conditions in the north and some knowledge of government policy over some period of time in the attempt to create, in the north, attractive and habitable living conditions and an incentive to Canadians and others to invest in the development of the north; to invest in the resource potential of the north; and to create, in the north, a viable economy and a modern and contemporary society. The numbers you give are, as I said, at best, beside the point.

Senator Lucier was right in asking you to be fair when you recite numbers transferring funds from the federal government to northern governments, and to compare those numbers with transfer payments made to other provinces. That is not an unfair request. You are not comparing like with like. What we are seeing in your remarks is immense fuel for the next election in the three ridings in the north. Senator Cogger, you will be famous in your wind-up remarks. The great paragraph in the latter part of your speech so dismisses northern Canadians that I would be surprised if you would not want to do as your Prime Minister has done and go up north and do a "mea culpa" to apologize for your views and for your behaviour with respect to northern residents.

Honourable senators, the purpose of this motion is to put right only one aspect of the disadvantage which is suffered by northern residents. It is to put right the increasing burden which the GST will put on northern residents. I cannot begin to list the number of inequities in terms of the cost burden laid on northerners in other parts of our system.

• (1730)

What is sought here are three things: First, that all goods and services in the north, including transportation supplied in that area be free of the GST; secondly, that residents of the North purchasing goods and services anywhere in Canada be exempt from GST, provided these goods and services are used in the North; thirdly, that no GST is charged for travel within the North, or anywhere in Canada, by residents of the North and no GST is charged for transportation services for goods shipped from anywhere in Canada to the North. In other words, Northerners are carrying a heavy enough burden today by living in the North and are asking for a GST-free zone. That, honourable senators, is eminently justified.

Senator Stollery earlier in this debate spoke about the Right Honourable John Diefenbaker and his policy of giving an affirmative action program to the development of the North. That is the policy that this government should be extending. That is the policy that all governments, up until this time, have followed. Many of the transfer payments that Senator Cogger referred to are the policies of earlier Liberal governments.

What is happening in the North today is that there is an enormous inflation taking place in the cost of northern fuels, one of the largest items in the cost of living. This is not an item of luxury. This is not an item of option that people in the North can do without. The base price of fuel has risen enormously. On top of that, as Senator Cogger was not willing to tell us, the cost of transporting fuel from the south is a full GST cost, and it will be borne by the northern resident. That, honourable senators, ought not to be if this government has its sights set on the development of the area north of 60, northern Quebec and Labrador, as a frontier of Canada which ought to be developed in the interests of Northerners and, indeed, of all Canadians.

There is a substantial future for the Canadian economy in northern Canada, and the government of which I was a member, as Senator Lucier will recall, put the Yukon's economy back on its feet by assisting in the redevelopment of the Cyprus Anvil Mine. That was not a question on which people said, "Well then, they will have to develop a mine in Quebec and a mine in British Columbia and a mine on Prince Edward Island." Forty per cent of the GDP of the Yukon is based on the production of the Cyrpus Anvil Mine. What we did was to restore its economic viability by funding studies, by supporting pit slope stability, by better economic use of that resource, and by better mining techniques. The federal government put up a substantial part of that money, and today that is a viable, stand-on-its-own-feet operation in the Yukon.

Senator Lucier: And 40 per cent of our economy!

Senator Austin: As Senator Lucier says, and as I mentioned, it is 40 per cent of the GDP of the Yukon.

Honourable senators, the North is a special place. It cannot be equated with other parts of Canada. It is a part of our frontier, and it is the homeland of northern natives, Inuit and Indians. It is now also the homeland of a very considerable population of people from southern Canada. They are willing to stake their futures and the well-being of their families on their personal investment in the development of that part of Canada.

Honourable senators, that part of Canada, particularly the Northwest Territories, is a unique part of Canada in that the population is more substantially a native population than it is in southern communities. We have an opportunity, honourable senators, to further the social development of those communities and to further the cultural respect of those communities for one another.

That sort of respect and building of Canada does not seem to be understood by this government, honourable senators. This is a government that seems to be enamoured with divisiveness. They do not seem to understand the underlying social and political bonding that has to occur in a country if it is to be an optimistic, creative and constructive country.

Allow me to tell you of the remarks of two Conservatives just in the last few days. In *The Gazette* of November 18, there is a headline which reads "Stanfield fed up with West's attitude". While speaking at a McGill University Law Faculty Conference on Canada's future, Robert Stanfield, the former Leader of the Federal Conservative Party, said he is frustrated with western Canada. He said:

> Perhaps what we should do is go back to 1867, and Ontario and Quebec, New Brunswick and Nova Scotia should effect a deal together, and the others should apply to come in.

The article continues:

> ... Stanfield said he was dismayed by continual talk throughout the conference of an apparent hardening of opinion in the West against Quebec, a hard line witnessed in popular support for the idea of an elected Senate that would rob Quebec of its traditionally-strong representation.
>
> People out west just don't want to hear about Quebec and central Canada's solutions for the country, he said.

The article continues:

> "'We're fed up with the whole discussion,'" Stanfield said.

Honourable senators, how do you build national unity when an important Conservative leader is expressing himself as being fed up with the attitudes of Canadians in some parts of the country?

Senator Frith: Hear, hear!

Senator Austin: Honourable senators, I represent western Canada. Mr. Stanfield says he is fed up with our attitude in Western Canada, and by parity of reasoning, I am sure he is fed up with the attitude of northern Canadians as well.

Honourable senators, another sign of a party that does not understand its task, is shown in an article that reports that Progressive Conservative MP Pierrette Venne said that she and several other Quebec Tory backbenchers considered jumping ship to the sovereigntist Bloc Québecois, but they decided instead to fight for a five-region Canada.

Senator Murray: That is just what Mr. Chrétien said.

Senator Austin: No, he did not say anything of the sort.

Senator Murray: Yes, exactly.

Senator Austin: We can debate Mr. Chrétien when you get on your feet, Senator Murray. I know you are uncomfortable with the line of argument I am taking, but if you do not mind, I will continue with it. Even if you do mind, I will still continue with it.

Madame Venne was talking about a group of Conservative MPs in the other place who have become a caucus for the purpose of pushing this particular line. She wants the federal government to be stripped of many of its present powers. She would have five divisions: Ontario, with 9.4 million; Quebec and Labrador, with 6.6 million. That addition of Labrador is interesting. Where is Senator Marshall? The Atlantic region would have 2.3 million, including Newfoundland, but apparently not its present Labrador territory. Can you believe that, Senator Petten?

Senator Petten: I cannot believe that!

Senator Austin: Then the Prairies and Northwest Territories would have 4.5 million; and British Columbia and the Yukon would have 2.5 million. What would these regions be? They would be super-power regions with tremendous jurisdiction over things like cultural affairs, education, roads, police and municipalities. They would have exclusive control, honourable senators, of native affairs. I wonder if the native community will be asked for its opinion by the government, or is this policy, coming from the Quebec caucus, a "seamless web"?

Senator Lucier: Once they put it out, you cannot change it!

• (1740)

Senator Austin: I remember a struggle many years ago in which the then Minister of Energy, the Honourable René Lévesque, wanted jurisdiction of all native affairs in Quebec transferred to the province of Quebec along with all the money the Government of Canada was spending in the province of Quebec.

Senator Murray: Tell us about Mr. Chrétien's white paper.

Senator Frith: The last thing they want to hear about is the GST. Tell us about anything, but do not tell us about the GST.

Senator Austin: Let us go on with this Quebec caucus demand: Agriculture, Employment and Immigration, Health, Welfare, Social Services, Science and Technology, Fisheries and Oceans, Labour and Communication. Ottawa would keep exclusive jurisdiction over 12 areas.

Senator Steuart: The national debt!

Senator Austin: That is for sure. External Affairs, the environment, currency in the Bank of Canada, criminal justice, internal security, maritime rail and air transport.

Madam Venne's document states, and I quote: "A political vacuum exists in Canada." A political vacuum exists somewhere, but I do not think it is in Canada. I think it is in the Conservative caucus. I think the attitude of people in the party opposite towards building a national system in which all of us live in a common society and respect and support one another is an attitude gone. I do not want to go back to John A. Macdonald's time, but this government simply does not understand building consensus; it does not understand social bonding; it does not understand the networking that has to go on to pull disparate parts of the country together.

Honourable senators, there is a novel solution available to Canadians. I wish to quote from one more newspaper article. On Sunday, November 18, the *Ottawa Sun*, which is not a

newspaper I usually quote, and obviously I am scraping with this one—

Senator Murray: You said it.

Senator Austin: It is a fascinating vignette. This article states that Alberta MP, Willie Littlechild, was served Friday with a court document claiming he has failed in his duty to represent his constituents' opposition to the controversial GST.

There, honourable senators, is an interesting solution that is available to Canadians. Canadians in each constituency in Canada can commence actions against their members of Parliament, and hopefully against Conservative senators, for failing properly to represent their interests with respect to this legislation.

Honourable senators, I hope Senator Cogger will listen, because he had such a fascinating and erroneous comment. One of the great additional costs of the GST in the north is the cost of transporting people and goods. It is the additional tax on transportation that is one of the most significant reasons for raising prices and lowering incomes in that area. The GST will directly add another 7 per cent to those prices. Northern residents will not benefit to the same extent as southern Canadians from the substitution of the GST for the existing federal sales tax on many goods. Although the FST applies at a higher rate than the GST, the FST is usually entered at the manufacturing or wholesale level, which typically does not include transportation to the point of sale.

The 7 per cent GST, on the other hand, applies to the final price of the good or service, including the cost of transporting that item. Thus, northern residents will not see the same price reductions available to Canadians living closer to the manufacturing source. Therefore, Senator Cogger, you missed the point entirely. Your briefing was bad. You did not spend enough time with someone, and they could have done better for you.

Territorial government officials at the meeting of the Senate Banking Committee in Yellowknife said that the cost of living in Yellowknife is 33 per cent higher than in Edmonton, and once housing is included this differential increases to 40 per cent. To illustrate what it means to apply the GST to prices that are on average 33 per cent higher, let me use an example given to the Senate Banking Committee by the Northwest Territories Chamber of Commerce. Prior to the GST, goods which are purchased for $1 in Edmonton would cost $1.33 in Yellowknife. Introduction of the GST adds 7 per cent to the purchase of goods in each location. The goods purchased in Edmonton would now cost $1.07, while the goods bought in Yellowknife would cost $1.42. Thus, while the increase in Edmonton is seven cents, the increase in Yellowknife amounts to nine cents. This differential is magnified by the remoteness of the community, as Senator Lucier stated earlier. The cost of living in outlying northern communities, such as Grise Fiord, can be over 100 per cent more expensive than in southern Canada. Similarly, the cost of living in other Yukon communities such as Old Crow can be up to 60 per cent greater than in Whitehorse, which is in itself a lot more expensive than sourthern locations.

Honourable senators, while it may be true that nominal incomes in the north do exceed those in the south, the higher costs do not suggest a better standard of living. Not only are the GST credits too low to compensate northerners for the significantly greater amount of GST that they would pay, but the income threshold at which the benefits would be taxed back is too low.

Honourable senators, there is much I could or would say. My colleagues have put on the record unanswered and also unanswerable arguments. Senator Fairbairn gave a simple illustration that makes the burden of northerners totally clear. Her research shows that today a 25-pound Grade A turkey in Ottawa costs $44. Last year at The Bay in Iqaluit, that turkey cost $79. Goodness knows what it will cost today, or even if they can afford to ship turkeys into Iqaluit.

Honourable senators, I support Senator Watt's motion. Senator Watt, Senator Adams, Senator Lucier and other senators on this side have argued very well. I believe that honourable senators opposite, sitting mainly silent as they do through this debate, are silent for the reason that they have nothing to say in reply. They are bound to a political commitment. They are bound to remain deaf and dumb on the subject of the GST. I do not know why, Senator Watt, you were appealing to Senator Murray's conscience. By definition, a leader of a government on that side in that party has no conscience. He has an interest and his interest does not coincide with your interest. His interest is to have this legislation passed. Your interest is to defend the people of the north from an even heavier burden, an even more inequitable burden. There will be 12 months of summertime in Fort Chimo before that party and that government comes to any serious understanding about the north.

Honourable senators, I said on November 14 that there would be a referendum on the GST in the city of Vancouver. It was held last Saturday, November 17. On November 14, I stated that some 85 per cent of the residents of Vancouver were likely to vote against the GST. The question put was a simple one: Do you favour the GST? It was put there by unanimous resolution of the city council of Vancouver. Honourable senators, 85 per cent of Vancouverites said they did not favour the GST. The same or better was true in three other British Columbia communities that held a referendum on the same topic.

• (1750)

In British Columbia there is virtually unanimous rejection of this tax. Can you imagine if there was a referendum on this tax in the north?

Senator Lucier: It would be 103 per cent.

Senator Austin: It should be 130 per cent against.

I urge all honourable senators to search their conscience and, more than that, their dreams for Canada and support this amendment.

Senator Steuart: Honourable senators, I will say just a few words in support of this amendment.

First, I have been impressed by the almost total silence on the other side concerning this extremely unfair situation. We already have an unfair situation in the north regarding costs and living conditions especially as it affects the native people, the Inuit, Indian and Métis people up there. This GST will make that unfair situation far worse.

Senator Simard: Rhetoric, rhetoric. Words.

Senator Steuart: Did someone leave a window open?

Senator Simard: Give us some facts like my colleague did.

Senator Steuart: He calls those facts. He got a written speech from the department and he could not even read it. If anyone asked him a question, he would not know what it was based on. You can ask me about any facts I put on the record and I will gladly answer.

Senator Cogger: Tell us what the amendment is again?

Senator Steuart: You had a chance to speak, senator. You come from a part of Canada that has been treated very unfairly.

Senator Simard: You want me to speak?

Senator Steuart: Why not get up and speak on behalf of those people? You just sit in your seat and heckle people who are trying to speak in this debate.

Senator Simard: We were there; we met those people.

Senator Steuart: Just listen to this for a minute. Who spoke in favour of this amendment? Senator Charlie Watt, Senator Willie Adams, Senator Paul Lucier. I find it interesting that we also listened to Members of Parliament from the Northwest Territories and the Yukon and none of them were Conservatives. Never a Conservative senator from the Northwest Territories or the Yukon, put here by the Tories. Never. You did not have too many chances, thank God, but you had lots of opportunities to do it. What about members of the House of Commons? Not one. Why? Because of your attitude towards the north. You people should act like John Diefenbaker, or Mike Pearson, or any of the Prime Ministers over the last 50 years who gave their all for the north.

You had a chance to get up and make some contribution and say how unfair this tax is. You could have talked about the terrible inequity of this tax, what it is doing to northern Canada, how it will cripple any chance of development in northern Canada. Yet not a word. None of you. Nothing except a speech written by the Department of Finance that the senator could hardly read, and did not understand when he did read it, because he would not answer one question. He was covered for by the honourable senator from New Brunswick who seldom makes a speech, he just sits in his seat and heckles the very positive senators on this side who are making—

Senator Simard: What did the Liberal government do for the north? You never did anything for the north. You never resolved their problems. You created problems in the north.

Senator Steuart: How is it that the northerners could not get to the polls fast enough to throw all of you people out? Eric Nielsen should have run again. He would have been down the drain at the hands of the NDP. That is what the people of the Northwest Territories thought of you before the GST. I think you will have trouble getting anyone to run in the next election after the GST.

Senator Simard: You people created the mess in the north.

Senator Steuart: Northerners say that our national anthem talks about the true north strong and free, yet northerners often feel their portion of Canada is constantly overlooked or forgotten when policies are developed and legislation is devised. One has only to come from the south to an arctic community and visit one of the small local stores to see what they are talking about. They are not talking about luxury items, they are talking about necessities. The economic burden falls on people who face a host of problems which include low educational levels, marginal or seasonal employment, the harshest climate in North America, severe housing shortages, minimal access to training programs, and a high birth rate as well as inadequate social services and serious social disruption.

This has all happened in the last six or seven years. No wonder there are no Conservative members up there. On top of that extremely unfair situation, you are adding the GST.

Honourable senators over there say they have not had any notice. I will make you a deal right now.

Senator Cogger: Would the honourable senator settle a difference between Senator Kelly and me? He argues that I have not convinced you this afternoon. Is that correct? I thought I had you convinced.

Senator Steuart: The honourable senator is rich; he wants this tax. The poor people and middle income people hate the tax and you Tories over there love it because if we do not get this tax and we have to pay the national debt, you might have to pay more taxes. I like Senator Kelly but I am not impressed by the fact that he is against this amendment.

Here is the deal I was about to offer you. You people say that you did not get any notice. I have not talked to our leadership but I am sure they will agree. Stand up right now and let me move adjournment of this debate, set aside all the rules, for two weeks. You will have a chance to prepare everything you want, and we will come back in two weeks and finish the debate on this amendment. What could be fairer?

Senator Frith: Seconded by Senator Simard.

Senator Simard: No way.

Senator Steuart: He is speechless. I am so sure that we are being so fair that I did not even consult my leadership. We will do it right now. Do you agree?

Senator Doody: Question.

Senator Steuart: They are obviously not about to agree, so we better put the question.

MOTION IN AMENDMENT—DIVISION DEFERRED

The Hon. the Speaker: Honourable senators, Senator Watt moved on behalf of Senator MacEachen, seconded by Senator

Adams, that Bill C-62 be not now read a third time but that the Schedule of the Bill be amended, on page 342, to make special provision for the Yukon, Northwest Territories, Northern Quebec and Labrador by adding to Schedule VI, and numbering accordingly, a new heading and Part as follows:

"YUKON, NORTHWEST TERRITORIES, NORTHERN QUEBEC AND LABRADOR

1. In this Part,

"Labrador" means that part of Labrador within the Province of Newfoundland;

"Northern Quebec" means the part of Quebec that is north of the 55th parallel of north latitude.

2. A supply of any goods, service or property made in the Yukon, Northwest Territories, Northern Quebec or Labrador.

3. A supply of any goods, service or property made to a resident of the Yukon, Northwest Territories, Northern Quebec or Labrador for use or consumption primarily in the Yukon, Northwest Territories, Northern Quebec or Labrador.

4. A supply of service of transportation that commences or terminates in the Yukon, Northwest Territories, Northern Quebec or Labrador."

Is it your pleasure, honourable senators, to adopt the motion in amendment?

Some Hon. Senators: Yea.

Some Hon. Senators: Nay.

The Hon. the Speaker: Will those honourable senators in favour of the motion please say "yea"?

Some Hon. Senators: Yea.

The Hon. the Speaker: Will those honourable senators who are against the motion please say "nay"?

Some Hon. Senators: Nay.

And two honourable senators having risen:

Hon. William J. Petten: Honourable senators, pursuant to Provisional Rule P-3(a), I request that the division be deferred until 5.45 o'clock p.m. on the next sitting day.

BUSINESS OF THE SENATE

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I understand it is not necessary that we adjourn the debate. Thus, I move that all other items stand.

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

Motion agreed to.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Tuesday, November 20, 1990

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

[*Translation*]

GOODS AND SERVICES TAX

PRESENTATION OF PETITIONS ON BILL C-62

Hon. Jacques Hébert: Honourable senators, I have petitions which, although not coming from Quebec, are nonetheless relevant because they are coming from Northern Canada, and particularly from Igloolik, a small community of fewer than 1,000 where, as my collegues pointed out, I had the pleasure of spending the Easter week this year. My stay there convinced me that there was no exaggeration in what we heard yesterday about how hard and how expensive life is in the north. It was not absolutely true.

I will take the liberty of reading to you the short letter accompanying the petition from Igloolik. It is adressed to the Honorable Senate of Canada.

[*English*]

> To Whom It May Concern;
>
> On behalf of Management and Staff, the Board of Directors, our 200 Co-op Members and their immediate families, we wish to go on record as being opposed to the GST Tax as proposed by the Federal government. We firmly believe that this tax will be another burden on the people of this northern region who because of their geographic location already have the highest cost of living in Canada.
>
> Co-operatively yours,
>
> Isaac W. Gullage-manager.
>
> Igloolik Co-operative Ltd.

[*Translation*]

Honourable senators, I will read only a few names, because some are difficult to pronounce for someone who does not speak Inuktituk.

(*Names of signatories read*)

In any case, some names are written in Inuktitut, the Inuit language. I will skip those altogether.

(*Names of signatories read*)

These people are members of a co-operative in the north. They will be hit twice by this tax.

(*Names of signatories read*)

There are names that I cannot read to you. I am terribly sorry!

(*Names of signatories read*)

Follows a number of names written in Inuktitut. I will not even try to read them out loud.

(*Names of signatories read*)

• (1410)

I have another petition from the north. This one is from Resolute Bay.

(*Names of signatories read*)

I have a few others from Pond Inlet. Allow me to read you some names.

(*Names of signatories read*)

I am truly sorry . . . I hope the people from Pond Inlet will forgive me, but the writing is more difficult to read. There is even a petition completely written in Inuktitut. It comes from Repulse Bay.

(*Names of signatories read*)

There must be a distinct society in that area!

• (1420)

(*Names of signatories read*)

These are all people from Rankin Inlet.

(*Names of signatories read*)

That is it for Rankin Inlet. Now, here is a petition from Iqaluit, a larger administrative center, but still a pretty small place where the cost of living is extremely high.

(*Names of signatories read*)

It used to be called Frobisher Bay. It is now Iqaluit.

(*Names of signatories read*)

• (1430)

Senator Hébert: I will now do something unusual which I imagine senators opposite will appreciate. For the very first time, I received a petition supporting the GST. I never tabled one before because I never get any. However, this was unusual, and I said to myself that, after all, it was my duty to table it. It's the only one I've had so far, but table it I must!

(*Names of signatories read*)

Senator Tremblay: He must have a few enemies.

Senator Hébert: I suppose so. This is from a Mr. Gérard Godin.

(*Names of signatories read*)

He took the trouble to say: "I am in favour of the GST because, let's face it (there is a spelling mistake, but anyway), someday we will have to pay. Might as well pay now. This is an upstanding citizen who belongs to the 15 per cent that is still in favour of the GST. However, since this was the first one, in fact the only one I received so far, I thought I should table it, quite frankly, and that is what I have done.

Senator Tremblay: What names are on the petition?

Senator Hébert: Well there is just one name. It's not a very big petition, I can't make it any bigger. This is the only one I got and there is only one name on the petition. I'm not sure, but I get the impression he couldn't find anyone, not even in his own family. He is all alone.

Now, here is one that is more comforting, signed by 310 residents of Mistassini in the Lac Saint-Jean area. They call upon the Senate to reject the goods and services tax bill. So here we see the names of—

(*Names of signatories read*)

• (1440)

Senator Hébert: I always have time. I have a petition signed by 40 residents of Avenir, in Quebec, who oppose the proposed bill on the Goods and Services Tax.

(*Names of signatories read*)

I have tens of thousands of others but I will stop here.

• (1450)

[*English*]

Hon. Lorna Marsden: Honourable senators, I have a great many petitions from citizens protesting the proposed imposition of the goods and services tax, which they think is unfair and should be replaced by real tax reform.

(*Names of signatories read*)

Honourable senators, I have another petition.

(*Names of signatories read*)

Honourable senators, I have yet another petition.

(*Names of signatories read*)

• (1500)

(*Names of signatories read*)

I have a number of other petitions to present.

(*Names of signatories read*)

BUSINESS OF THE SENATE

Hon. Royce Frith (Deputy Leader of the Opposition): Would the honourable senator yield?

Honourable senators, there is a bill on the Order Paper, Bill C-87, dealing with Veterans Affairs, that has been the subject of some discussion on both sides, and in particular between Senator Marshall and Senator Neiman. I believe that they have arranged, with the support of their caucuses, to interrupt the proceedings now so that the bill can be brought forward for second reading. We will hear short speeches and then the bill will probably receive second reading and be sent to the committee. I understand the Social Affairs committee is teed up to hear the Minister at 4 o'clock; certainly it is our custom to make sure that all bills receive attention from committees, and this committee might well report even later this afternoon; we might then complete all stages of that bill today, if everything goes in accordance with the agreement between Senator Marshall and Senator Neiman.

If Senator Marsden, the chairman of the committee, concurs, we can interrupt these proceedings now and have that done.

If, with unanimous consent, your Honour would call Order No. 5, we might proceed to second reading and debate along the lines I have just suggested.

The Hon. the Acting Speaker: Is it agreed, honourable senators, that we proceed to Order No. 5? Is leave granted?

Hon. Senators: Agreed.

Senator Frith: And it is understood that we will return to where we are now after that bill has been dealt with.

The Hon. the Acting Speaker: Is it agreed, honourable senators, that when second reading is completed, we will return to Presentation of Petitions?

Hon. Senators: Agreed.

STATUTE LAW IN RELATION TO WAR VETERANS

BILL TO AMEND—SECOND READING

Leave having been given to proceed to Order No. 5:

Hon. Jack Marshall moved the second reading of Bill C-87, to amend the statue law in relation to war veterans.

He said: Honourable senators, I am pleased to present legislation that I am sure will be welcomed by veterans and their dependents. Bill C-87 is another example of Veterans Affairs Canada keeping in step with changing times.

Before I refer to any details of the bill, honourable senators, the Minister of Veterans Affairs Canada has asked me to thank the Senate on his behalf for all the attention it has given to matters affecting veterans.

The Minister and his officials are giving careful consideration to the views presented to the Senate Subcommittee on Veteran Affairs and will be extremely interested in reading the Senate report that is to be released shortly.

Honourable senators should know that the House of Commons debated second reading of Bill C-87 in committee of the Whole and gave the bill third reading on October 12. After Bill C-87 was sent to committee in the other place, representatives of Canada's major veterans' organizations—the Royal Canadian Legion, the National Council of Veteran Associations, and the Army, Navy and Air Force Veterans in Canada, the three groups that represent the majority of veterans in Canada—gave the legislation detailed attention and suggested a number of improvements. Those suggestions are incorporated in the legislation before you.

You can readily see, honourable senators, that Bill C-87 has the approval of all parties in the House of Commons and is endorsed by organizations representing veterans.

Honourable senators, Bill C-87 amends a large number of Acts of Parliament. Most of the amendments are of a housekeeping nature, clarifying confusing language and generally clearing away the clutter that has built up over the years. Consequently, I will only highlight a few items.

The first item deals with administered accounts, which are handled by Veterans Affairs or other third parties when veterans cannot look after their own affairs and someone has to see that the monthly disability pension cheque or the War Veterans Allowance payment are deposited in the banks and bills are paid.

At one time the Department of Veterans Affairs handled 10,000 such accounts, but it was felt that it would be better for the veteran if a relative or a friend handled the funds; therefore, over time, the number of accounts actually administered by Veterans Affairs has been whittled down to about 1,000.

These accounts pay no interest. They were regarded in the way that bank chequing accounts used to be regarded: a service was performed and payment for the service came in the form of waived interest. That is not the case today. Interest is paid on virtually every bank account. Bill C-87 will allow the government to do the same.

It is estimated that the government will be paying about $3.5 to the holders of these accounts. Interest payments will be back-dated to the beginning of the year.

Honourable senators, I might indicate that in our subcommittee discussions with the various departments in P.E.I., we met the head of every agency within the department, and Senator Bonnell was the one who pointed out that there were many cases of veterans not being able to handle their own accounts and not getting interest and not having any administration being done on their accounts.

That is what I am referring to when I say that Bill C-87 is an example of the Department of Veterans Affairs keeping in step with the times. This was never done before, but it is being done now. Perhaps it should have been done a long time ago.

• (1510)

The second major amendment also affects administered accounts. It is not uncommon for a veteran owning such an account to die without leaving a will or an heir. Until now, unclaimed moneys went into general revenue; but the Royal Canadian Legion, for one, has argued that these veterans' funds should continue to help veterans. The case was made that, because of the special bond existing between those who served in wartime, veterans would rather see their estates assist their buddies rather than have them swallowed up into anonymous government pots.

The Minister of Veterans Affairs has heartily endorsed this approach, and that is why Bill C-87 provides that a special trust fund be established to use those unclaimed moneys for the benefit of needy veterans and their families.

It is not possible to estimate how much money will go into the fund each year. Obviously, it depends on the number of veterans who die without an heir, and on their individual wealth.

Honourable senators, I will comment on two other changes.

The first will assist widows or widowers of what are known as class 21 pensioners. Those pensioners receive a lump sum payment rather than monthly pension cheques, because their disability has been assessed at less than 5 per cent. Nonetheless, they are also entitled to a monthly attendance allowance payment should their health problems make it necessary to have attendant care in the home.

Until the introduction of this bill, attendance allowance was cut off within a month of the death of the class 21 pensioner. All other widows or widowers of disability pensions are able to retain this benefit for up to a year. Bill C-87 will give the same right to class 21 widows and widowers.

Honourable senators should know that this particular amendment continues the compassionate regard the government has for recently-bereaved widows or widowers.

Senator Frith: Don't push it now.

Senator Marshall: The government believes that a bereaved spouse has enough to worry about without having financial upheaval added to the strain. This is why the Department of Veterans Affairs uses every opportunity to give widows and widowers a year's grace before reducing or eliminating benefits. They have done that before with the disability pension. After the veteran died, benefits were cut off after a month. An amendment was then introduced to allow the widow or widower to receive the disability pension for a year in order to allow adjustment to new circumstances.

Just this summer the Minister of Veterans Affairs announced that the surviving spouses of veterans who had been receiving veterans independence program benefits would be able to retain groundskeeping and housekeeping assistance for up to a year after the death of a veteran.

The final item I call to your attention is the elimination of a means test for pensioner parents of handicapped children. Pensioner parents of children attending school have no such hurdle to cross, and the Minister of Veterans Affairs feels it is high time that handicapped children had the same treatment.

Honourable senators, as I said earlier, the rest of the legislation, while lengthy, is basically housekeeping. Any shortcomings were resolved by departmental officials and representatives of veterans' organizations after Bill C-87 was initially introduced into the House of Commons.

In the debate on October 12 there was some Opposition complaint about matters not included in the legislation. The Minister of Veterans Affairs pointed out that a special committee of representatives of veterans' organizations had already been formed to study such matters as the status of merchant seamen, and other matters having to do with veterans' benefits.

Honourable senators, I know that the Minister of Veterans Affairs and veterans throughout Canada will appreciate speedy attention in dealing with this legislation. I commend the bill, which provides a few more benefits to veterans and, in addition, will eliminate anomalies in order to clarify the text or to make the legislation easier to administer on behalf of veterans.

Hon. Joan Neiman: Honourable Senators, I am very grateful to Senator Marshall for his skilful explanation of the important provisions of Bill C-87, because it relieves me of the necessity of explaining them again in detail.

It was very appropriate and timely that the Minister of Veterans Affairs, the Honourable Gerald Merrithew, introduced Bill C-87 in the other place just before our national day of remembrance, when we honour those Canadians who served, fought and died in two world wars and the Korean War. We honoured, too, those who survived, some apparently undamaged, some physically damaged for the rest of their lives, and others—such as those who were prisoners of war of the Japanese—who had apparently survived intact but whose experiences gradually incapacitated them physically, mentally and emotionally. Often the after-effects did not become apparent for years and it took successive governments even longer to recognize finally that such veterans had also been battle-scarred and that they too deserved the recognition, care and compensation that had earlier been awarded to other disabled veterans.

Unfortunately there are still many areas where our debt to our veterans has not been fully and adequately acknowledged, and our government seems to have moved frustratingly slowly in making amends. Bill C-87 is another small but important step in the right direction.

Bill C-87 may seem somewhat long and complicated but, as explained to us by Senator Marshall, who is Chairman of the Senate Subcommittee on Veterans Affairs, and who has worked tirelessly and unceasingly for many years on behalf of veterans, it contains just three significant changes regarding pension benefits and their administration. The remaining provisions are non-controversial housekeeping measures to provide policy consistency, improve wording and to streamline procedures. I do wish, as I am sure does Senator Marshall, that the bill contained several more long- requested corrective provisions of a more substantial nature. As veterans age, their needs, and those of their dependents increase. Therefore, the obligation of government should be enlarged accordingly. On the other hand, because the numbers of those requiring our care are decreasing each year, the difference in the expenditure of public money, which we should not, in any case, begrudge, is not significant.

The proposed amendments in Bill C-87 are ones with which we can all agree and are those which various veterans' associations have requested for several years. However, I should like to take a few minutes to review with you a few of those remaining problems which successive governments have failed to deal with adequately.

The effect of the clawback provisions on pensioners' benefits in Bill C-28, which was recently passed by Parliament is still to be assessed. Moreover, how will the GST, if it is passed, affect their incomes? We might obtain some answers to those questions when Bill C-87 is referred to committee.

I also understand that there remain restrictive provisions regarding the number of days of medical treatment allowed pensioners, and that creates real hardship for those with minimal incomes. I am sure that all Canadians would want pensioners to have unlimited medical assistance for as long as they need it.

Pensioners' widows are presently ineligible to receive any increase in pension awarded after her spouse's death. That is extremely unfair, because not only have those widows lost their husbands, but they have to make do on less money and with a shrinking dollar each year. That inequity must be changed quickly.

The many cases of hardship faced by Canadian veterans who chose to live in other countries after their war service, absolutely demand early and final resolution. In particular, many veterans after World War II chose, for personal reasons, to remain in Britain or to return to live there because they had no job to come back to here in Canada.

• (1520)

The War Veterans Allowance Act still stipulates that veterans or their widows must be resident in Canada when applying for an allowance; or, if the allowance is to be paid outside of Canada, the recipient must have a total of 12 months continuous residency in Canada. Senator Marshall, who has worked for years trying to rectify this situation, and to persuade government to change these unrealistic and harsh provisions, can tell us of horrifying cases of Canadian veterans and their families facing destitution overseas, who simply cannot afford to come back to Canada in order to apply for their justly-earned benefits, as they are required to do at present.

It is shameful to have our veterans and their families dependent on charity and the meagre handouts from benevolent organizations that are trying to help, when our government will not. Every veteran, and every veteran organization, should increase pressure on the government to change these inhumane conditions.

Finally, let me remind honourable senators of the merchant seamen who managed to survive their service on behalf of Canada and our allies in World War II. As Rear Admiral Leonard W. Murray, who was for a time one of my superiors at naval headquarters here in Ottawa, said when he was later serving as Commander-in-Chief, Canadian Northwest Atlantic:

> Make no mistake, the real victors of the Battle of the Atlantic were not the navies or air forces, but the allied merchant seamen.

The men of the Canadian Merchant Navy were all volunteers in the first and worst years of the war. In 1939, Canada had only 37 sea-going ships and 1,400 seamen, while at war's end the service had expanded to a total of 180 ships and 10,000 seamen, even with the enormous loss of ships and men that had occurred between those dates.

I have a list here of the names of 72 ships that were torpedoed and lost, many with all hands on board. There were countless others that were damaged, again with loss of life, but later repaired and put back into service.

As a Wren, I worked for the Director of Officer Personnel known as DOOP, which was responsible for all naval officers from enlistment through training and service to eventual death or discharge. With every signal we received of the loss of an officer there would be a companion report listing the naval

seamen casualties and then another with details of the convoy listing the number of ships lost or disabled, including the merchant ships.

In 1942, the year I went to Ottawa, it was the worst year of the war in the North Atlantic. We were not given the names or the actual numbers of merchant seamen casualties, because the merchant service was under the jurisdiction of the Department of Transport; but we knew that the figures were appalling. I have again read statistics which indicate that one out of every four merchant seamen, up to that time, became a casualty. As the tide turned in our favour in the Battle of the North Atlantic, the then Minister of Transport, the Honourable J.E. Michaud, said in April 1943:

> Merchant seamen virtually form the fourth arm of the fighting services, and despite their reticence to blazen abroad their heroic exploits we feel in fairness to them and to their next-of-kin the Canadian public should be told of their work.

I do not believe that enough attention was ever paid to the heroic exploits and sacrifices of our merchant seamen. Certainly those who survived were never accorded the same recognition and treatment as enlisted members of the armed forces after the war with respect to severance pay, disability, education and pension benefits, as well as medical services. There were also many other inequities, some of which have been corrected, or at least partially corrected, over the years, and others which remain.

The award of the Silver Cross was extended not too many years ago to mothers of the merchant seamen who died in service, but despite many requests having been made, the government has not yet commissioned the preparation of a book of remembrance to commemorate those men. At least the government of the U.S.S.R. erected a memorial in Murmansk in recognition of the contribution of merchant seamen who made that infamous run, many countless times, in order to help keep Russian citizens alive during those dreadful years.

The greatest obstacle to removing all vestiges of discrimination in the treatment of our pitifully few remaining merchant seamen and their families is the government's persistent refusal—and I stress that I mean every government since World War II—to recognize the merchant seamen by that magical designation of "veteran"—this despite the fact that the United States of America and Great Britain both changed their laws years ago to accord equal recognition and benefits to their merchant seamen as they have given to the veterans of their armed services. Moreover, our own veterans' associations have all finally agreed that the merchant seamen who served should be treated as "veterans," even though they did not come within the defintion of the word as set out years ago in various federal statutes respecting the armed services.

It was with some distress that I read a transcript of an interview on CBO radio on November 7 last with the Minister of Veterans Affairs in which the Honourable Mr. Merrithew indicated again that he was not yet ready to change the status of the merchant seamen because they had not served in the military and had not been subject to the Code of Military Discipline. Surely they were subject to an equally stringent code—that of dedication to service, hardship, and even death in order to ensure that the allies would eventually win the war.

Let me read an excerpt from an article by Lyndon Jones published in *The Whig-Standard* of November 6 entitled: "Veterans of merchant navy fight for rightful recognition." It states:

> It was the merchant navy who brought the food to the British people, the raw materials for their factories, the weapons for the armies being formed in their island fortress, the gasoline and oil to keep things moving.
>
> These men braved atrocious weather conditions and constant danger as they plowed through the oceans in Victory ships, Liberty ships, Park ships, tankers, canallers, tramps and liners, often unescorted. The men aboard these ships realized that, frequently unprotected, they were a sitting target for German U-boats, which could move in under cover of darkness, pick off their victims and then escape out to sea.
>
> When the torpedoes struck home, those who weren't killed in the explosion jumped into a cold and often storm-tossed, angry sea covered with slimy fuel oil. Some sailors drifted for days, cold, hungry and thirsty, in wet clothing. Those who were lucky were rescued by a passing ship, others simply vanished beneath the sea. Of those rescued, some 200 seamen spent up to four years as prisoners of war.

● (1530)

> It is no exaggeration to say that without these men and the cargoes they nursed through U-boat-infested seas, the war could not have been won. Convoy duty was a completely new experience for these seamen, who before the outbreak of war were used to sailing the spacious expanse of the seas at leisure. Now their captains had to learn to manoeuvre in crowded ranks, without lights, without wireless or navigational aids, with collision and disaster the price of a moment's carelessness.
>
> Many of those gallant seamen sailing aboard old ships had to contend with worn engines. The engineers had to nurse and spoonfeed the engines so as to avoid making smoke that would betray a convoy's presence. They couldn't pmp the bilges in order not to leave tell-tale traces of oil.
>
> The amazing thing about all of this is that despite appalling losses, the men of the merchant navy time and time again went back for more. Isn't it time, therefore, that this gallant breed of men are finally given the veteran status they so richly deserve?

I understand that the minister will be appearing before the committee on Social Affairs, Science and Technology this afternoon to answer questions with respect to Bill C-87. I do hope you will put that question to him. Ask him why he thinks this matter should be deferred again by referring it back, for study and consensus, to various veterans' organizations when

they have already indicated they support the change. Perhaps if we undertake to pass Bill C-87 this afternoon, he will, in turn, undertake to have another bill sent to us before our next Remembrance Day which will correct the inequities and inconsistencies I have mentioned, as well as others I have not taken the time to explain in detail, but, above all, the injustices that were imposed upon the merchant seamen. Let us remember with deeds, not words, those who fought and died for us and our country.

Hon. Senators: Hear, hear.

Senator Marshall: Honourable senators—

The Hon. the Acting Speaker: Honourable senators, may I remind you that if Senator Marshall speaks now, it will have the effect of closing the debate on second reading.

Senator Marshall: Honourable senators, I want to commend Senator Neiman for providing details on our merchant seamen, who, although not coverned in the bill, are of the utmost importance and priority. I can tell her that the Senate subcommittee is highlighting—I do not want to give away the secrets of the subcommittee's report—the cause of merchant seamen, which comprises a good part of our report. Every organization representing merchant seamen or merchant mariners appeared before the committee, and we have been able to send out copies of the proceedings to some 500 organizations and merchant seamen. She can be assured that we will do everything possible to appeal to the minister to correct a wrong that is long overdue.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

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

On motion of Senator Marshall, bill referred to the Standing Senate Committee on Social Affairs, Science and Technology.

SOCIAL AFFAIRS, SCIENCE AND TECHNOLOGY

COMMITTEE AUTHORIZED TO MEET DURING SITTING OF THE SENATE

Leave having been given to revert to Notices of Motions:

Hon. Lorna Marsden: Honourable senators, with leave of the Senate and notwithstanding Rule 45(1)(*a*), I move:

That the Standing Senate Committee on Social Affairs, Science and Technology have power to sit at four o'clock in the afternoon, Tuesday, November the 20th, 1990, even though the Senate may then be sitting, and that Rule 76(4) be suspended in relation thereto.

The Hon. the Acting Speaker: Is leave granted, honourable senators?

Motion agreed to.

BUSINESS OF THE SENATE

Hon. Royce Frith (Deputy Leader of the Opposition): Honourable senators, we do not propose to continue with more petitions inside the chamber at this point, but as we have reverted to Notices of Motions, I know that Senator Grafstein wishes to give notice of a motion and I suggest he do so now.

Hon. Senators: Agreed.

THE SENATE

LEGITIMACY OF APPOINTMENTS MADE UNDER SECTION 26 OF THE *CONSTITUTION ACT*, 1867—EFFECT ON PARLIAMENT—REFERRAL OF QUESTIONS TO SUPREME COURT OF CANADA—NOTICE OF MOTION

Hon. Jerahmiel S. Graftstein: Honourable senators, I give notice that on Thursday next, November 22, 1990, I will move:

> That the Senate demand that the Government settle the uncertainty of the legitimacy of the eight Senators appointed under Section 26 of the *Constitution Act, 1867* and the effect thereof on the composition and the constitutional validity of Parliament (this uncertainty having been brought about by conflicting court decisions of the Supreme Court of Ontario and the Supreme Court of New Brunswick) by referring these questions immediately to the Supreme Court of Canada.

QUESTION PERIOD

ENERGY

CANCELLATION OF SCOTIA SYNFUELS PROJECT—GOVERNMENT POSITION

Hon. Allan J. MacEachen (Leader of the Opposition): Honourable senators, I should like to ask the Leader of the Government whether he can throw any light on the surprise decision conveyed to Mr. Gillespie a few days ago that the Scotia Synfuels Project had been turned down. I had been asking questions about that project since last April or May, and I received three responses, each saying that the matter is under review. Suddenly I pick up the press and discover that the project has been turned down in a letter from an acting director in Halifax to Mr. Gillespie. It is mysterious and very disappointing. I wonder if the Leader of the Government can throw any light on the situation; whether it was a mistake at the bureaucratic level or whether it is still subject to recovery by consideration at a higher level.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, the answer to the last part of the question would be in the negative. I can tell the honourable senator that the statement of the Department of Industry, Science and Technology, which is responsible for this matter, was that it had concerns about the economic viability of the project and that

assistance for it was not considered to be a prudent use of taxpayers' dollars at this time. For that reason, the Cape Breton Investment Tax Credit proposal was turned down.

• (1540)

Senator MacEachen: Honourable senators, Mr. Gillespie issued a press release following receipt of the letter, in which he said:

> The project, were it operating right now, would be profitable without any government incentives. The project proponents have requested incentives for downside price protection. The government would net more than $500 million in tax revenues alone from the project after all incentives are deducted. The project requires only a fraction of the assistance afforded Hibernia and creates over three times as many permanent jobs.

When I heard about the decision, although I did not speak to Mr. Gillespie personally, I asked if I could get a copy of the reasons for the decision. The letter states:

> The reason for this decision is that, based on a thorough analysis, the project will require significantly more assistance than the CBITC program can provide in order to succeed. The concerns that have been discussed with you regarding the lack of an equity partner, the difficulty of your proposal in meeting the program timing requirements regarding asset acquisition and the technical risks of constructing the plant are also major considerations.

I find it difficult to judge the reasons given by the department when I look at the public and private statements of Mr. Gillespie, who is a serious person. I believe there is a requirement for considerable clarification before this decision can be accepted easily, particularly in view of the fact that the request has been made under the provisions of the Cape Breton Investment Tax Credit, which was designed specifically to provide employment in replacement for the jobs lost through the closure of the two heavy-water plants. This seems to be an ideal project to provide employment, which the sponsors say will be viable with a market which is environmentally sensitive and which is more timely than ever in light of world developments in the energy field.

I am asking for some clarification, because I believe the matter is going to be before the Leader of the Government in the Senate and others in the Senate for some time. We had better start understanding the facts.

Senator Murray: I appreciate that, honourable senators. I hope there will be an opportunity for my friend to question in detail the responsible minister and officials. That should be possible in one of the standing committees of this place. Meanwhile, I will do my best to reply on behalf of the government to any questions he wishes to put, either orally or in writing. For the moment, let me say that the statement of the minister of the department is that the project in question would not be economically viable without substantially more federal support than is possible through the Cape Breton Investment Tax Credit program.

[Senator Murray.]

Further to that, they point out that the proponents have yet to identify private-sector investment for the project. They say that the Synfuel project is technically complex, requires further engineering feasibility work and its costs exceed $500 billion. They say that the government has done a full evaluation of the program, but it does not think that assistance under the CBITC would be a prudent use of taxpayers' funds at this time. They conclude that, while it is sometimes said that this really does not cost the government anything, what it would amount to is an additional $200 million tax liability on the books of Canada if the CBITC proposal had been accepted.

Senator MacEachen: Honourable senators, it might be a useful thought to have one of the standing committees immediately examine officials and Mr. Gillespie in order to clarify this situation. What is stated by the minister, which is the view taken by officials, is contested by Mr. Gillespie, who says in his statements that the government will collect from this project considerable tax revenue after the tax credits have been paid out.

There is one constructive step that could be taken now, and that is to arrange a meeting with the responsible minister or Mr. Gillespie. What surprised me when I read the letter from the official in Halifax was that this is a reply dated November, 1990 to a request made on June 2, 1988. That is a very long time. In that period, Mr. Gillespie has been seeking an opportunity to present the case directly to a minister, particularly Mr. Bouchard, and he has been unable to get a meeting. That seems unbelievable in view of the potential that this project has for that part of Nova Scotia and Cape Breton Island. I believe that such a meeting would help to clarify some of these difficulties.

If the government has legitimate concerns, through that discussion Mr. Gillespie might be able to ameliorate concerns or produce alternative proposals that would satisfy. However, there seems to have been absolutely no dialogue on this point. I would like the Leader of the Government in the Senate to find out whether such a meeting could be arranged.

Senator Murray: I shall do my best, honourable senators.

Hon. Finlay MacDonald: I should like to ask a question of the Leader of the Government on the same subject. The minister in question, Mr. Bouchard, hinted that he will not see Mr. Gillespie for further talks. As Senator MacEachen points out, he did not see him in the first place.

The suggestion made by Senator MacEachen of referring this to a committee to obtain further information is an excellent one. In the opinion of many—including Senator Buchanan and the Hon. Elmer MacKay—this is a very important matter that should not be allowed to pass with an abrupt letter from a functionary in Cape Breton. If this were not a decision made at the cabinet level—which presumably is where some of these megaprojects are dealt with—if it was handled by a minister who did not meet with the principals involved, it strikes me as passing strange that we should allow it to pass without a thorough investigation conducted by an appropriate committee.

• (1550)

Senator Murray: I appreciate the further point made by Senator MacDonald. However, no one should assume that this decision was made at a lower level. I think it fair to say that the Minister of Industry, Science and Technology, the Minister of Energy, Mines and Resources and the Minister of Finance were fully apprised of the application and were well aware of the implications. Of course, they were party to and take responsibility for the decision.

That being said, I repeat that I will do my best to see that Mr. Gillespie is able to meet with the appropriate minister. I do not think I have to do anything about seeing that a committee consider the matter. I think that a committee can do so on its own initiative.

GOODS AND SERVICES TAX

POSSIBLE DELAY IN IMPLEMENTATION—REQUEST FOR DETAILS

Hon. Sidney L. Buckwold: Honourable senators, I have a question for the Leader of the Government in the Senate. I was rather astounded to receive a copy of today's broadcast news, which goes on the wire to stations across the country. If senators will allow me to read it, they will understand what my question will be. It states:

> It appears Ottawa may be having second thoughts about bringing in the GST as scheduled on January 1st.
>
> The federal minister for small business and tourism says because of delays in the Senate, the government may delay implementation of the tax a few months.
>
> Tom Hockin says businesses and the public need time to digest information about the tax.

Senator Simard: Do you believe everything you read in the newspapers?

Senator Frith: Not usually, if the statement was made by a Tory, but we thought we would try this time.

Senator Buckwold: I will go back to the beginning of the paragraph:

> Tom Hockin says businesses and the public need time to digest information about the tax. He says it would be wrong to pass it on Christmas Eve, and bring it in the next week.

The minister will understand my surprise at this statement. My question is: Is Mr. Hockin being quoted correctly? How does he reconcile this statement with the positive affirmations of Mr. Jelinek and Mr. Wilson that, come what may, this tax will be implemented on January 1, 1991; that the departments are ready for it, that the public is ready for it? We see now that the government, in the words of the minister, is considering a delay of a few months.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I have not had an opportunity to speak to Mr. Hockin, nor have I been able to ascertain whether, indeed, he has been quoted correctly. At this point, I should probably sit down, but let me say that we are counting on this bill passing the Senate in good time after a vote on third reading and Royal Assent. We have done everything humanly possible, along with the Department of Finance and the Department of National Revenue, to ensure that the implementation date of January 1, 1991 is a smooth one, affecting, as it does, thousands of businesses and consumers across the country. The government has invested a good deal of time, effort and money into this. So, too, I may say, have thousands of businesses.

There are warehouses full of goods labelled with post-GST prices. Staffs have been trained. Computer programs have been completed. The country expects, as does the government, that Royal Assent will be given to this bill in good time following its passage at third reading by this chamber. The government expects that we will be able to launch this tax in a smooth fashion on January 1, 1991.

Senator Buckwold: Honourable senators, I do not think the country will accept, nor will senators on this side of the chamber, the "motherhood" response that all is well. I asked the government leader a question: Is this the policy of the government?

A responsible minister of the Crown, in complete disregard for other statements made by Mr. Jelinek and Mr. Wilson, has indicated that the government may delay implementation of this legislation for a few months. That could be six months, it could be a year. Obviously, Mr. Hockin is not going to be permitted to make a statement like that, which indicates a major change in policy, without a cabinet committee or some other authority giving him the direction or the right to make such a statement. Are we being softened up for a delay because the government admits that it is not ready?

Senator Murray: Honourable senators—

Senator Simard: You are just talking nonsense!

Senator Buckwold: No one is asking Senator Simard for his input. I am asking the minister a question.

Senator Simard: You are just talking nonsense!

Senator Murray: Honourable senators, the first question Senator Buckwold asked was whether Mr. Hockin had been correctly quoted. In response, I had to say that I did not know. I have not been able to ascertain whether he was quoted correctly or, indeed, whether he was quoted in context.

Senator Buckwold: Could the minister find that out?

Senator Murray: I certainly hope to do so, and before very long.

The statement was said to have been made in British Columbia. I do not know whether he was quoted correctly or whether he was quoted out of context, so I answered the first question in that way. I then went on to explain the policy and intention of the government. It is our policy and our intention to launch that tax on January 1, 1991. Everything that could be done has been done by the Department of Finance and the Department of National Revenue, through education programs and contacts with businesses large and small, to ensure that there is a smooth launching of this tax on January 1,

1991. Naturally, we count on the cooperation of honourable senators opposite in assisting us to have a vote in good time so that we may give Royal Assent to the bill and thereby ensure that there is no uncertainty about the January 1 launch.

Senator Buckwold: I often wish that we would be given correct answers without the accompanying rhetoric which always brings in the propaganda of the government.

Senator Simard: You just ask your questions and be satisfied with the answers you get. That is all. That is the way it works.

Senator Buckwold: It is interesting what we read in the newspapers of the day. The *Gazette* recently stated that a cabinet panel had planned to pass the GST, that a select cabinet committee has a mechanism with which to push the goods and services tax through the Senate. That is said at the same time Mr. Hockin made the statement that the government is ready to delay implementation of this tax.

Could we have some information on what this secret cabinet panel is, whether the government leader as a minister is part of that select group who makes these decisions—Mr. Wilson, Mr. Jelinek, Mr. Hockin, or the man who should be making them for the Senate, the Leader of the Government in the Senate? What is his role in this and so on? Could we also have from him an assurance that he will give us at the very earliest date—like tomorrow—an affirmation whether this is a correct statement made by Mr. Hockin? Could he also provide an explanation of what he means?

Senator Murray: Honourable senators, there should be no doubt about the policy and the intentions of the government. I have stated them twice this afternoon. With respect to the statement attributed to Mr. Jelinek, I am not aware of any special mechanism for ensuring anything in the Senate. This select committee must be a committee of one.

● (1600)

TIMETABLE FOR PREPARATION OF REGULATIONS

Hon. H. A. Olson: Honourable senators, the Leader of the Government has stated twice today, and once or twice before today, that the government—particularly the Departments of Finance and National Revenue—is ready to administer the GST on January 1. I asked him a few days ago whether the regulations had been drafted and were ready, so that they could be sent out to the people who will be trying to comply with the provisions of Bill C-62, if and when it is passed. I believe he said he would obtain a copy of those regulations so that we could be assured that the officials of the Department of National Revenue are, in fact, ready with the regulations and are, in fact, ready to administer the tax provisions.

I will indicate, by way of background, that yesterday I was at an auction sale in Calgary at which were a number of auctioneers who, either themselves, their bookkeepers or accountants, had been to a seminar put on by the Department of National Revenue. Present at the seminar were senior officers from Alberta to explain how they would be able to comply with the goods and services tax when it came in. They assured me that they left the meeting feeling completely frustrated as to what they were expected to do and what the regulations will be as applied to the goods and services they provide. Those auction marts are a very important part of business transactions.

For example, at the one which I attended they were selling used, heavy equipment. I would like to know whether the minister can obtain for us a copy of the regulations that will apply in these cases? It was very clear that the senior officers of the Department of National Revenue, who came and were sponsoring that seminar, admitted they did not know what they were going to do in certain situations with respect to the process, service, and sale of goods that takes place when goods are consigned to an auction sale.

The question is: Are the rules ready? If they are not ready, is that one of the reasons why the government is doing what Senator Buckwold has just suggested, namely, that they are preparing for a delay because they simply are not ready?

I have two or three other questions that follow on that.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I shall jog the memory of the Department of Finance with regard to the first question.

With regard to the previous question asked by Senator Olson, I shall make inquiries on the specific matter he has just raised, that of auction sales.

The Department of Finance and the Department of National Revenue, are ready. The great disservice that would be done by any uncertainty or delay is done to the businesses and to the consumers, especially businesses that have trained their staff, priced their products, and programmed their computers, and so forth, in anticipation of this tax being launched on January 1.

Senator Olson: I think the minister should be a little careful of whom he accuses of doing a disservice. Certainly one of the most unfair disservices that could be done is to announce that you are going to implement and enforce a new tax measure on a certain date, namely January 1 next, which is now less than six weeks away, and the government does not know what it is going to do.

That is exactly what happened in Calgary last week. There is absolutely no doubt about that, that there were senior officers of the Department of National Revenue in the province who admitted that they did not know what they were going to do.

I do not understand why Senator Kelly is looking in the rule book.

POINT OF ORDER

Hon. William M. Kelly: On a small point of order, Senator Olson is debating. Is this a debate on Bill C-62? I thought this was Question Period. It may not be a debate, but it sounds like one.

Hon. H.A. Olson: I am trying to help the government, although I do not bleed so much for them as I do for those good, honest Canadian citizens who are trying to inform themselves so they can comply with this Bill C-62, innocuous as it may be. They are trying and they do not get any answers. That is what I am trying to do.

I think it should be perfectly clear to Senator Kelly that if we are going to play by the rules, we at least have to know what the rules are. That does not seem to be an unreasonable question.

I would hope that by carrying this information into the chamber during Question Period, so we can get a direct reply from the minister might be a useful exercise for Canadians who are trying to inform themselves. I am sure the honourable senator is not serious, on reflection, in suggesting that we are not trying to clear up this matter. There is no doubt that we are opposed to the tax in that it is wrongly structured. I will not argue that now. At least the rules need to be known.

Let me ask the minister to be more specific: Is the confidentiality, which has always been respected of people consigning goods to be sold through an auction sale, going to be respected, or will every purchaser have the opportunity of knowing who consigned a particular piece of machinery, in this case, or for that matter any other good, for an auction? Is the tax going to change all of that? Certainly, if some of the rules are that one can claim a rebate, one will have to know the history of the goods that are offered through an auction sale. That worries these auction marts very greatly, because up until now that confidentiality has never been violated by either a provincial or federal law. Perhaps the government leader could ask whether all that is now going to change?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, as I indicated a moment ago, I shall make inquiries concerning the specific matter raised by the honourable senator.

Senator Olson: Honourable senators, that is really not a satisfactory answer. In fact, it is a long way from being satisfactory.

I am asking the government leader: Have the rules been made? For example, I have been through this a number of times: A bill is passed through Parliament; then you have to get the senior officers, or at least some officers, within a department—in my case it happened to be Agriculture—to write the instructions as to what the regulations will be. Those instructions are then sent over to the Department of Justice, or the people there who are skilled in drafting regulations, and the regulations are then prepared. That is what is approved by an order in council when the law is proclaimed.

I am asking the minister: Has that been done with respect to Bill-62?

Senator Murray: Honourable senators, as I indicated earlier, I shall make inquiries.

Senator Olson: Honourable senators, that is the answer I received a week ago. I think it is the same answer I had about six weeks ago. The government leader said months and months ago that he wanted this bill passed immediately so the government could get on with it. We find that we get to within a few days of your declared date of embarkation, or launching, and forcing the tax, and we still cannot get an answer as to whether you have the rules and regulations ready.

• (1610)

I wonder if we could be a little more specific than that. I am not talking only about auctioneers; I am talking about the dozens and dozens of other people to whom I have spoken who have telephoned the information line attempting to find out what the GST has affected or not affected, what is exempt, what is zero-rated, and all the rest of it. The real world is out there. I am asking the minister: Have you looked at what the real world is and how businesses are administered? Have you made provision so that you are not going to interfere with and disrupt all of that because of attempts to comply with this tax?

Senator Murray: Honourable senators, as I have indicated some time ago, the question of the honourable senator is whether the regulations have been prepared and whether they are available. I shall ascertain from my colleague the situation in that respect and I shall report back very shortly.

Senator Olson: I know the government leader said that. I heard him say that last week and a also month or so ago. Surely, it is not just the same old answer all the time that you will make inquiries. If I can quote the Minister of National Revenue, as he makes comments outside the House and in various other places, he said "Those senators don't give a goddamn what happens to the tax"—

Some Hon. Senators: Order, order!

Senator Olson: —or something like that. That is a direct quote from him. So he must follow what is going on here if he thinks that we do not give a damn what happens to Bill C-62. Just a simple inquiry: Are the rules ready or not and how much longer do we have to wait? I am not the one who has to wait. There are thousands of people who are vitally interested in how they are going to comply.

An Hon. Senator: Another year.

Senator Kelly: I wish to call the attention of Senator Olson to our rule book. Rule 20(3) says:

> If an oral question cannot be answered immediately, the senator to whom it is addressed may take the question as notice.

I believe the Leader of the Government in the Senate has done that. Rule 20(4) says:

> A debate is out of order on an oral question, . . .

The senator is debating.

Hon. Royce Frith (Deputy leader of the Opposition): Senator, how do you define that, saying that he is debating? Tell us about that.

Senator Kelly: I keep going back to the rule book.

Senator Frith: I know you are quoting the rule book in saying he is debating. Tell us why you say he is debating.

Senator Kelly: Exactly. The rule says very clearly that a question may be asked, that a brief preamble is all that is permitted, and the answer must be given or the question taken as notice. If a senator then says, in effect, that he is not satisfied with the answer and proceeds into a long dissertation on why he is not satisfied, then, in my opinion, he is debating. That is the basis for my statement.

Senator Frith: Well, we have your opinion and, as they say in court, it has been noted, sir. Carry on.

Senator Olson: Whatever is Senator Kelly's problem, I can explain it to him very briefly, that I was trying to coax the minister to obtain an answer in time for the people who are vitally concerned about this.

Senator Simard: We know what you are trying to do.

Senator Olson: I have heard the answer before. You can quote Rule 20(3). If we heard the same reply three times over a space of six weeks, that the minister may take the question as notice—

Senator Frith: Yes.

Senator Olson: —then what do we do? Do we humbly sit down and say: Well, I suppose I will wait until next week? These people are desperate. They want to be good citizens and they want to comply with the law. They cannot find the rules that would allow their accounting practices and procedures to be put in place so that they can comply. As another example—

Senator Frith: Senator Kelly has given you the rules; he knows the *Rules of the Senate*. Tell the Canadian people about that and I am sure that will satisfy them. They will say they did not get an answer to the question, but Senator Kelly has told us the *Rules of the Senate* was the answer.

Senator Simard: Now you are debating on that, too.

Senator Frith: Listen to who is talking.

Senator Olson: Well, up until now, that is about all I can do. I will tell you one other thing that happened last week in the city of Calgary. As the city sells hundreds of used pieces of equipment, trucks, garbage equipment, and other kinds of equipment that a municipality uses, it advised the auction market that there was no need to collect any GST on pieces of equipment that it consigns through its sales. If that statement is true, it is absolutely unfair. We know there is provision in here that if a municipality supplies the service directly, whether it is garbage collection, snow removal or whatever, it is not subject to the GST. If it is contracted out, then it is subject to GST. What has that got to do with their selling off surplus equipment? Are you going to establish that kind of discrimination among people and corporations and municipalities in one case, and private industry in another, and have a 7 per cent difference in how it can be treated at the auction sale when it goes up for sale under essentially the same terms and conditions?

[Senator Kelly.]

These are the questions that lead to my persistence. I do not know if it is going to do any good for me or the people for whom I am attempting to voice concern. Perhaps we can begin to get some answers. I am trying to impress upon the Leader of the Government in the Senate that taking the question as notice is not satisfactory, and it becomes less satisfactory every day as we near January 1, 1991, which is the slated date on which the government intends to impose this tax.

Senator Murray: Honourable senators, the answers to many of the questions asked by the honourable senator are available in material that has already been published for many months by the Departments of Finance and National Revenue. I am surprised that my honourable friend has not availed himself of the opportunity to become fully briefed on the tax and its application. The independent retail questions he is asking should really be put in writing. Notwithstanding the fact that these questions have been put orally, I will take them to my colleagues and will endeavour to provide a reply as soon as possible. It should not take long, because, as I said, the answers to most of the questions are available in material which is already published.

Senator Olson: Honourable senators, let me say categorically, with regard to the questions I have raised, that the answers are not available. They are not available to your senior officers of the Department of National Revenue in Alberta, because they were present at the seminar trying to inform accountants and bookkeepers as to how they should comply with the tax. Those senior officers admitted that they simply did not know how to deal with certain situations and circumstances raised by people in attendance. That is why I am asking the questions. The answer is not satisfactory. I know the minister is trying, but I want to coax him to try some more. I want to say that the information he gave a moment ago is simply not the case in the real world, where people are trying to comply with the tax. Could he at least give me an assurance that he will seek the information from the Department of National Revenue, that the department is ready to comply with all the questions and situations that have been put to them about the administration and regulations for administering this tax?

Senator Murray: Honourable senators, they are ready and they have been handling thousands—I think someone told me there were 60,000 queries in the last couple of days.

Senator Olson: You probably need ten times that many.

Senator Murray: Much of this material has already been published, but I will take the specific questions of the honourable senator and will provide replies to them. I will do more than that. I will send the honourable senator a copy of the speech by Mr. Alasdair McKichan, the man in charge of the Retail Council of Canada, castigating my honourable friends opposite for the terrible disservice they have been doing to the economy by the delay and uncertainty in regard to the GST.

Senator Simard: How do you like his answer?

Senator Olson: Do not try to worry me when you have something as elusive as that. When you are conveying this information, you should ask some of those people in the ivory

towers to take a look at the real world and the way that real commerce is carried on in Canada. They should then make some rules to deal with that information, and not only how to feed a computer.

[*Translation*]

TAX ON BOOKS, PERIODICALS AND NEWSPAPERS

Hon. Jacques Hébert: Honourable senators, I have a question for the Leader of the Government in the Senate. I hope I will be more successful than my colleague, Senator Olson. My question concerns the GST on books, magazines and newspapers.

On the weekend, I spent several hours at the Salon du livre in Montreal. It was an unprecedented success. This evening, when the Salon closes, they will probably announce they had over 100,000 visitors. However, a shadow loomed over this celebration of the intellect, this splendid demonstration of the cultural vitality of a small French-speaking community. I am referring to the shadow of the GST which bodes ill for all. The work done by publishers, book sellers and authors during the past 30 years.

Sunday evening, the president of the Salon du livre de Montréal, Mr. Jean-Claude Germain, spoke to a crowd of thousands and thousands of people, to announce, first of all, the results of a survey that was just released, according to which 92 per cent of the people of Montreal were against any taxes on books. The president of the Salon du livre also asked everyone who was there to observe one minute of silence, as though the book world were already mourning the bookstores that would close, the publishers that would go bankrupt and the writers whose works would never see the light of day.

In bookstores throughout Quebec, petitions were placed in big black binders for the public to sign, under a slogan seen everywhere at the Salon: A tax on books is a tax on intelligence. It seems nearly 300,000 signatures were collected.

My question is this: Considering this unanimous stand taken by publishers, book sellers, librarians, writers and readers, will the government find a way, at the last minute, to avoid a catastrophe that would deal a mortal blow to the book world?

Hon. Lowell Murray (Leader of the Government in the Senate and Minister of State for Federal-Provincial Relations): Honourable senators, Senator Hébert has already proposed this kind of amendment to the bill, and we know how that turned out. I would urge him to try again when the bill comes up for third reading debate.

AMENDMENTS TO LEGISLATION PROMISED BY PRIME MINISTER

Hon. Jacques Hébert: Honourable senators, I think there is a question I asked you and, as Senator Olson did, I complain about the fact that we put questions to you but you never answer and keep saying that you will get back to them later. So again I raise the question, on the same subject, which I put to you last week and to which you declined to respond because you said that Senator Solange Chaput-Rolland was not in the chamber. My question was directed to you, not to her.

I asked you—and again I am asking you—to clear up the situation concerning the promises which the Prime Minister allegedly made to Senator Chaput-Rolland, promises to amend, correct and change the tax on books. This is not an insignificant matter.

As a matter of fact, here is an excerpt from the emotive speech made by Senator Chaput-Rolland on October 30, just before her historic vote, if I may put it that way. I am quoting her:

> . . . I was afraid of this tax and that as an author I was sincerely hoping that the Prime Minister would keep his promise . . .

That is clear:

> . . . that the Prime Minister would keep his promise and amend it, correct it, change it . . .

Those are the words of Senator Chaput-Rolland taken right out of the *Debates of the Senate*:

> . . . but that, because of my loyalty to the Prime Minister of Canada, I would vote for the adoption of the tax . . .

Honourable senators, we have a right to know what exactly the Prime Minister promised. This is a serious matter!

I will therefore ask the leader of the government for the second time in two weeks—he surely had the time to consult with both the Prime Minister and Senator Chaput-Rolland in the meantime.

First, where and when did the Prime Minister make the promises? Second, they must be compelling if they convinced Senator Chaput-Rolland to vote with you when she felt like doing otherwise. Third, what are the exact amendments, corrections and changes the Prime Minister has in mind regarding this bill? A great many Canadians want to know.

Senator Murray: Honourable senators, I have nothing to add at this time to the explanations I have already given.

Senator Hébert: I do not recall any explanation. All you did is confuse the issue even further and side-step the question. Would you please remind us these explanations? I cannot recall any. So, he refuses to answer.

Hon. Jean-Maurice Simard: Right on!

Senator Hébert: He can find nothing to say. He is "up a stump" as the expression goes!

• (1620)

[*English*]

ENERGY MINES AND RESOURCES

ENERGY CONSERVATION—DISTRIBUTION OF BROCHURES

Hon. Eymard G. Corbin: Honourable senators, I hold in my hand a plastic bag that was sent to my office some time during the last ten days—I believe it was last week—along with three other bags. It contains material from the Minister of Energy, Mines and Resources Canada. In that bag was an envelope with my name label on it. That envelope was empty. The flap states that it is recycled paper, papier recyclé. I received the letter from the Minister of Energy, Mines and Resources. It is

a photocopy of a letter, but it has one of these golden crests stamped on it. I do not believe it is recycled paper.

I also received an assorted collection of booklets in both official languages, which is something that I appreciate very much. But I do not think that I needed four bags of this material. One of the documents is called Guide du consommateur: emprisonons la chaleur. I presume that the bag which contained mostly English material also had the same thing. On the inside front cover of the publication it indicates that it is printed on recycled paper.

All the other brochures, as far as I could find out, are not printed on recycled paper. Furthermore, they are deluxe productions. Look at the covers on this brochure. There are four colours with glossy photos, and so on. There are also a lot of blank pages inside. This one was destined for use by the local press; that probably accounts for the fact that there is printing on one side and no printing on the reverse side.

All the other brochures, honourable senators, are not printed on recycled paper. These brochures are called Natural Gas, An Alternative Transportation Fuel; Attic Ventilation; Les Carburants De L'Avenir, Les Carburants Classiques; Les Carburants Gazeux; Heating with Electricity; Heating with Natural Gas; Heating & Cooling with a Heat Pump; Heating with Oil; windows, les fenêtres; calking, air leaks, insulation, and so on.

These are all first-class brochures and contain useful material. But why in the world would that department, and that minister in particular, not act along the lines of what they preach? Why wasn't this material printed on recycled paper? Why was the cost not reduced? We did not need these multicoloured covers. That is a waste of taxpayers' money. Why were all these things presented in an unrecyclable plastic bag? That is what I should like to know.

● (1630)

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I take the honourable's question as a representation, and I shall convey it to the appropriate minister.

EXTERNAL AFFAIRS

ARMS REDUCTION AGREEMENT—LIMITATION AND DESTRUCTION OF SURPLUS ARMS—GOVERNMENT POSITION

Hon. Jeramiel S. Grafstein: Honourable senators, this week, as President Gorbachev stated, marks a turning point in history with the signing of the massive arms reduction agreement between the East and West. Canada was represented at that conference by the Secretary of State for External Affairs and the Prime Minister. We have not as yet received Canada's position either from Mr. Clark or the Prime Minister, so I am relying on press reports of the Prime Minister's position. Based on excerpts of the reports I saw, I want to applaud the government for attending and signing these momentous documents, which we hope will ensure world peace in the years ahead.

[Senator Corbin.]

The Prime Minister also made some important statements criticizing all nations for providing the instruments of death in the massive buildup of arms in Iraq. The agreement, from what I have read in the press reports, appears to place limits and reductions on certain arms, but it does not appear to call for the destruction of those arms. I ask the Leader of the Government in the Senate whether or not Canada called not only for the limitation and reduction of arms, but for the destruction of those surplus arms.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I shall make inquiries as to the position we took in the period leading up to the signing of the treaty on November 19. Meanwhile, I will be glad to table a copy of the speech made by the Prime Minister at the CSCE Summit in Paris yesterday, November 19.

Senator Grafstein: As a supplementary question, could the Leader of the Government advise whether or not it is a breech of these agreements for the signing parties—the nations that have signed the agreement—to ship their surplus weaponry to other nations?

Senator Murray: Honourable senators, I would have to inquire.

Senator Grafstein: To clarify my view for the government, it appears that Iraq was shipped a number of SS missiles by the Soviet Union in the weeks and months leading up to Iraq's invasion of Kuwait. There was some criticism of the Soviet Union in the press, and its response was that a shipping surplus of missiles, which it had undertaken to reduce, did not in any way, shape or form violate previous arms reduction agreements. If, in fact, that is the case, and if the Canadian government and other nations did not cement that hole, then we have left a serious gap in arms reduction, which will provide the inconsistent result that the Prime Minister is preaching to the rest of the world which is that Iraq weaponry has been massively built up by surplus arms.

Senator Murray: Honourable senators, I appreciate the points made by the honourable senator, and I shall make inquiries. Meanwhile, I might also send him a lengthy document, which I have not read myself. It is a press briefing by the Canadian Ambassador to the negotiations on conventional forces in Europe, Mr. David Peel, and the Assistant Deputy Minister of National Defence, Mr. Delvoie. There were many questions put and answered during the course of that briefing, and I commend it to my honourable friend's attention while I make further inquiries of the Department of External Affairs and the Department of National Defence with respect to his precise questions.

GOODS AND SERVICES TAX

ESTIMATES OF REVENUE GAINS—GOVERNMENT POSITION

Hon. Allan J. MacEachen (Leader of the Opposition): Honourable senators, I have a question on which the Leader of the Government in the Senate might help me. I have been

trying to find, from the publications, whether the government has made any estimate of the revenue to be gained under the GST from various sectors; but I have been unable to do so. I will cite a number of examples. What revenue gain would there be to the government from the new treatment of reading materials, cooperatives, or heating fuels, as covered in the third amendment?

I thought it might be helpful, in understanding the dimensions of the changes that have been proposed, if we knew what was the revenue gain or loss. Can the Leader of the Government point us in the right direction and tell us where we might get this information and whether it is public; and, if not, will the Department of Finance provide the information that will help us assess some of the changes we have been proposing?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I shall make inquiries and see whether that information is available. I should have thought that questions of that kind would have been asked during the course of committee hearings, and perhaps answered by the minister or officials. In any event, I shall make inquiries of the minister.

Senator MacEachen: I have inquired about committee proceedings, and the answer was—perhaps it is not complete—that no information of that kind had been put forward by officials before the committee. Perhaps the question was not asked, but if the material is available, and if studies have been undertaken by the department, may we look at them?

NATIONAL FINANCE

COST OF PROPOSED BALLET OPERA HOUSE IN TORONTO—GOVERNMENT POSITION

Hon. Louis J. Robichaud: Honourable senators, I should like to ask a question of the Leader of the Government in the Senate. At the end of September, or in early October, an announcement was made by the Minister of Communications, the Hon. Marcel Masse, to the effect that the federal government had decided to give $88 million to the proposed ballet opera house in Toronto. Certain events have since taken place, and I am wondering about the status of this pledge of $88 million.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I must say that I do not know the answer to that question. I am aware that there was to have been a contribution from the Government of Ontario, but the new government decided not to proceed. I do not know what is the present status of the project, and I would have to make inquiries.

Senator Robichaud: Honourable senators, I have a supplementary question. Perhaps by way of preamble I should say that I am not against the arts in any form, be it ballet or literature.

Senator Corbin: Poetry!

Senator Robichaud: Or poetry. Even sports can be a form of the arts. But there is a time for everything, and in these times of constraint, in these times when we have to tighten our belts, and when the government is going to ask the taxpayers of Canada to pay 7 per cent more than they customarily paid—

Senator Simard: It is not more!

Senator Robichaud: —how can we justify asking the taxpayers of Prince Edward Island, Newfoundland or British Columbia to subsidize a ballet opera house in Toronto? I do not think this can be justified, and I am asking the Leader of the Government in the Senate to do his utmost, if not to cancel this pledge, to postpone it until such time as the country can afford it.

Some years ago the federal treasury was in such good shape that it had to create the Arts Council of Canada so that it could spend some money. In those days it was perfectly justifiable to grant money for all forms of art, which resulted in the creation of the Canada Council. However, in November 1990, when we are in the middle of a recession, and assuming it will not get better in the next few months or years, I am wondering how a government can justify spending $88 million in the centre of Toronto to build a ballet and opera house because Karen Kain asks for it.

• (1640)

I am not against Karen Kain. I know Ms. Kain and I know that she has done a tremendous job for the Kidney Foundation, with which I am familiar. That is not the point. The point is the expenditure of $88 million by the people of Newfoundland, Prince Edward Island and from the rest of Canada to subsidize a group of people in Toronto.

Senator Murray: Honourable senators, I accept the counsel of frugality that has come from the honourable senator and I shall take it to heart. He should know, however, that in terms of program expenditure in recent years we have kept the increase to an average annual rate of 3.6 per cent, which is below the rate of inflation. This government has a very good record in terms of management of the taxpayers' money.

Senator Robichaud: Honourable senators, a cut of $88 million would add substantially to the cuts that have already been made. That is the point I wish to make.

ENERGY

JAMES BAY II—ENVIRONMENTAL ASSESSMENT PROCESS—ROLE OF FEDERAL GOVERNMENT

Hon. Charlie Watt: Honourable senators, I should like to ask a question of the Leader of the Government in the Senate. In today's *Ottawa Citizen* there is an article headed, "Quebec Wins James Bay Fight—Federal Government Admits it has no Jurisdiction". There seems to be a contradiction in the article with regard to the role of the federal government.

The article reads:

> The federal decision came in a letter from Raymond Robinson, head of the Federal Environmental Assessment

> Review Office, just as a committee crucial to the environmental review process began meeting in Montreal.
>
> The six-man committee, with representatives of Quebec, the federal government and the Cree, failed to reach an agreement after meeting for eight hours and decided to send two sets of guidelines—one stating the position of the Quebec representatives and the other the position of the Cree representatives.

The article goes on to say:

> While it has no part to play in the review process established under the James Bay Agreement, the federal government will follow its own environmental assessment procedures for considerations such as fish, migratory birds, marine mammals and the ecology of Hudson Bay, he said.

I do believe that the Government of Canada has jurisdiction not only over the ecology of that area, migratory birds, fish and marine mammals that might be affected by that project, but also over the aboriginal people, including the Cree and Inuit.

My question is this: Is the federal government going to establish its own process by outlining that it does have a role to play in the area? Perhaps the Leader of the Government in the Senate can clarify what that means.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I would rather not attempt to do so off the cuff. I have taken note of the honourable senator's question and I shall ask for clarification from my colleague, Mr. de Cotret.

[*Translation*]

NATIONAL FINANCE

COST OF PROPOSED BALLET OPERA HOUSE IN TORONTO

Senator Simard: Honourable senators, I would like to draw the attention of the Leader of the Government, following Senator Robichaud's question on financial contribution in these difficult recession years, months. First, I want to make something very clear. Would he tell us, after Senator Murray's reply to the question I will ask him, if he is suggesting that all contributions to the arts be rethought, reviewed, changed or suspended indefinitely? If so, I think Canada would waste a beautiful opportunity to continue to give some parts of the country the tools they need.

Senator Robichaud mentioned Toronto two or three times. Is he trying to tell us that Toronto is the only place where cuts should be made or decisions deferred on projects, and my question is—

[*English*]

POINT OF ORDER

Hon. D.G. Steuart: Honourable senators, I rise on a point of order. I would ask Senator Kelly to read the rules to Senator Simard. I thought we were supposed to ask questions of the government, not questions of individual senators. Senator Kelly, would you point out the rules to your colleague?

[Senator Watt.]

[*Translation*]

Senator Simard: Then, here is my question to Senator Murray:

Could you tell me whether, as a result of your research or your contacts with Mr. Masse, and in view of Senator Robichaud's remarks, you are going to make sure that art projects—some long-awaited projects in New Brunswick—are not all given the same fate as the Toronto project as Senator Robichaud would like them to be?

It would be regrettable if they were, because, I remind you, Senator Murray, the government announced some weeks or months ago a subsidy for the Imperial Theatre in Saint. John. This is an art project and I would not want it to be abandoned after what Senator Robichaud just said. Some might say that it is an extravagant project, but it started a few years ago, with financial support from the provincial and federal governments. It had the support of Premier McKenna, of federal authorities and the city of Saint. John. I would not want to see the Imperial project forgotten, even if it is not in the Madawaska. I believe this project will influence the whole of New Brunswick if not the Maritimes.

Consequently, I invite Senator Murray to make sure that the federal government does not change its mind on this and does not follow the recommendation of Senator Robichaud. The honourable senator might want to tell us whether he puts this project on the same level as the Toronto project.

Senator Murray: Honourable senators, I will be delighted to draw the attention of my colleague, Mr. Masse on the eloquent representation made by Senator Simard.

• (1650)

THE ENVIRONMENT

RAFFERTY-ALAMEDA DAMS PROJECT—COURT DECISION APPEALED BY FEDERAL GOVERNMENT

Hon. D.G. Steuart: Honourable senators, I have a question for the Leader of the Government in the Senate. It has to do with the Rafferty and Alameda dams. I am sure the government minister is aware that the case before the court in Saskatchewan was thrown out by Chief Justice MacPherson, or at least the decision was unfavourable to the position of the federal government in trying to stop the building of the Rafferty dam, and eventually the Alameda dam, as well. I believe I read in the press that the federal government is thinking of appealing that decision. My question is: Does the government really intend to appeal the decision in the face of the criticism it received from the court and from all sides about the flawed process in which it was involved?

The feeling, even of the judge, was that the government attempted to politicize this whole question and have the courts decide something that ostensibly should have been decided between the Government of Canada and the Government of Saskatchewan. I repeat: Is it the intention of the government to appeal this decision?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, my colleague, Mr. de Cotret, has announced that the federal government will be appealing the decision taken by the Trial Division of the Court of Queen's Bench of Saskatchewan. Mr. de Cotret would have done so on the legal advice of the Attorney General of Canada.

Senator Steuart: Honourable senators, I have a supplementary question. Where does prosecution end and persecution begin? This dam has almost been completed. The work has been ongoing for months and it is almost finished. It is ridiculous that the government should consider making this appeal. Environmental studies indicate that the dams will not be harmful to the environment; otherwise, the Government of Saskatchewan would not have proceeded with this project. It has spent hundreds of millions of dollars on it. There is no question, after this court case, that the federal government does not have a case. What is the point of dragging this on? Can the Leader of the Government find out from Mr. de Cotret whether he is just trying to save face or whether he is trying to build a case so that, when the James Bay development goes ahead, the federal government will have some excuse to go after Quebec and try to interfere with that project?

It is obvious that the federal government had no case. If it had, the judge would not have thrown it out. Chief Justice MacPherson threw it out and was extremely critical of the federal government. Why in heaven's name would the federal government go ahead to appeal that decision? If the government is not going ahead with this appeal, does the leader not think it would be better if Mr. de Cotret resigned so that his portfolio could be given to someone else to clean up the mess?

Senator Murray: Honourable senators, it may be obvious to my honourable friend that the federal government had no case simply because Mr. Justice MacPherson found against it.

Senator Steuart: He is a fine judge, too!

Senator Murray: I am sure he is a fine judge, but we have appeal courts in this country precisely to hear appeals from decisions of lower courts. It must be obvious to Mr. de Cotret and to our legal advisors that there are important questions of principle and certainly legal questions that are at stake here. It is the view of the federal government that they ought to be adjudicated on appeal. It is for this reason that the government is seeking leave to appeal the decision of Mr. Justice MacPherson.

Senator Steuart: In view of the fact that the dam is almost completed and will probably be completed before the case even gets to the appeal court, can the government leader tell us what the government intends to do if the higher court throws the case out? In the event that a higher court finds for the federal government, will the Government of Saskatchewan be ordered to tear the dam down? Will that be the outcome, after hundreds of millions of dollars have been spent?

Honourable senators, the people of Saskatchewan, I am sure, are convinced that there must be some ulterior motive in the federal government's dragging this thing out. Will the Government of Saskatchewan be ordered to tear the dam down if the decision of the appeal court goes against it?

Senator Murray: Honourable senators, that is a hypothetical question, but I think I can answer it quite definitively by saying that, win or lose, we shall consult our legal advisors.

OLDMAN RIVER DAM PROJECT—HARASSMENT OF ALBERTA BY FEDERAL GOVERNMENT

Hon. H.A. Olson: Honourable senators, that may be so, but this harassment of the Government of Saskatchewan and OFthe Government of Alberta with respect to the OldMan River dam has to stop. The construction on that dam, too, is almost complete. Will the federal government continue to harass these provincial governments whenever they do something which, in the minds of most people who live in the area, is beneficial not only to their environment but to their economy?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I would hope that Senator Olson would avoid inflammatory rhetoric of that kind.

Senator Olson: "Harassment" is the right word.

Senator Murray: As I have indicated, there are important legal questions to be decided in these matters. In addition, there are questions of principle. The reason we have a judicial system in this country is to hear those arguments and to adjudicate them. As always, we will respect the decisions taken.

Senator Steuart: Is it possible that there is a political motive here? I can tell the Leader of the Government that Grant Devine has never looked better to the people of Saskatchewan than he has over the past two years. I am sure that he prays every night that the federal government will keep it up. Mr. de Cotret is the answer to a maiden's prayer as far as Grant Devine is concerned.

The people of Saskatchewan are wondering what this process is all about. This whole thing was dragged out until the dam was almost completed, and only then was the provincial government taken to court. Is it not a fact that the federal government is attempting to have the courts make a political decision which should have been taken between the two governments involved? I believe that decision was taken, after which the federal government broke its word and backed away.

Senator Murray: Honourable senators, I cannot answer that question. Such decisions are taken after due consideration of all legal and constitutional implications. We lost the case before Mr. Justice MacPherson. We are seeking leave to appeal his judgment.

JAMES BAY DEVELOPMENT PROJECT—ENVIRONMENTAL IMPACT—GOVERNMENT POSITION

Hon. Eymard G. Corbin: Honourable senators, I have a question for the Leader of the Government in the Senate. My

question has to do with the James Bay development project. An Angus Reid poll published in some newspapers this morning tells us that a majority of Canadians are highly concerned about the need for environmental impact studies with respect to megaprojects of the type at James Bay. Eighty-five per cent of the people consulted are of the opinion that no construction should proceed on even the preliminary works at James Bay until the environmental evaluations are completed. Seventy-six per cent of the residents of the province of Quebec share that same view.

In Canada we have been taking an ad hoc approach towards environmental impact studies. One thing may be done in the province of Saskatchewan while another may be done in the province of Quebec, and goodness knows what arrangements will or will not be made in other provinces. Is it not time for the government to sit down with the provinces, before the whole matter gets out of hand and they all end up in court, so as to try to work out an environmental impact "pact", if I may call it that, whereby all megaprojects likely to affect the environment would somehow be worked out according to a pre-arranged agreement? In that way, we would not run into major problems every time somebody wanted to do something.

I think the Canadian population has the impression that the federal government is getting soft with Quebec but is playing tough with Saskatchewan. The way things are developing with respect to the James Bay project, the federal government will be involved in lesser environmental matters. I am not saying they are not important, but they involve lesser considerations such as fish, migratory birds, marine mammals and other related problems. But the James Bay project, by the admission of any environmental expert right around the world, will definitely have an impact upon the global climate. Maurice Strong was quoted, I believe in the *Toronto Star* of November 20, as saying that Canada enjoys a worldwide reputation of being at the environment forefront. But when you really look at what it is doing and the implementation of its policies, its record does not really seem that good.

● (1700)

I could quote at length what Maurice Strong said, but I will save that for another day. Obviously something is not operating smoothly with respect to our own federal approach and our joint approach with the provinces with respect to environmental impact studies. Small ones as well as big ones. Has the government attempted to come to some agreement with the provinces? Does it plan to do that in the near future?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, there are frequent meetings of the Canadian Council of Ministers of the Environment. One meeting will be held a little later this month in Victoria, British Columbia. This is a relatively new area of government activity. One of the problems is that some provinces think and expect that the federal government should automatically accept the provincial environmental assessments or reviews as qualifying under our laws and guidelines. We cannot accept that position quite as it is stated.

[Senator Corbin.]

The recent Federal Court decision in Rafferty-Alameda and Old Man obliges us to apply our environmental assessment and review process, the ERB process, to projects which may have environmental effects in areas of federal jurisdiction. We must do that.

We did reach an agreement in principle with Quebec last June with regard to Grande Baleine. Quebec insisted that the agreement in principle not provide for an assessment of the access infrastructure. The federal government is currently involved in an initial screening of the infrastructure. We would prefer to conduct a joint environmental assessment with Quebec on access infrastructure to satisfy the legal requirements of the ERB guidelines order. If Quebec will not participate in a joint review, then we will have to take our responsibility as a federal government, so far as it relates to our jurisdiction.

Hon. Joan Neiman: Honourable senators, I have a further comment with regard to this subject of the James Bay project. It seems a little difficult, even from the answers that the government leader has given us, to determine whether or not the federal government is abandoning its jurisdiction in this project as one of the headlines in the article states.

> Diom Saganash, executive chief of Quebec's Grand Council of the Cree, condemned what he called a reversal of the federal position.
>
> "They're basically letting Quebec do what it wants with respect to the project," he said.
>
> The federal decision came in a letter from Raymond Robinson, head of the Federal Environmental Assessment Review Office, just as a committee crucial to the environmental review process began meeting in Montreal.

I think it would be helpful if the government leader would agree to table a copy of that letter from Mr. Robinson, and if the letter does not give us a sufficient explanation of the position the government is now taking, that he provide us with additional information with regard to that position.

Senator Murray: Honourable senators, we obviously respect the right of Quebec, as we respect the right of all provinces, to develop their own hydro-electric resources. We have an obligation, as I have indicated, to apply the ERB guidelines to projects insofar as they impinge on areas of federal jurisdiction.

I will attempt to obtain the information that the honourable senator is requesting and table it here as soon as I can.

THE ECONOMY

STUDY BY BCNI—GOVERNMENT PARTICIPATION

Hon. Lorna Marsden: It was reported recently that the Business Council on National Issues has retained Professor Michael Porter of Harvard University to work up a case study of Canada, consistent with those in his book *The Competitive Advantage of Nations.*

I understand from those press reports that they will pay Professor Porter a fee of $1 million dollars, of which $600,000

will be paid by the BCNI and $400,000 by the federal government. I wonder if the Leader of the Government in the Senate could tell us how that contribution is to be made and with what end in view. Specifically, will there be a public circulation of the report that Professor Porter produces?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I will have to make enquiries on that matter.

EXTERNAL AFFAIRS

ARMS REDUCTION AGREEMENT—LIMITATION AND DESTRUCTION OF SURPLUS ARMS—GOVERNMENT POSITION

Hon. Jerahmiel S. Grafstein: Honourable senators, in response to an earlier question respecting the demolition or the destruction of military hardware, the Leader of the Government was kind enough to pass me a transcript of briefing notes, dated November 19, 1990, in Paris, by Mr. David Peel. On page 9 of the transcript Mr. Peel—I think it is Mr. Peel—makes a statement on behalf of the Canadian government. It is obvious that in most cases the Soviet Union, which has the most to destroy, although other countries have to do some destruction, will destroy its old equipment first. There is nothing that indicates that it has to destroy the brand new things.

Hence my question to the Leader of the Government in the Senate as to whether or not this gaping hole in the armaments reduction agreement, should not be plastered over.

THE SENATE

CANCELLATION OF COMMITTEE MEETINGS

Hon. Peter Bosa: Honourable senators, I have a question for the Leader of the Government in the Senate.

There was a meeting of the Social Affairs, Science and Technology this morning at 9 a.m. The minister was going to appear. Then the National Council of Italian-Canadians was going to follow.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Sorry?

Senator Bosa: This morning there was going to be a meeting of the Social Affairs Committee at 9 a.m. at which the Minister was going to appear to deal with Bill C-18, the multicultural bill. The National Council of Italian-Canadians was invited to appear before the committee at 10 o'clock this morning.

I understand that that meeting was cancelled and the chairman, the Honourable Senator Marsden, was not even advised about it. I do not know whether this is a proper way to conduct the business of the Senate. I am asking the honourable leader if he can enlighten us as to whether this is the policy of the government now, to cancel committee meetings with only 12 hours notice?

Hon. C. William Doody (Deputy Leader of the Government): I do not know if I can help. I do know that the leader is not aware of the situation.

Senator Marsden contacted me about the situation and I spoke with her several times. We were having some difficulty with the whips and the rooms. I do not know what the complication was, precisely. I do know that I sent a message to Senator Marsden yesterday to the effect that this meeting could not be held today. Therefore, in saying that the meeting was cancelled, senator, you are absolutely correct. In saying that the chairman was not advised until this morning, I do not think that is correct, although I do admit the advice was only yesterday. Senator Marsden had contacted me on Friday and explained to me that she was having difficulty in trying to get the meeting organized. There were difficulties the whips were having with these matters.

I undertook to speak to the whips about it. I did not manage to contact the whip until yesterday, as I was out of town. I went to Newfoundland on Friday, thank God, and I did not get back until—

Senator Frith: I am sure He thanks you, sir.

Senator Doody: I think He was pleased.

In any event, senator, that is all the information I think I can give you at the present time.

Senator Bosa: Maybe I should then put a question to the chairman of the committee.

The honourable gentleman should know that when witnesses are invited to appear before the committee from out of town, in this case from Toronto, these trips are planned ahead of time. These people have jobs, they have to ask permission to be absent from their responsibilities. I was wondering whether Senator Marsden had an opportunity to advise these people and what kind of a reaction she got from them?

• (1710)

Senator Doody: I cannot answer that. If these witnesses were inconvenienced in any way, I certainly apologize on behalf of the Senate, although it was not my doing that caused the meeting to be cancelled. Senator, you have to realize that the committee scheduling in this place over the last several months has been somewhat less than regular, if I can be generous about that.

Senator Frith: Really? What happened?

Senator Doody: On the restraints bill there were a whole series of meetings scheduled and, for some reason unknown to me, they were all cancelled. Some meetings have now been rescheduled for early December. There have been meetings of various other committees cancelled at very short notice for whatever reasons. The committee meeting schedule has not been working well here over the past month or more. We have to look at it and see what has been happening.

Senator Bosa: Honourable senators, who is giving these orders to cancel these meetings? Do they not come from the government?

Senator Doody: I have given you all the information I have, senator, and I have undertaken to look into it for you.

GOODS AND SERVICES TAX

EFFECT ON BORDER COMMUNITIES

Hon. Eymard G. Corbin: Honourable senators, I believe that on November 11 a referendum took place in the state of Maine, with the result that, in Maine, stores will now be open on Sundays, that Sunday shopping will be allowed. Of course, that is causing quite a bit of concern and distress all along the Maine-New Brunswick border. I would like to have the advice of the Leader of the Government in the Senate as to what good word he could put in with cabinet or the government, or whatever else he may want to suggest for the people of New Brunswick. I should not call Edmundston a town because Senator Simard will be jumping to his feet.

Senator Frith: Just in time.

Senator Corbin: The city of Edmundston, the town of Grand Falls, Woodstock, St. Stephen, and numerous other communities right down from the border with the province of Quebec to the Bay of Fundy and Passamaquoddy Bay, there are businessmen and store owners who are very concerned about the impact this legislation will have on their own Canadian sales. That is a matter to look at seriously. There is one other matter that is even more important in their minds. I quote the *Telegraph-Journal* of November 15.

> Others, like those in St. Stephen, are confident they can compete with the large American department stores which will now be open Sundays and are more concerned over how the Goods and Services Tax will affect business.

A further quote in that same article from the same paper:

> "We're more worried about the GST, because with the added tax, clothing will be more expensive at our store, now they are competitive with the U.S.'s", said Hastey.

The Canadian citizens of New Brunswick who live along the border, short of telling them to stay home on Sunday and not go shopping in Madawaska, Calais, Vanceboro, Maine, or whatever, . . .

Senator Barootes: Shop Canadian.

Senator Corbin: There is good doctorly advice. I have not heard you all day, Dr. Barootes; where were you? Short of telling these Canadian citizens to stay home and shop Canadian, what advice will the Leader of the Government give them, especially with respect to their concern over the impact of the GST?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, it is true that some products will increase in price as a result of the GST, and others will decrease in price. So the situation is not quite as the honourable senator would generalize it to be.

Senator Corbin: It is not "the honourable senator" who is generalizing. I am quoting the people who were interviewed for this article in the paper. They are highly concerned, and they say they are more worried about the impact of the GST. Earlier the Honourable Leader of the Government in the Senate, I believe in response to Senator Olson's question, suggested that the business community is not playing ball with the government, that it is not doing its homework and that it is not getting itself ready for the GST. Yet we have had surveys and polls taken by assorted people demonstrating that the business community is not getting the information it requires to play ball with the government under the GST rules.

I quoted the Small Business Association in the course of a speech the other night. They sent us their memo of November 8, 1990. Having interviewed 10,539 of their members, the Canadian Federation of Independent Business came to the conclusion that 74.4 per cent said they were entirely satisfied with the government's effort to give them accurate and useful information on how the GST will affect their enterprises. I do not think it is right to blame businessmen for their so-called non-cooperation in the eventual implementation of the tax, if and when it goes through. The problem is the reverse. The government is not doing a proper job, so I do not think we should expect Canadian businessmen to be at the starting line on Jamuary 1, knowing what they are to do. Surely the government could do a better job and not blame the Senate for that.

Senator Murray: Honourable senators, I do not know who is blaming the business community or for what? The point I was making earlier is that business has made a lot of preparations. Warehouses have been full of goods labelled with post-GST prices, computers have been programmed, staff have been trained, and so forth. Uncertainty would be very damaging to these people. They have done an excellent job, as a matter of fact.

The short answer to the senator's question about people in Edmundston and Woodstock and various places along the New Brunswick-Maine border is that the removal of the manufacturers' sales tax, at the time the GST is being implemented, will make Canadian-manufactured goods more competitive with goods of foreign manufacturers. So my advice to the public would be not only to stay in Edmundston and Woodstock and do the shopping there, but to shop for Canadian-manufactured goods. They are more competitive and will have some price advantage in terms of the shift from the manufacturers' sales tax to the GST.

An Hon. Senator: You don't believe that, do you?

COST OF GOVERNMENT ADVERTISING CAMPAIGN

Hon. Thomas H. Lefebvre: Would the Leader of the Government in the Senate be able to inform us as to the total amount spent by his government, to date, and amounts committed to advertising the GST, including TV, radio, newspapers, dailies, weeklies, monthlies, and magazines—all the media—including pamphlets and brochures and advertising displays? Could the Leader of the Government in the Senate give us that information, please?

• (1720)

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I do not carry those figures around in my head. I would have to make inquiries before I bring you a reply.

Senator Lefebvre: While preparing to answer this question, would you also include an answer concerning the funds that will be committed or have already been spent to hire the persons who are answering the telephones and dealing with the mail as a result of your advertising campaign in an effort to try to sell the GST to Canadians?

Senator Murray: Honourable senators, the supplementary estimates will be tabled later this week by my colleague, the President of the Treasury Board. I am sure that there will be some considerable amount of information related to those matters in the supplementary estimates.

Senator Lefebvre: Thank you for that answer, but in view of the fact that we are now in the midst of this debate in the Senate, it would be helpful for all of us to know that you could put on the record an answer to the questions that I have posed here in detail and not wait for the supplementary estimates.

While you are answering that, I would appreciate it very much, Senator Murray, if you could tell us—and this follows the latest public opinion poll that shows that at least 75 per cent of Canadians are very much opposed to this GST—how many more millions this government will spend of taxpayers' money in trying to sell them something that they do not want?

Senator Murray: Honourable senators, I should point out that just the other day I put some information on the record in reply to a question asked by our colleague, Senator Denis, on that very subject. Apparently my honourable friend has overlooked that reply.

The short answer to the latter part of my friend's question is that all the polls show that there is an enormous desire on the part of Canadians for more information about the GST. Indeed, Senator Olson was referring to this very phenomenon a while ago. It is precisely to satisfy that—

Senator Olson: They want to stay out of jail, you know!

Senator Murray: —desire that we have been conducting quite a comprehensive public information program through the mass media, brochures, pamphlets and cassettes, as the honourable senator indicated.

I will endeavour to update the statistics that I gave earlier to Senator Denis on this matter.

Senator Lefebvre: Thank you. Would you also care to inform the Senate about something else? If the latest poll shows that 75 per cent of Canadians are very much opposed to this tax; and a poll only one month or so ago showed that 83 per cent are against it; how many millions of dollars have been spent to lower the percentage from 83 per cent to 75 per cent? How many more millions do you expect to spend to try and get it at least down to 50 per cent?

Senator Murray: Honourable senators, a good deal of the money has been spent in order to explain to Canadians the operation of the tax on exactly the matters that Senator Olson was referring to earlier. Senator Olson was complaining that not enough information was being put out.

Senator Olson: I asked some questions, but we did not get any answers!

Senator Murray: We have also been encouraging businesses to register and explaining how to register and how to go about the implementation of the tax. These are legitimate areas for expenditure of public moneys on information programs. I should hope that the honourable senator would not take such a reactionary and obscurantist attitude to these matters.

Senator Lefebvre: But, then, is the Honourable Leader of the Government in the Senate willing to admit that the total advertising budget is situated between $36 million and $50 million?

Senator Murray: Honourable senators, if I am not mistaken, the figure that I tabled in response to a question from Senator Denis the other day was at the lower end of the range just mentioned by the honourable senator. But, again, I shall have to get those figures updated. The supplementary estimates to be tabled by Mr. Loiselle should be of assistance to us in that regard. Those estimates should be tabled before the end of this week.

DEPARTMENT OF VETERANS AFFAIRS ACT

BILL TO AMEND—REPORT OF COMMITTEE PRESENTED

Leave having been given to revert to Reports of Committees:

Hon. Lorna Marsden, Chairman of the Standing Senate Committee on Social Affairs, Science and Technology, presented the following report:

Tuesday, November 20, 1990

The Standing Senate Committee on Social Affairs, Science and Technology has the honour to present its

EIGHTEENTH REPORT

Your Committee, to which was referred the Bill C-87, An Act to amend the statute law in relation to war veterans has, in obedience to the Order of Reference of Tuesday, November 20, 1990, examined the said Bill and now reports the same without amendment.

Respectfully submitted,

LORNA MARSDEN
Chairman

THIRD READING

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

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(*b*), I move that the bill be read the third time now.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Motion agreed to and bill read third time and passed.

QUESTION PERIOD

GOODS AND SERVICES TAX

APPLICABILITY OF TAX TO THE CROWN AND ITS AGENCIES—GOVERNMENT POSITION

Hon Gildas L. Molgat: Honourable senators, my question is to the Leader of the Government in the Senate. It is with regard to a headline in *The Winnipeg Free Press* of today which is entitled: "Province on GST collision course."

The story states:

> The Filmon government has set itself on a collision course with Ottawa by ordering a smattering of provincial agencies not to pay the goods and services tax.
>
> Finance Minister Clayton Manness said yesterday the province maintains the Manitoba Public Insurance Corp. and some other agencies are government operations and as such exempt from having to remit the seven-per-cent tax.
>
> He said MPIC has been told not to build the cost of the GST into Autopac rates for next year. As well, he said the province is instructing community colleges not to pay the tax, slated to take effect Jan. 1.

Could the minister tell us where this matter stands? Will the government insist that Manitoba has to pay the tax on government operated bodies such as the Autopac auto insurance?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I believe I had an exchange with Senator Austin on this matter the other day. I have not seen the article to which Senator Molgat refers. I believe I told Senator Austin at the time that the Crown and its agencies are not required to pay the tax, but we have all the constitutional authority necessary to require them to collect it or remit it.

APPLICABILITY TO INDIAN RESERVES

Hon. Gildas L. Molgat: Could the minister tell me what the situation is concerning Indian reserves? Will the GST apply to goods sold on Indian reserves? In the province of Manitoba the provincial sales tax does not apply. I received a phone call today from an individual on an Indian reserve who said that he understood that certain products sold on the reserve for use on the reserve will be subject to the GST. Is that correct?

[The Hon. the Speaker.]

● (1730)

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, that is exactly the kind of question that I would want to obtain a prepared reply on, and I will do so immediately.

"GST-FREE" ALBERTA MUNICIPALITIES—GOVERNMENT POSITION

Hon. H.A. Olson: There are a number of municipalities in Alberta which have declared themselves to be GST-free areas. I wonder if the minister could obtain an opinion as to how the government is going to deal with these local governments.

INDIAN AFFAIRS

PROVISION OF STUDY WITH RESPECT TO APOLOGY OR COMPENSATION TO NORTHERN QUEBEC INUITS WHO WERE RELOCATED TO THE ARCTIC ISLANDS IN 1953—GOVERNMENT POSITION

Hon. Joyce Fairbairn: Honourable senators, I should like to ask a question of the Leader of the Government in the Senate. In the house yesterday there were comments made about the relocation of northern Quebec Inuit to the Arctic Islands in 1953. I understand from the media today that the government, in the House of Commons, responded to a report of the House of Commons Aboriginal Affairs Committee, which unanimously recommended that certain action be taken to apologize to these Inuit families and to consider compensation. I wonder if the Government Leader in the Senate could undertake to have the government response and the study on which it was based tabled in this house or distributed to senators so may we ask questions on it at another time.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): I shall try to do so tomorrow, honourable senators.

DELAYED ANSWERS TO ORAL QUESTIONS

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I have twelve delayed answers to questions, and I ask that they be printed as part of today's proceedings.

INDIAN AFFAIRS

OKA STAND OFF—REQUEST FOR INFORMATION

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, the first delayed answer I have is in response to a question raised in the Senate on September 26, 1990, by the Honourable Senator Lorna Marsden, regarding Indian Affairs—OKA Stand Off—Request for Information.

(*The answer follows:*)

A response to this question in the way of a current up-date on the OKA situation was given by Senator Murray during Question Period on September 26, 1990 was overtaken by events.

PERSIAN GULF

EFFECTIVENESS OF SANCTIONS

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, the second delayed answer I have is in response to a question raised in the Senate on October 24, 1990, by the Honourable Allan J. MacEachen, regarding Persian Gulf—Effectiveness of Sanctions.

(*The answer follows:*)

The answer to the first question, are they effective in their breadth and in the degree to which they are respected, is very much yes. That has to do in part with the existence of a very effective naval blockage in which Canada is playing a commendable role. It also indicates the degree to which there is firm international support. We are monitoring that. We are the vice-chair of the Security Council subcommittee on sanctions.

As to the other question, the impact on Iraq itself, there is some impact. It is not an impact that looks like it will change Iraqi behaviour in the short term. We want to continue to press on sanctions and other peaceful means to make Saddam Hussein understand that the world is resolute in requiring him to leave Kuwait.

PERSIAN GULF

COMMITMENT OF CANADIAN LAND FORCES—GOVERNMENT POSITION
COMMAND OF CANADIAN NAVAL FORCES—REQUEST FOR CLARIFICATION
DEPLOYMENT OF CANADIAN FORCES—POSSIBILITY OF WAR—COMMAND STRUCTURE

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I have a response to questions raised in the Senate on October 26, 1990, by the Honourable Stanley Haidasz, regarding Commitment of Canadian Land Forces—Government Position; October 25, 1990, by the Honourable Lorne Bonnell, regarding Command of Canadian Naval Forces—Request for Clarification; and on October 25, 1990, by the Honourable Gildas L. Molgat, regarding Deployment of Canadian Forces—Possibility of War—Command Structure.

(*The answer follows:*)

Canadian ships and aircraft have been dispatched to the Persian Gulf to contribute to international efforts ensuring the strict implementation of the United Nations economic sanctions against Iraq, and to deter further Iraqi aggression.

The House of Commons was given the opportunity to thoroughly address the Iraqi invasion of Kuwait and the actions of the Government of Canada. A motion was carried by the House of Commons on October 23rd, 1990 which condemned the invasion of Kuwait by Iraq, supported Canada's actions, and recognized the undertaking of the Government to present a further resolution to this House in the event of the outbreak of hostilities involving Canadian Forces in and around the Arabian peninsula.

From the beginning of the Gulf crisis, the Government has been engaged in a continuing series of bilateral and multilateral consultations on the appropriate international responses to Iraq's unprovoked invasion of Kuwait on August 2nd. The principal forum for these discussions has been the United Nations.

On September 9th and 10th, a Naval Conference was convened in Bahrain to discuss mutual cooperation and support among the countries which had committed naval forces to the Gulf. Canada, along with the naval representatives from other nations deploying ships to the region, participated in the meetings. As a result of these consultations, it was decided that Canada could make the most meaningful contribution within the central region of the Persian Gulf.

As a member of the multi-national effort, Canada is conducting its operations in close communication and cooperation with its allies in the region. At the same time, Canada maintains independent national command and control of our ships and aircraft through modern communication systems as they patrol their area of responsibility in the Persian Gulf. To ensure maximum coordination of the efforts of Canadian vessels and aircraft, Canada has established a joint-headquarters in Bahrain.

Canadian Forces deployed to the Gulf are, and will remain, under Canadian command and control. The Chief of Defence Staff, in consultation with the Minister of National Defence, has authorized appropriate and specific national Rules of Engagement and Levels of Force guidelines within the framework of Canadian Government policy. These guidelines deal exclusively with self defence and the enforcement of United Nations sanctions. They are detailed rules and instructions guiding the degree of autonomy that the Air and Naval Task Group Commanders, commanding officers, and aircraft commanders have in responding to a developing situation. They are commensurate with Canada's area of operations and the assessed threat in the region. Rules of Engagement tell the commanders what they can and cannot do in fulfilling their mission. Levels of Force guidelines provide amplification so that the commanders are aware of the exact limits of their authority within the Rules of Engagement.

An essential basic premise in the Rules of Engagement is the right of self defence. A commander has the inherent right to employ such force as may be necessary to protect his command and the lives of his crew. No instruction or rule has been put in place which can be construed as limiting any of the commanding officers in the exercise of his initiative and judgement when immediate action is required for self defence.

THE ENVIRONMENT

OIL SPILL IN CANADIAN WATERS—UPGRADING OF TRAFFIC MANAGEMENT EQUIPMENT AND CAPACITY TO DEAL WITH OIL SPILLS—GOVERNMENT ACTION

Hon. C. William Doody (Deputy Leader of the Government): I have the response to a question raised in the Senate on October 26, 1990, by the Honourable Colin Kenny, regarding The Environment—Oil Spills in Canadian Waters—Upgrading of Traffic Management Equipment and Capacity to deal with Oil Spills—Government Action.

(*The answer follows:*)

I wish to table the Interim Report of the Public Review Panel on Tanker Safety and Marine Spills response capability, as requested by the Honourable Senator.

EXTERNAL AFFAIRS

APPOINTMENT OF AMBASSADOR TO IRAN—GOVERNMENT POSITION

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, the fourth delayed answer I have is in response to a question raised in the Senate on November 6, 1990, by the Honourable Eymard G. Corbin, regarding Appointment of Ambassador to Iran—Government Position.

(*The answer follows:*)

The decision to appoint an Ambassador to Iran was part of a process begun in 1988 leading to normalization of relations between Canada and Iran.

The present situation in the Gulf clearly demonstrates the importance of Canada maintaining a dialogue at ambassadorial level.

The maintenance of diplomatic relations with Iran does not signify Canadian approval of Iran's policies on human rights.

Having a qualified Ambassador in Tehran enables us to advance Canadian interests more effectively, including in the field of human rights.

[*Translation*]

COUNCIL OF EUROPE

CANADA'S ROLE IN PROPOSED PARLIAMENT—GOVERNMENT POSITION

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I have a delayed answer to a question raised on Tuesday, November 6, 1990, by the Honourable Jerahmiel S. Grafstein, regarding Council of Europe—Canada's role in Proposed Parliament—Government Position.

(*The answer follows:*)

Honourable senators, of all non-member states, Canada is the most active in the activities of the Council of Europe. Canada has observer status on approximately thirty intergovernmental committees. We participate on a regular basis in the ministerial and parliamentary conferences of the Council.

In June 1991, Canada will host an informal conference of European Justice Ministers. This will be the first time that a third country (i.e. a non-member state) will host such a conference.

The Minister of Foreign Affairs of Italy, Gianni De Michelis, has encouraged the Council of Europe to be more open to both Canada and the United States. He did not, however, suggest that they be admitted as members of the Council, as an Associated Press report indicated. As the membership criteria now stand, Canada cannot be a member of the Council as it is not a European state.

Canada acknowledges the expertise of the Council of Europe in the areas of human rights, culture and law. We believe that the Council has a role to play, but it is not a substitute for the CSCE. It is necessary for these activities to remain under the aegis of an organization with a wide-ranging mandate, such as the CSCE, and that Canada be a full member of any such organization.

Given the extensive experience of the Council of Europe in the operation of a multinational parliamentary assembly, we would like to see a very close cooperation between this body and the eventual CSCE assembly. The two assemblies should, however, remain separate.

[*English*]

OFFICIAL LANGUAGES ACT

REQUEST FOR TABLING OF REGULATIONS

Hon. C. William Doody (Deputy Leader of the Government): This is in response to a question raised in the Senate on November 6, 1990, by the Honourable Dalia Wood, regarding Official Languages Act—Request for Tabling of Regulations.

(*The answer follows:*)

As you know, the Government has tabled the draft regulations on service to the public. In order to ensure that these regulatory proposals would be fair and reasonable for all Canadians, officials of the Treasury Board Secretariat carefully examined several factors, including the requirements of the *Official Languages Act*,the particular characteristics, size and distribution of official language minority communities and the diversity of federal services throughout Canada. They consulted with many interested parties. The draft regulations reflect this effort.

Further to an earlier response regarding this subject, I am confident that the proposed regulations are good ones and will meet with the approval of both Parliamentarians and the public. They are designed to provide generous access to federal services to the majority as well as the minority population in their official language, while at the same time not requiring federal institutions to maintain unneeded bilingual capacity.

For your information, attached is a copy of the document outlining the *Process for the Adoption of Regulations Under the Official Languages Act*.

GOODS AND SERVICES TAX

POSSIBILITY OF AMENDMENTS TO BILL

Hon. C. William Doody (Deputy Leader of the Government): This is in response to a question raised in the Senate on November 7, 1990, by the Honourable Jacques Hébert regarding the Goods and Services Tax—Speech by Senator Chaput-Rolland—Possibility of Amendments to Bill.

(*The answer follows:*)

As I committed to undertake on November 7, 1990, I wish to table the *Globe and Mail* article of October 23, 1990, by Robert Matas, quoting the Prime Minister during his recent visit to British Columbia.

FISHERIES

CANADA-UNITED STATES LOBSTER AGREEMENT—REJECTION BY CANADA—GOVERNMENT POLICY

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, the eighth delayed answer I have is in response to a question raised in the Senate on November 8, 1990, by the Honourable M. Lorne Bonnell, regarding Fisheries.

(*The answer follows:*)

International Trade Minister John C. Crosbie and Fisheries and Oceans Minister Bernard Valcourt announced today the Government's decision not to enter into an agreement with the United States concerning trade in lobster.

Under the proposed agreement, Canada would have been obligated to increase its minimum lobster size, in all lobster fishing areas of Atlantic Canada except the Gulf of St. Lawrence, to 3 1/4 inches.

"Although the proposal would have provided certain potential benefits for Canada in the U. S. lobster market", Mr. Valcourt explained, "the fishermen who would have been most seriously affected by reduced lobster catches were strongly opposed to the idea of increasing our minimum legal lobster size simply to match that of the U.S. There are no biological or conservation reasons for such an increase in Canadian waters, therefore, we are not going to impose unnecessary restrictions on the operations of our fishermen."

Mr. Valcourt noted that Canadian lobster landings last year were at an all-time high, reflecting the success of careful Canadian management of the stocks in consultation with lobster fishermen. "In the past ten years, lobster landings have more than doubled and the stocks remain in a very healthy condition," the Minister said. "The lobster fishery is one of the current success stories in our Atlantic fishery".

"Fishermen say that they are confident that other buyers can be found for the lobster which they are no longer permitted to sell in the American market due to the U.S. restrictions," Mr. Valcourt added. "Consequently, there is no overriding reason to deny them the opportunity to continue to catch and market the current size of lobster."

Mr. Crosbie expressed the Government's appreciation to the industry representatives who participated in the discussions leading up to the proposed agreement. "I am deeply appreciative of the time and effort which several industry leaders devoted to seeking a negotiated resolution of these issues," said Mr. Crosbie.

The Ministers noted that in making their decision the Government consulted extensively with representatives of lobster fishermen, processors and distributors, as well as with representatives of five lobster-producing provinces (Nova Scotia, Newfoundland, Prince Edward Island, New Brunswick and Québec).

The Government of Canada is considering further options aimed at providing broader access to the U.S. market.

NATIONAL REVENUE

JUSTIFICATION OF DEPARTMENTAL EXPENDITURES

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I have a delayed answer in response to a question asked in the Senate on November 13, 1990 by the Honourable Raymond J. Perrault regarding National Revenue—Justification of Departmental Expenditures—request for information.

(*The answer follows:*)

I am advised by officials of my Department that the accommodation sought and used is the most economical arrangement available. The Department has secured a daily rate of $80 per participant, where normal rates are $250.00.

I can assure Members my Department is responsive to restraint measures and undertakes events of this nature only as required and uses the most economical accommodation available.

CANADA-UNITED STATES TRADE RELATIONS

RENEGOTIATION OF CANADA-U.S. SOFTWOOD LUMBER AGREEMENT—GOVERNMENT POSITION

Hon. C. William Doody (Deputy Leader of the Government): This is in response to a question raised in the Senate on November 14, 1990, by the Honourable Raymond J. Perrault, regarding Canada-United States Trade Relations—Renegotiation of Canada-U.S. Softwood Lumber Agreement-Government Position.

(*The answer follows:*)

We are consulting closely with provinces and industry to determine the most appropriate approach to deal with a complicated and sensitive issue.

THE HONOURABLE BENOIT BOUCHARD

STATEMENT IN THE PRESS

Hon. C. William Doody (Deputy Leader of the Government): This is in response to a question raised in the Senate on November 14, 1990, by the Honourable Norbert Thériault regarding the Honourable Benoit Bouchard—Statement in the Press.

(*The answer follows:*)

Mr. Bouchard stated during the interview with *Le Journal* that it is up to Quebec to decide its options and he continues to work "as a federalist".

He has reflected the views of many Canadians in saying that it is now appropriate to take a serious look at our federal system in light of present realities.

When the Citizens' Forum was announced, Mr. Bouchard said it was "vital exercise" to find out what people in all parts of the country want for Canada's future.

During the Quebec Progressive Conservative policy convention in Mont Ste-Anne, he stressed the importance of awaiting the results of the Citizens' Forum and the Bélanger-Campeau Commission in order to have a clear view of Canada's future.

THE CONSTITUTION

BÉLANGER-CAMPEAU COMMISSION—FEDERAL GOVERNMENT REPRESENTATION

Hon. C. William Doody (Deputy Leader of the Government): This is in response to a question raised in the Senate on November 14, 1990, by the Honourable Philippe D. Gigantès regarding The Constitution—Bélanger-Campeau Commission—Federal Government Representation.

(*The answer follows:*)

As I said on November 14:

Mr. Hogue sits on the Commission as a representative of the Progressive Conservative Party, not of the Government of Canada.

As such it is not within my "ministerial responsibility to report on behalf of a person who is a representative of the party, but not of the Government."

Nevertheless, I can report that the Reference Division of the Library of Parliament confirms they are receiving verbatim reports of the Commission's proceedings and I suggest my honourable friend may wish to consult these reports with respect to his query.

ANSWERS TO ORDER PAPER QUESTIONS TABLED
NATIONAL RESEARCH COUNCIL

COMPUTER PROGRAM PROJECT—LIST OF TENDERS

Hon. C. William Doody (Deputy Leader of the Government) tabled the answer to Question No. 49 on the Order Paper—by Honourable Jack Marshall.

[Senator Doody.]

NATIONAL ADVISORY COUNCIL ON AGING

NEWFOUNDLAND, SASKATCHEWAN, NORTHWEST TERRITORIES—LACK OF REPRESENTATION

Hon. C. William Doody (Deputy Leader of the Government) tabled the answer to Question No. 59 on the Order Paper—by Honourable Jack Marshall.

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE ACT
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMEND—THIRD READING—MOTION IN AMENDMENT NEGATIVED

The Hon. the Speaker: Honourable senators, it is 5.45 p.m. Pursuant to Provisional Rule P-3.(a), the Senate shall proceed to the deferred division on Senator MacEachen's motion in amendment to Bill C-62.

Honourable senators, it is moved by the Honourable Senator Kelly, seconded by the Honourable Senator Beaudoin, that Bill C-62 be now read the third time.

In amendment, it is moved by the Honourable Senator Watt, for the Honourable Senator MacEachen, seconded by the Honourable Senator Adams, that Bill C-62 be not now read the third time but that the Schedule of the Bill be amended, on page 342, to make special provision for the Yukon, Northwest Territories, Norther Quebec and Labrador by adding to Schedule VI, and numbering accordingly, a new heading and Part as follows:

"YUKON, NORTHWEST TERRITORIES, NORTHERN QUEBEC AND LABRADOR

1. In this Part,

"Labrador" means that part of Labrador within the Province of Newfoundland;

"Northern Quebec" means the part of Quebec that is north of the 55th parallel of north latitude.

2. A supply of any goods, service or property made in the Yukon, Northwest Territories, Northern Quebec or Labrador.

3. A supply of any goods, service or property made to a resident of the Yukon, Northwest Territories, Northern Quebec or Labrador for use or consumption primarily in the Yukon, Northwest Territories, Northern Quebec or Labrador.

4. A supply of service of transportation that commences or terminates in the Yukon, Northwest Territories, Northern Quebec or Labrador."

Please call in the senators.

● (1750)

Let the doors to the chamber be locked.

Motion in amendment negatived on the following division.

YEAS

THE HONOURABLE SENATORS

Adams	Leblanc
Austin	(*Saurel*)
Bonnell	Lefebvre
Bosa	Lewis
Buckwold	Lucier
Cools	MacEachen
Corbin	Marsden
Croll	Molgat
Davey	Neiman
De Bané	Olson
Denis	Perrault
Fairbairn	Petten
Frith	Riel
Gigantès	Rizzuto
Grafstein	Robichaud
Graham	Sparrow
Haidasz	Stanbury
Hastings	Steuart
Hays	Stewart
Hébert	Stollery
Kenny	Thériault
Kirby	Thompson
Kolber	Turner
Lawson	van Roggen
LeBlanc	Waters
	Watt
	Wood—51

NAYS

THE HONOURABLE SENATORS

Atkins	DeWare
Balfour	Di Nino
Barootes	Doody
Beaudoin	Doyle
Beaulieu	Eyton
Bélisle	Forrestall
Berntson	Grimard
Bolduc	Hatfield
Buchanan	Johnson
Carney	Kelleher
Castonguay	Kelly
Chaput-Rolland	Keon
Charbonneau	Kinsella
Cochrane	Lavoie-Roux
Cogger	Lynch-Staunton
Comeau	Macdonald
David	(*Cape Breton*)

NAYS

THE HONOURABLE SENATORS

MacDonald	Phillips
(*Halifax*)	Poitras
Macquarrie	Robertson
Marshall	Roblin
Meighen	Ross
Muir	Rossiter
Murray	Simard
Nurgitz	Spivak
Oliver	Sylvain
Ottenheimer	Teed
	Tremblay—53

ABSTENTIONS

THE HONOURABLE SENATORS

Nil

The Hon. the Speaker: I declare the motion in amendment negatived.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, let me do Senator Frith's arithmetic for him this afternoon. Had the eight new senators not voted, the vote would have been 51 to 45 in favour of the motion in amendment.

Some Hon. Senators: Hear, hear!

Senator Murray: Let me say, however, that the result of the vote demonstrates the wisdom of the Prime Minister's having invoked Section 26. Let me also note that the Supreme Court of New Brunswick today confirmed, as the Supreme Court of Ontario had done earlier, the validity of the appointment of those eight senators.

● (1800)

Hon. Royce Frith (Deputy Leader of the Opposition): Honourable senators, I am sure that all of us noted those comments, including our visitors in the gallery.

Some Hon. Senators: Hear, hear.

Senator Frith: I think many Canadians hope that the Leader of the Government's gloat will be a short gloat.

I move, pursuant to Provisional Rule P-1, that the Senate do now adjourn.

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

According to Provisional Rule P-1, the sitting is suspended forthwith until 2 o'clock tomorrow afternoon.

Senator Frith: To keep the record clear, I do not think the Speaker needs to put that motion under Provisional Rule P-1. Once the adjournment is moved, it automatically operates.

The sitting of the Senate was suspended until tomorrow at 2 p.m.

No. 112B.]

[*Editor's Note: For continuation of proceedings see Issue*

THE SENATE

Tuesday, November 20, 1990

[*Editor's Note: Continuation of Proceedings from Issue No. 112A.*]

The sitting of the Senate was resumed at 2 p.m. Wednesday, November 21, 1990, the Speaker in the Chair.

BUSINESS OF THE SENATE

MOTION TO ADJOURN WITHDRAWN

Hon. Royce Frith (Deputy Leader of the Opposition): Honourable senators, yesterday evening, Tuesday, I moved the adjournment of the Senate under rule P-1. The rule provides that:

> If at any time before the Senator then in the Chair calls for the yeas, nays and abstentions pursuant to Rule 49, the Senator who proposed the motion asks leave to withdraw the said motion the same shall be deemed to have been withdrawn;

I ask leave to withdraw the said motion.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Motion withdrawn.

[*Translation*]

BANK ACT

BILL TO AMEND—FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-90, an Act to amend the Bank Act (extension).

Bill read the first time.

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

On motion of Senator Doody, bill placed on the orders of the day for second reading on Friday, November 23, 1990.

[*English*]

BUSINESS OF THE SENATE

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, from discussions with honourable senators opposite with regard to today's business, it seems that the intention of the Opposition is to introduce their eighth amendment this evening at 8 o'clock. That will give us the afternoon in which to debate a matter of interest to everyone. It has been decided, through mutual discussion, that the Persian Gulf crisis is an appropriate topic to occupy some of our time today. There is, of course, an understanding that we will revert to Bill C-62 when we return at 8 o'clock.

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

Hon. Senators: Agreed.

PERSIAN GULF CRISIS

MOTION TO ADJOURN UNDER RULE 46(g) TO CONSIDER MATTER OF URGENT PUBLIC IMPORTANCE

Hon. Allan J. MacEachen (Leader of the Opposition): Honourable senators, to provide a basis for the discussion, I move, according to rule 46(g):

> That the Senate do now adjourn for the purpose of raising a matter of urgent public importance, namely: the Persian Gulf crisis.

We have been dealing for the past several weeks with a matter of great importance to the Canadian taxpayer, but at the same time our preoccupation with that subject should not blind us to the fact that we may be standing on the brink of war. The issue of war and peace has not been with us in such a dramatic way for a generation. The last time this house held a debate and took action which resulted in Canadians going to war, with the inevitable sequence of human suffering and casualties, was in September 1950 after the outbreak of the Korean war. I want to say a few words later about how that crisis was handled by the government of the day in Parliament in comparison with the procedures on this occasion.

With many thousands of lives at risk, and possibly the lives of Canadians at risk, I think the situation is serious enough to interrupt our proceedings to focus our minds on the particular question in its starkest form: Is war inevitable? We know from past experience that, whenever an international crisis becomes acute enough to raise the question of war and peace, two options are available to the international community: military action or settlement by peaceful means. Military action is always a possible option, although its results may be disastrous. However, a peaceful settlement is not always possible. That being said, I am sure that every senator would agree that a peaceful settlement should be preferred to a military solution.

Therefore, in order to answer the question whether war is inevitable, we should not begin by considering who would win the war or how the war could be conducted, but by considering what war would achieve that would not be achievable by other means, and whether a peaceful solution is workable and viable? We know that various countries involved in this conflict have their own objectives. Let us take a look at a number of the Arab countries.

We know that Iraq has two overriding objectives, regional hegemony and a dominant position in OPEC. With the achievement of those two objectives Iraq would be able to pursue some more ambitious, longer-term objectives: Arab unity, the settlement of the Palestinian issue and a position of influence in the world, based upon its newly acquired ability to disturb the world price of oil. These objectives are clear and interrelated. The strategic means chosen by Saddam Hussein for achieving these objectives are equally clear and interrelated: the massive war machine, territorial aggrandizement and manipulation of Arab and world public opinion. Saddam Hussein has sacrificed all other national policy goals to the single-minded pursuit of that strategy. The strategy calls for aggression.

It is no wonder that other Arab countries in the Middle East should feel threatened. Kuwait has had long-standing border and historical disputes with Iraq, including the exploitation of the Rumaila oil field. The military forces of Kuwait were and are no match for Saddam Hussein's. Its wealth made it an attractive target. The obvious objective of the Kuwait government in exile must surely be liberation from Iraq's occupation, either by peaceful settlement or by military action.

Jordan is also vulnerable, because of its close and long-standing relations with Iraq, the importance of its Palestinian population and its geographic position between Iraq and Israel. Of course, we all know that it has come under pressure from Saudi Arabia for its reserved, pro-Iraqi stance. The overriding objective of Jordan is to prevent an armed conflict which could trigger a sequence of events that would put at risk its very own existence. As for other Arab countries, Saddam Hussein's military might is also a direct security threat to them and his ambition to achieve domination of the Middle East a longer-term threat, since they would not remain insulated from destabilization in the area. They share in common the immediate objective of getting Iraq out of Kuwait as a first measure to contain Saddam Hussein.

If this situation triggered an armed conflict, Iraq's military forces would be crippled, but these other countries would suffer significant destruction and loss of human lives. Their preferred option must clearly be an early, peaceful solution, born out of Arab concertation which would save them from the risk of devastation. If this cannot be achieved, they could become receptive, with the exception of Jordan, to the attraction of early offensive military action by the United States and other Western countries, particularly if the military action held the prospect of being short and decisive. The time element should be emphasized because the protracted presence of foreign troops in the area would eventually contribute to the destabilization of these countries' social and political systems.

● (1410)

I should underline at this point that the Arab countries will not take the offensive against Iraq on their own and without the support and leadership of the United States and other Western countries, whose moves, therefore, would be decisive.

What are the objectives of the Western countries? We know that one is to obtain the widest possible condemnation of this aggression and support for Iraq's withdrawal from Kuwait. This was achieved by the initial resolution of the Security Council. Their second objective was to protect Saudi Arabia from what seemed to be an imminent threat of aggression. This was achieved by the dispatch and deployment of foreign troops, mostly American, to Saudi Arabia.

As Iraq failed to heed the demand for withdrawal, an embargo was decreed—here again, by the Security Council—to put pressure on Iraq. Means of enforcement in compliance with Security Council resolutions were put in place. These mainly consist of naval and air power.

The longer term objectives of the West are to provide a convincing demonstration that aggression does not pay; to protect energy supplies; and to prevent further destabilization in the Middle East. I think we should delve a little into these longer-term objectives. The demonstration that aggression does not pay can be understood as a key element in the building of a new world security order, a new order in which the United Nations will assume full responsibility for the maintenance of peace and security as originally conceived by the drafters of the UN charter. Between the Korean War and what may become a new Middle East war, the United Nations security system was frozen by the East-West confrontation. For 40 years peace was secured by nuclear deterrents, but, with the end of the Cold War, the United Nations security system can be made to work. In a number of ways, the Persian Gulf crisis is breaking out at a momentous time in history and will, indeed, be a test of how aggression is going to be met in the post Cold War era.

Take note of what happened in the Persian Gulf after the invasion of Kuwait. Not one but two security systems have been deployed, first to stop and then to roll back aggression—the first consisting of coordinated multinational air and naval forces deployed in the Persian Gulf area to enforce an embargo within the framework of the United Nations Security Council resolution; the other consisting of ground and air forces, mostly American, deployed in Saudi Arabia to protect Saudi territory at the request of the Saudi government. This second deployment is unrelated to Security Council resolutions. In brief, we have been operating side by side with a new, fragile world security order on the one hand, and what might be called "pax Americana" on the other. The distinction is not without meaning for the future of any new world security system.

I said that this Persian Gulf crisis comes at a momentous time in history. During the Cold War the possible escalation of local conflict into global war held in check the intervention of the superpowers. The option of large-scale military action was never a realistic one for the superpowers in any past Middle East conflict. The risk of escalation, coupled with nuclear deterrents, was too great. In today's world, war without United Nations' blessing is a realistic option for the United States, and if Washington chooses that option, aggression will not pay, but the world will have another manifestation of "pax Americana."

[Senator MacEachen.]

Turning to the protection of energy supplies, the second objective of the West, one may well wonder whether war would be the best way of achieving that. Leaving aside physical destruction, which would cause severe disruption, the world market would be bound to react with significant price increases. It already did with the Iraq-Kuwait export embargo and in anticipation of an armed conflict. If this conflict were to break out soon, further price increases would come at a most inopportune time in the North American economic cycle. The duration of the war, of settlement negotiations and of recovery cannot be foretold with any degree of confidence, but it could be quite a while before normalcy of supplies, without disruptive pricing, could be secured. That is the war scenario.

Against that, the likely behaviour of Iraq has to be weighed in the scenario of a negotiated settlement. I believe that Iraq would be most unlikely to turn off the tap. It could even be argued that if Iraq kept some degree of control over Kuwaiti supplies as a result of peace negotiations it would find itself in somewhat the same position as Saudi Arabia, arguing for lower oil prices to prevent the development of alternative sources of supply. In the circumstances, I greet with much skepticism the argument that war is necessary to protect energy supplies.

To create stability in the Middle East is, of course, a worthy objective for the West. Saddam Hussein's ambitions have emerged as a major destabilizing factor and, as a matter of priority, his ambitions must be curbed. Certainly, it is not within the space of this speech that one could analyze the history of instability in this particular region, but it is worth remembering that the Middle East has experienced instability for something like 4,000 years, and that no war, ancient or recent, ever brought lasting stability to the region.

Moreover, the performance of the West when dealing with Lebanon, the Arab-Israeli dispute, and the Iran-Iraq war is not one that would inspire superlative confidence among inhabitants of the region. Many of them would argue that borders drawn by Western powers after World War I have been a source of conflict rather than stability; and others would argue that the policy of Western countries have been driven more by economic self-interest or political opportunism than by an unfailing commitment to equity. I am not saying these things out of cynicism, but to point out that, in the pursuit of stability as a goal, Western countries have to reach down into the underlying causes of conflict and to build new ways of helping the governments of the countries concerned to surmount these conflicts.

● (1420)

Moreover, stability should not mean paralysis. If the Middle East has been conflict-prone, it is because too much rigidity prevented the accommodation of divergent interests by peaceful negotiation. While we all approve of the stabilization goal of Western policy, I do not see very much evidence that the Western governments most active in the Middle East are getting ready, as a matter of priority, to work on the underlying forces which create instability. Yet the fact that the Middle East has ceased to be a powder keg for East-West confrontation opens up remarkable opportunities for progress. In other words, while the invasion of Kuwait has had a catalytic effect on Western, and probably world, determination to resist aggression, it has not had the same catalytic effect on the search for, and the bringing together of, the elements of a peaceful solution.

I have not said very much about Canadian objectives, and interests and actions, because I intend to conclude with that, but I think I have said enough about objectives and related interests to establish that Arab interests, including those of Iraq, and the interests and objectives of the West, are not better served now by offensive military action.

With the array of international forces deployed against it, Iraq, while sitting on Kuwait, will not attack. A remarkable consensus has been achieved in the United Nations to condemn Saddam Hussein and to demand the withdrawal of Iraqi forces from Kuwait. An embargo supported by impressive deployment of international forces has been achieved, thanks to U.N. Security Council resolutions. Adequate defence forces have been mobilized to confront all further aggression by Iraq. These are raising a considerable amount of pressure on Saddam Hussein, and I think this pressure should be allowed to work.

Current United States efforts and initiatives to move to an offensive stance—and we have seen much of that in recent days through the activities of the President and the Secretary of State—have the effect of straining the consensus and the coalition of the multilateral alliance marshalled against Saddam Hussein. Pushed beyond the point of no return, offensive action, not backed up by the Security Council, would tend to isolate the United States in a decisive phase of the conflict. Moreover, offensive action, not sanctioned by the United Nations, would make the achievement of medium-term objectives—that is, development of the United Nations security system, the security of oil supplies, and stability in the Middle East—more difficult to achieve.

We do not at this stage—at least I do not; perhaps others do—have evidence that the United Nations strategy, backed up by the resources of countries supporting it, is failing. I think it is imperative that a serious assessment be made of the effect of the embargo on Iraq before any other moves are contemplated.

I asked the Leader of the Government a few days ago about the effectiveness of the U.N. embargo, and I must say that I received an answer from the Department of External Affairs which is not fully helpful. The answer was that the embargo is effective insofar as it is being observed; it then went on to say that it is having some impact and, in the short term, is not expected to change the behaviour of Saddam Hussein. Well, it may take longer than that, but I think we ought to have some assessment in the United Nations at the present time of the effect of the embargo on Iraq before any other move is made. Certainly, at the very least, countries deploying forces in the area, including Canada, should have an opportunity to consider a full report of the Security Council committee charged with the monitoring of the embargo.

The United States, as we see very clearly, is engaged in marshalling Security Council members to get a resolution to take offensive action in the Persian Gulf. Make no mistake about it, that is what is happening. I believe it is premature. I think that we ought to watch Saddam Hussein. I think he is feeling the pressure. He has manufactured a hostage issue to divert this pressure. The reinforcement of his troops in Kuwait is a sign more of weakness than of strength. He is beginning to talk with insistence about the peaceful resolution of outstanding disputes in the Middle East. One may be inclined to discount such talk on the basis of Saddam Hussein's past record, but if we really mean to pursue a peaceful process of settlement, Saddam Hussein's seriousness, or lack thereof, must be tested again and again without relaxation of the pressure mounted against him.

More pressure could be applied by diplomatic means to isolate him. The offer of genuine negotiations as an alternative to war should be part of that pressure. This strategy, around which a consensus can be maintained, is the opposite of an ultimatum. The Iran-Iraq war has shown that Saddam Hussein can change his mind when confronted with severe punishment. The experience of Iran in that war has shown what attrition and obsolescence can do to sophisticated weaponry when lacking technical backup support. There may be a point to comparing Saddam Hussein to Hitler, but clearly, Iraq is not pre-war Germany.

One might ask for whom and for what is time running out? It is running out for Saddam Hussein. Iraq's economy was savaged by its war with Iran. It never had a chance to recover. Heavy financial transfusions from his oil-rich neighbours have dried up. The embargo is starving Iraq of financial resources and of basic supplies. Having said that, one should not underestimate the abilities of a developing country run by a dictatorship to suffer punishment, but we can confidently say that the prospect of Saddam Hussein's achieving the unification of the Arab world by force and social upheaval is now remote. His ambition must focus on a much narrower issue: How long can he hang on to Kuwait? However, time is also running out for the president of the United States, George Bush. Congressional and public-opinion support for the United States' involvement in the Persian Gulf crisis is beginning to recede, and the shift in opinion is accelerating as a result of the United States administration's move to an offensive stance in the Gulf.

In this connection, I cannot forget a comment made one time by Mr. James Schlesinger, whom we know as a former U.S. Secretary of Defence. He said that European countries and world statesmen are naive to believe that United States' foreign policy is driven by national interests; it is driven by domestic politics. That is a truism of U.S. foreign policy, in his mind, and I think he is an authoritative observer. We have to watch the domestic politics of the United States at the present time and whether or not it is an important factor in what is happening. I hope it is only a coincidence that those leaders who have been the most aggressive in talking about offensive action in the world have been those who have political troubles at home, including our own Prime Minister and Margaret Thatcher, who said in Paris yesterday that war is an immediate option in her consideration.

• (1430)

It would be a terrible tragedy if it turned out that war was inevitable, not because it is the only option to protect the integrity of a new world security system, not because regional and Western interests are best served by it, and not because of any deadlock in the search for a peaceful settlement, but because of the political calendar and the political atmosphere, particularly in the United States.

The United States led the United Nations into an unqualified condemnation of Iraq's aggression and effectively protected Saudi territory, but it has not succeeded in providing an equal degree of leadership in searching for ways of de-escalating the Persian Gulf crisis. It turned this crisis into a personal confrontation between George Bush and Saddam Hussein. To make total withdrawal of Iraq's forces a precondition of any other peaceful move, to frontload a delicate disengagement process with this most difficult step, and to use language that increasingly sounds like an ultimatum, all have the effect of escalating the conflict and paving the ground for a showdown. The worst situation in which the West could find itself would be to have the President of the United States in a position from which he could not back off without suffering unacceptable political damage.

I will say a few words on Canada's interests and on the performance of the Canadian government in this crisis. Canada has some commercial interest in Iraq and Kuwait, mainly in the form of exports of wheat and modest imports of oil. Of course, every Canadian has an interest in the gasoline price at the pump, but these are not the kind of interests over which any responsible government would put human lives at risk in a distant military venture; neither should Canadian lives be lost to support the President of the United States in any efforts to extricate himself from political difficulties. A country like Canada could only go to war when vital national interests are threatened.

That is what we did in Korea. What was at stake there was communism against freedom, dictatorship against democracy. North Korea's aggression was the acid test of a new and hopeful world security system which was embodied in the United Nations. The Korean War was more than a local war: it was an East-West war. Our vital interests consisted of our fundamental national values, and Canada rose to defend them against communism under the United Nations flag, as we had, along with our allies, in 1939 against Nazi aggression.

The East-West cold war is over. The Persian Gulf crisis has been manufactured by a local dictator bent on military venture. There is no danger of it escalating into a world conflict. In these circumstances, the only Canadian interest worth contemplating in our going to war is the building of a new world security system or a new peace order. So far, the United Nations and the allied countries opposing Iraq have made the right moves, and no more than a few warning shots have been fired, because the resolve of all countries concerned with aggression has been focused on means of countering it

diplomatically and by military deployment without recourse to offensive action.

It is clear, from the reports of the summit meeting which concluded in Paris yesterday, that this approach is still being favoured by President Gorbachev and President Mitterrand. It assumes that Saddam Hussein's mind can be changed by means other than war, which is the correct assumption at this point. If I had any choice in the matter, I would not rule out further Security Council resolutions applying more pressure on Iraq, but I think that a draft resolution leaving the U.S. free to pull the trigger at its discretion should be strongly resisted.

Since the beginning of the Persian Gulf crisis, Canada, as a member of the Security Council, had the opportunity of exercising leadership where it was lacking; that is, in the imaginative search for a negotiated disengagement. My complaint against the Canadian government is that its performance has been somewhat erratic, with the Prime Minister and the Secretary of State for External Affairs blowing hot and cold, apparently inspired by a certain amount of "me-tooism" and deference to Washington.

The government may have wasted an opportunity to make an independent and constructive contribution to the solution of the crisis. If the government should have shown deference, it should have been to the Canadian Parliament. One would have thought that, faced with the prospect of war for the first time in 40 years, the government would have behaved differently. It did not recall Parliament after its adjournment last summer. It then dispatched some ships to the Persian Gulf. Is the meeting between President Bush and the Prime Minister a coincidence? We were then treated with a comedy of those ships highlighting in Malta because the government could not meet the requirements of section 32 of the National Defence Act, which would put them under active service.

The government did place a motion before the House of Commons in which it naturally lauded its own performance and gave itself carte blanche to pursue whatever course it saw fit—or Washington saw fit. It took the combined efforts of the Opposition parties to extract from the government an undertaking to again consult Parliament and to work out action in the Gulf through the United Nations. To this day this undertaking remains unclear.

Of course, the government has ignored the Senate, and we have heard of Canada's participation in the Security Council discussion mostly in terms of statements by the Secretary of State for External Affairs, which have been somewhat self-congratulatory. Of course, the government has not displayed much concern for the fate of the Canadian hostages in Iraq. I will leave that to others to discuss. It is a painful question at this time, and the government is now talking of sending out ground troops at a time when Washington is taking an offensive stance.

Let me remind the Leader of the Government how the Korean crisis was handled 40 years ago.

• (1440)

Following the attack on South Korea by North Korean troops over the weekend of June 24-25, 1950, Mr. Pearson reported every day to the House of Commons which was then sitting. The Department of External Affairs' estimates were before that house and extensive opportunity was available for discussion of the Korean crisis. That was rather valuable to the government and the country, because it was in the course of that discussion that an all-party line emerged in support of the action the government took in Korea. Mr. Pearson pledged that, if necessary, Parliament would be recalled, as it then stood on the eve of prorogation. Parliament was indeed recalled on August 19, 1950. The Korean situation was dealt with in the speech from the throne and both Houses of Parliament were invited to pass the legislation which then provided the basis for Canadian participation in the Korean war.

I do admit that the issues are not as clear-cut now, but that is all the more reason for attempting to clarify them through debate in Parliament. The way in which the Persian Gulf crisis is dealt with will create a precedent for handling international disputes in the post-Cold War era. The Canadian government enjoys a favoured position for claiming loudly and clearly that the process of peaceful settlement must be given a chance to work before the world experiences yet another failure at safeguarding peace.

Perhaps I should summarize what I think ought to be some of the major features of Canadian policy:

First, Canada should work principally through the United Nations and not bilaterally with the United States, although consultation is always necessary and inevitable.

Second, while safeguarding humanitarian action, medical supplies and food supplies, Canada should favour putting the maximum amount of pressure on Iraq to withdraw from Kuwait, short of offensive action.

Third, an early report should be obtained from the Security Council sanctions committee to be made public and discussed in the Canadian Parliament.

Fourth, Canada should make it clear that it will not consider offensive military action in the Gulf without a Security Council resolution directing such action. It should also make it clear that it will oppose such a resolution being passed at this time.

Fifth, Canadian land forces should not be sent to the Gulf area—certainly not for the foreseeable future.

Sixth, Canada should initiate rounds of consultation with the countries concerned to find ways of de-escalating the conflict.

Finally, the Canadian government should not initiate or participate in offensive action without bringing the issue before both Houses of Parliament.

If instead of adopting an articulate policy the government continues on what I see as an erratic course, it may soon be shedding Canadian blood unnecessarily.

Hon. Heath Macquarrie: Honourable senators, I am very much moved by the importance of the issue which has been opened by Senator MacEachen. Indeed, as soon as possible after we came back to Ottawa I laid down a motion on this issue and was prepared to discuss it with Senator MacEachen or anyone else at any time during the day or night. However, I kept my remarks in my aging but ample bosom for two months, with great accretions of research notes, and even though there is no time limit in the Senate I am not going to force all of this material on you this afternoon.

From the beginning, while realizing the Senate *Hansard* is not a best seller, in this time of great crisis I was always afraid that at some future date some student directed by some professor might be seeking out why the Senate of Canada, the upper house of the Canadian Parliament, at a time of great crisis like the one in the Gulf, could not, in two months, find five minutes in which to discuss the grave issue. They might be surprised. So I wanted to put down here, in case someone might read the *Hansard* of this day, that I have been here and was also surprised that it took us this long to get to this issue which is of consuming importance to the future of the world, and potentially the life and death of many, many people.

When I was launching what I thought would be my motion I ran across something which discouraged me a bit. There was an inquiry that came into my office to the effect that apparently I, or someone, was not working on a GST speech. I answered yes. So along came someone from the CBC who wanted to see what I was doing. I told them exactly what I was doing, showed them what I had on my desk, that I was drawing on the various authorities from the realm of international affairs. The young man from the CBC said: Are you taking part in a filibuster? I said, "Totally the opposite. I think this is a very important matter and the sooner the Senate discusses it the better." I also gave him the kind of worldly wisdom that might be expected from an oldtimer. I said: If I wanted to make a filibuster speech—I know what they are like but I have never taken part in one—I would not have been extracting from these authorities, I would have brought the whole damn bunch of them into the Senate and read them, because in a filibuster, the longer you speak the better, apparently. Whereas I, as an old time professor, stupidly thought that a half decent speech was better than a terribly elongated one. But did that help him? No. When I finally appeared on the CBC's *The Journal*, they said: "Senator Macquarrie, starting and preparing his filibuster speech." Quite a filibuster; it has been two months since I have had a chance to give it.

However, we learn in political life that not all things work the way you believe they should so you roll with the punches. I think that is the modern or semi-modern line.

Much could be said on the issues and anxieties which trouble us these days. There are terrible uncertainties in the international situation today. So uncertain and so troubling are they that seemingly we in Canada have been asked to accept, and I guess have grown accustomed to, the inevitability of war.

I had hoped after so many years of peace that in my time we would not be facing up to this. However, it is not only in our time. It is much more immediate than that. I do not know how much more time I have left, but I read headlines like: "Will it be before Christmas? Will it be before the Congressional elections? Will it be before the night of the full moon in Saudi Arabia?" That is cutting it down to a very thin line, honourable senators.

However, as I look at this issue, being troubled about it and worried about it, I think first not of the politicians, not even of the diplomats, who I think are doing a better job than the politicians in many cases, not of the analysts, not of the advocates of a quick war, but of nearly 2,000 young Canadians who will not be involved in any theoretical discussion but will be involved in very perilous conditions on what, to Canadians, is a far-flung part of this planet.

I am fortunate enough to be a native of one of the small but most beautiful parts of Canada, namely Prince Edward Island. There I live in the place where I was born, the little seaport of Victoria. Some 200 people live there, and that figure rises to about 260 in the height of the tourist season. It is a great tourist attraction. From that little community there is a young man called Donald LaBrech who, from the very beginning, was on the crew of the *Athabaska*, and has been in the Gulf for a long, long time. His parents are friends of mine. He grew up with my children. If this crisis is reaching into the little place of Victoria, then I am sure there are many senators here who have to think of Canadians who are involved, and who might be heavily involved.

● (1450)

I move now to considerations of the kind of world which has brought this on. I think of the meetings yesterday in Paris. I think of the leader of the Soviet Union. During most of my lifetime these guys were considered the worst one could ever see. They were terrible types. I was in the United Nations and saw John Foster Dulles. I bristled at the insensitivity of the colossus which was running the whole world, as someone said. We now know that the cooperation of the Soviet Union is essential to what is going on in the Gulf. I like to think it is a great time, that all the Cold War anxieties have diminished; but apparently nothing is ever perfect. Victor Hugo said that the perfect smile belongs to God alone. We look at the Soviet Union and the people living near it. From the viewpoint of diplomacy in the West, it is a great thing; but for those who live in that great part of the world I wonder how great it is. I see in the Soviet Union people who a few years ago would not have dared to say boo but who now are yapping and sniping at the hand that freed them. I see, in other parts of Europe, people who in their new-found state want to pick the apples before they are ripe. That relates very closely to the kind of consensus which has built up in reference to the present situation.

I look, too, at situations which caused us anguish a while ago. Things are better even in Afghanistan, although it is not yet a peaceful or serene community, God knows. Namibia, which was a troubled spot, and was since the very first time I went to the United Nations in 1957, is now doing very well. Things are actually better in Nicaragua, for God's sake. For

those of us who are not young like myself, we have never seen in our time the kind of attitude within South Africa that we see today. Even in the Republic of China, and regarding our relations with that country, things are calm. There are many flash points, that we watched with anxiety and care, which we find are growing cooler. There is a great diminution of tension. We might say, are we not entering into a new era in this world? What more could we ask?

On September 19, while listening to the radio, that tranquility was interrupted by a declaration by the Secretary General of the United Nations, who should be regarded as the leading diplomat of the world. He expressed fears not about a Gulf war, not about a regional war, but about a world war. It shocked me a little after I had completed my morning swim and morning walk, to hear that reported through the media. I wondered, in the name of God, what kind of editorial decision regarding the threat of a world war by the leading world diplomat should cause such an item to be subsumed into something else.

In our daily prayer, which the Speaker reads so well—I don't know how many of us listen to it carefully—we conclude by praying that we will continue our dedication to the cause of peace and justice throughout the world. I think it is too bad that within two months we have not had a discussion about the peace in the world.

If I were a preacher, which I very nearly became—but thank God for the church I did not—and I had a text, which I do not, it would be Benjamin Franklin's utterance that there never was a good war or a bad peace. Franklin, the great classical scholar that he was, no doubt drew upon Cicero, who caused me many problems in my Latin courses, who said:

> I cease not to advocate peace; even though unjust it is better than the most just war.

What an era we are passing through, honourable senators. There are so many signs to indicate that we are moving into a great new period of peace and comity. Then, as we rejoice that old nasties such as John Foster Dulles and Senator Joe McCarthy are no longer with us, we have new problems, and we worry about the future of the world. Senator MacEachen has raised anxieties and questions. We are rejoicing over the situation in the United Nations. I think most of us have been devotees of the United Nations. Canadians have contributed magnificently from the very beginning of that organization. The late Lester Pearson at one time served as president of the U.N. General Assembly, and from his efforts came recognition as Nobel Peace laureate.

One looks today at the close relationship betweem the UN and the U.S. Since we are all blessed with memories, until we become senile, we think of those days when spokesmen for the United States had very little time to say anything about the United Nations. It seems only yesterday that the United States was prepared to cut the organization off at the pass and not even pay its rightful dues. Those, of course, were the days of Rambo Republicanism in Washington. I have a feeling that there are still vestiges of that abrasiveness left. The choice expression of the time was "the tyranny of the majority." They could not stand the majority of the Third World. At one time the deputy U.S. representative to the United Nations was featured on television and radio as saying that if people connected with the United Nations could not stand being in New York, "we would be glad to go down to the harbour and wave them goodbye as they faded into the sunset." It is an utterance for which he should have been cashiered if not fired, and the Kirkpatricks and the Reagans probably applauded in silence, as they greeted the utterance in silence.

• (1500)

So it is still a concern, perhaps more urgently, for Canadians to evaluate their relationship with the United Nations, of which we have been a proud founding member, and our relationship with the United States, of which we are a most important neighbour. We must remember that we are here and they are over there. We must watch, particularly in this day and age, that there is not a danger of our seeing, in a too casual way, the United States as being for certain chapters, certain phases, certain film slides the United Nations itself. It would help if we can retain, even under the exigencies of the Gulf situation, the primacy of our concern for the United Nations rather than the United States. The United States is a great country. It is our nearest neighbour in more ways than geographic, but it would not be wise for Canada to subsume its interests and policies even to the United States.

I heard with interest an old Conservative friend of mine, General Richard Rohmer, on the CBC the night before last. With regard to Canada's attitude to the United States, he said that we could not be seen to be absolutely tied to every whim and fancy of George Bush. General Rohmer was a hawk when I knew him in the Conservative Party. However, he closed his interview with something to which I, as a dove, subscribe. He said: "I think war is absolute idiocy, particularly if you don't know why you are doing it." I have a feeling that it would be a great tragedy if the magnificent UN consensus were overborne or bypassed by impatience and myopia.

I believe it is far too soon to abandon this most comprehensive pattern of international relations yet put together by mankind. How could the effectiveness of the worldwide imposition of sanctions be judged in less than three months? It is only an impatient, damned fool who could judge the efficacy of a marriage in that time. We need time. Any fool in the world of economics knows there is hardly a country in the world that does not do a bit of stockpiling, and Iraq has its own warehouses. How could we expect these things to be brought to bear within a month and a half? I do not believe that Iraq is profiting by the war, as someone said about a month ago, but that it is suffering, and it will suffer more. As the *Charlottetown Guardian*, not noted for its international observations, said not long ago, "World leaders have a responsibility to make sure they give sanctions a chance to work."

I am also fearful of those who argue that we must immediately move into the force equation, not only because sanctions have not had a chance to work, but because I am a little dubious. That is always the problem of independent-thinking

men: they are sometimes dubious. When I go into a room and everyone is thinking the same, I have the feeling, "By God, there must be someone in here who is not thinking at all." Unanimity does not fall naturally to thoughtful people. However, I have read the paliatives to the effect that the best thing to do is to have a swift, surgical strike. Kissinger has suggested a swift knockout blow, and has said that the sooner it comes the better. How often has the world been lulled into wearying, painful, endless wars by the soothing comments of a brief conflict?

I watched that magnificent PBS television program on the American Civil War. A senator from the south had said at the beginning of the war that it would be a very short, snappy war, and that as far as bloodshed was concerned, he could wipe it all up with his pocket handkerchief. I wonder what he thought four years and 600,000 casualties later? I am not quite old enough to remember the Great War, World War I, although my father served in it. I was not born until after he came back. However, Henry Ford said that he would have the boys out of the trenches and back home in America before Christmas. That did not happen. The sharp, surgical strikes do not always work. There was one launched against Libya supposedly to take out Khaddafi, but they got his young daughter instead. Panama was to be captured with the most brilliant, easy operation, and they are still opening unmarked graves in Panama City.

If there is anything that history shows—and I hope that the advisors and the war hawks will remember this—it is that it is an awful lot easier to get into a Middle East war than it is to get out of one. I am truly disturbed as I read the utterances of people today who champion the war options and over exalt the goals and the beneficial results. The immediate aim, the withdrawal of the Iraqis from Kuwait, is perfectly clear. They have no business being there. However, the idea that the end of Saddam Hussein is the end of trouble in the Middle East is a dangerous and preposterous whim. There are many disequilibrating elements in the Middle East. Indeed, we have only to remind ourselves of the people over the last few years who were the number one enemies of the United States. Libya was a long-time favourite; Syria, now an ally, was by no means on any preferred list drawn up in Washington. Post-Shah Iran was long considered to be the worst of the whole bunch and therefore it was a good thing to help Iraq. There will be many explosive issues and situations long after Saddam Hussein has gone to his just reward by being either overthrown by his own people, someone else's people or simply by events. There are other things. I am sure that Senators Murray, Roblin and Buckwold will remember the candid concerns of King Hussein who told us in Amman some few years ago about his anxieties concerning the increasing danger from religious fanaticism, which is not confined, God help us, to any particular group but to many.

• (1510)

I ponder and reflect, indeed, I shudder when I think about the great values that religion has brought to so many people; but the fanaticism and the extremism of those very people have brought so many ills to a great many more people. I recall—and I think Senator Murray, Senator Roblin and Senator Buckwold will recall—that President Mubarak had the same anxieties. These things will not evaporate and, indeed, who knows, they might be exacerbated.

[Senator Macquarrie.]

Honourable senators, I will not speak as long as Senator MacEachen did so I will conclude by saying that, finally, I have trouble with the ease with which some people believe that, in this particular crisis, we will not entertain the idea of linkage, even with this bad scamp—and he is a bad scamp in my opinion—and that all other issues should be kept aside, that we do not want to be confused by the pain, anguish and suffering of other people in that volatile Middle East area. I can understand why people would like that to be the case. Concentration is a great thing in many activities. Former U.S. Under Secretary of State, David D. Newsom, put it very well in the *Christian Science Monitor* last week in an article headed "Linkage is Inevitable" where he stated:

> The current crisis in the region illustrates once more that the Middle East is a mosaic of inter-linked problems, whether they involve Iraq, Iran, Saudi Arabia, Lebanon, Syria, Israel, Jordan, Egypt, or the Palestinians. Efforts to isolate parts of the mosaic may be possible for short periods, but, ultimately, those who would bring stability to the region must look at the whole . . .

That is a very wise comment from this very distinguished man.

Honourable senators, I have no anxiety about what the United Nations did and I have no anxiety or regret about what the Canadian government did. I think our response and the response of the United Nations was just fine, but I have the greatest concern about our young people. I was moved more than I can say by that wonderful program on Remembrance Day when our people here contacted many of the participants in our force in the Gulf. I saw these young people, young professionals, looking just fine. But, beyond all that, they are sensitive young Canadians far away from home. It is our prayer that they will all come back. That is why I want to come through today loud and clear as a peacemaker.

Honourable senators, Senator Murray has already indicated to you today that I am not speaking for the government, and he is quite right. If they stand at 15 per cent or 18 per cent in the polls, goodness knows they do not need Senator Macquarrie speaking for them. They have enough troubles of their own. However, if I were speaking on my own motion and not on Senator MacEachen's, I would expound caution and concern as a peacemaker. The other day when the Prime Minister talked about finding extra funds for the people in the Gulf, he said no less than would be axiomatic or obvious. We send these young people—to be Tennysonian—"into the gates of hell and the jaws of death", and the least we can do is provide them with the very best, and there should be no questions about where it comes from. We owe them that. They will not let us down.

I am proud of our young people in peacekeeping forces. We have seen them in many parts of the world such as Cyprus,

Egypt and in the Asian continent and they are a credit to us. I praise them. I hope they will be back to that kind of activity rather than being engaged in a rike where, perhaps, the leadership is dubious.

I think, too, that we have to give credit for the activities of the Secretary of State for External Affairs and Ambassador Yves Fortier in that they are keeping the diplomatic issue to the forefront. In my judgment my deep sentiment for many years of concern with this issue is that we should never quickly let go of the diplomatic option. If we move too fast or let anyone else move us too fast, we will never know whether diplomacy would have preserved peace and saved many lives.

One of the great Canadians in my present recognition—I say that because I have only become aware of him lately—is that splendid General Johnson, who heads a very important institute and gives great leadership. He said that war would only become inevitable if too many of us, through our attitudes and our conversation, make it possible. Honourable senators, whatever I may have said in my humble contribution at this time, my aim is to give the longest possible extension to diplomacy and the greatest opportunity for peace.

Hon. Senators: Hear, hear.

Hon. Jerahmiel S. Grafstein: Honourable senators, this week in Paris the world celebrated the construction of a new world order. That new world order is a world of ideas, not a theoretical contest of ideas, but real and powerful ideas. Ideas can bring peace; ideas can bring war; but the route of any conflict is based on a conflict of ideas first and foremost. Ideas can kill.

Nationalism, Iraqi-style, infects its population with virulent ideas. Nationalism, Iraqi-style, values force and violence to achieve its collectivist ambitions of Arab unity. Nationalism, Iraqi-style, is not the sum of its parts but is one idea: one idea; one order; one morality; and one leader. One leader, Iraqis are told, becomes a unifier; becomes the leader only by his mastery of one idea—one unity.

● (1520)

The precondition is one faith. The essential lie is to conjure up enemies from within and enemies from without who can be destroyed to legitimize this awesome unity. The instrument is fear. The state, the army, the militia, the police, the bureaucracy, and then the mosques and the schools, are all harnessed to one idea. Individual rights can only be exercised within the confines of one idea. Only the state has the monopoly on this idea. Only the state can be responsible for so-called freedom.

This virulent nationalism, Iraqi style, is based on a theory of exclusion. All differences must be submerged in the collectivity for the sake of the collectivity. Nationalism, Iraqi style, purges itself violently from within in order to project an identity that has no national boundaries. Nationalism, Iraqi style, is a faith that transcends and crushes individual differences. Enemies from within are the minorities: the Kurds, the Assyrians, the Iranians, the Jews, indeed any minority whom the leader can connect to enemies without, such as Western imperialism. These irritants within the state must be destroyed, must be cleansed, all for the sake of unity, a unity that transcends state lines. Psychological projection is the tool. Blame all errors, blame all faults, blame all grievances, blame all economic conditions, on someone else, to legitimize your own state powers. This, honourable senators, is not a theoretical tract. This, honourable senators, is the political faith of the Ba'ath Party in Iraq. Ba'ath means "renaissance." This form of renaissance is preached by the sole party in Iraq. All other voices have been eradicated by violence.

All of this, honourable senators, is set out in a rather chilling book called *The Republic of Fear* written by Samir al-Khalil, a brilliant Iraqi scholar. This nationalist idea, honourable senators, kills, and the Ba'athist theology or Ba'athist ideology sanctifies and legitimizes violence as part of its national aims. It kills, it maims, it pillages, it tortures, it rapes, it takes hostages, all in the name of its ideology. Amnesty International, Freedom Watch, the U.S. Congress, the United Nations, the Geneva-based Arab Organization for Human Rights have highlighted these awesome and obscene breaches of human rights within Iraq where no dissent is tolerated; and now, of course, within Kuwait, where freedom is being dismembered minute by minute. So, time, honourable senators, does have some relevance. Time is important. The urgency is based on the minute-by-minute violations to persons and property. This evidence within Kuwait is uncontroverted. Time has not stopped in Kuwait. Over a million refugees in the last two months are on the move, all because of the aggressive acts.

Taking hostages is legitimate, by this Iraqi-style nationalism. All can be sacrificed for the cause—men, women and children—all for the struggle, all for unity.

These are fearsome ideas. Honourable senators, what can be more urgent to occupy the deliberations of the Senate than examining these ideas, because they have raised the threat of war and the consequent threats of death or impairment to Canadians.

Credibility for government collapses, honourable senators, when the government refuses to take Parliament, and hence the Canadian public, into its confidence. After the outbreak of hostilities in Kuwait on August 2, when the Prime Minister immediately responded to President Bush's request for support for the American-led actions against Iraq in the Gulf, the government failed to call back Parliament until September 25. We have been in session now for close to two months, but the government has not yet placed before this chamber a statement of policy to which all honourable senators could respond. I am grateful for this interlude to allow us an opportunity to bring our views forward at this time.

The United States, we have learned, has now called up additional forces which will be in place in the Gulf in the next four to six weeks. Their presence will aggregate in excess of 400,000 American military personnel alone, bringing the outbreak of hostilities yet closer. Yesterday we heard, whether it is true or not, that the Iraqi forces have now deployed or intend to deploy another quarter of a million troops in the small space called Kuwait.

So, honourable senators, I believe it is our urgent duty to examine the contours and the context of Canada's policy. The facts appear simple and clear. The solutions, as both Senator Macquarrie and Senator MacEachen have pointed out, are complex and awesome. Before addressing specific responses to Canadian actions, and what steps the Canadian government should take, we must ask ourselves: Does Iraq's unprovoked aggression, occupation, pillage, dismemberment and, finally, annexation of Kuwait call to mind any lessons from our history? Are there principles that we can draw from the bloody past that might be instructive? The history of the twentieth century is marked by what we call, loosely, progress. Surely, no greater progress has been made than in the creation and distribution of modern murder technology. What hard lessons can now be instructive? Since the turn of the century almost every region of the globe, save for North America, has suffered from mindless destruction and impairment of lives and property, all in the name, honourable senators, of the modern diseases of ideology: virulent nationalism, socialism, and fascism.

What public therapy or surgery can now be exerted to root out these vile and cancerous pathologies? The first iron rule is that democracies do not make war against other democracies. Security and peace in all regions of the world lie ultimately with the evolution of all nations towards pluralistic democracies.

Second, the modern disease called, by some, nationalism, can easily be transformed into a contagious cancer which corrodes human values and undermines respect for individual human rights. These evil ideas should be attacked. Peace and security, therefore, lie in the evolution of states to forms of pluralistic democracy which have at their very foundation respect for individual rights over collectivist visions.

Third, sanctions, we have learned, are limited, unless supported by unity and, ultimately, by the credible sanction of just war. Unprovoked aggression by aberrant states may require the use of force. Democracies may be compelled to embark on just wars in the belief that smaller sacrifices today are preferable to larger conflagrations that could be ignited if steps are not taken now.

Fourth, the object of sanctions and just war is not to deter unprovoked aggression by aberrant states alone but to suffocate and supplant authoritarian regimes from within and from without, and hopefully to infect those states with democratic ideas. Should this not, honourable senators, be our goal? Is not this precisely what Mr. Gorbachev applauded yesterday in Paris? Is this not what the president of the Republic of San Marina, in Europe, meant yesterday when he said that peace in Europe was accomplished because of the acceptance of democratic ideas? This, therefore, is the object and the hope and security of a new world order.

● (1530)

The implementation of these principles requires creative, democratic leadership and strong, coherent action. The threat of massive strength is still the best deterrent to aggressive action by aberrant states. Is that not the lesson of NATO? The threat of massive action deflates the size of the bully and diminishes the profits. Was not the best antidote to sudden aggression by Iraq immediate and strong reaction? Can there be any doubt in the minds of world figures that if America had not moved quickly at the beginning of August and the U.N. had not supported America, Mr. Saddam Hussein would now be occupying Saudi Arabia and perhaps the Gulf straits? Is there any doubt that history teaches that profiting from aggression, if not stopped, increases the appetite for aggression?

We are taught that democracies cannot choose the sources, the timing or the places of aberrant national conduct. Henry Kissinger argued that the world is an asylum. Human experience in each case requires different treatment, but at all times a strong, steady, democratic will prepared to react is the only way to contain the disease of virulent and aberrant conduct. Behind us, honourable senators—and this is what makes our generation different from previous generations—is public opinion and how it is formed. Nothing can take place in the new world order without democratic public opinion. Informed public opinion is essential.

There is a new, powerful and awesome phenomenon which we see daily on the television screens, which distorts, helps and hinders freedom. I refer to the ubiquitous media. By selection they can distort; by establishing a symmetry between personalities they can establish an unfair impression of balance. This fearful symmetry is established when on the television screens the aggressor is seen by the public to have the same legitimacy as those who would restrain aggression. So the media distort. How often in the last few months have we been dismayed or appalled by the brilliant use of the free media by Iraq in the western world? Iraq is under no illusion about the media or their strength. We know that in Iraq all aspects of the media are controlled; yet in our democracy, with free press and free media, we allow the most intolerable pieces of misinformation to be projected, giving international sanction and support for them almost a false legitimacy. Merely by projection alone does the public put the two—the evil and the good—in the same context.

Honourable senators, it is most difficult to recommend policies and hope to obtain unity among democracies as opposed to partisan politics, when confronted with the distortions of the media, which can so fragment the democratic will and ultimately cause an erosion of trust and disunity in the democratic spirit. With that caveat, may I spend some time reviewing our history, because I think it is important that we learn from some cases I would like to present to you, all of which will be familiar, and I will give you my view of what happened in them.

My first case concerns Mussolini and Ethiopia. Canada was very much involved in this particular event. In 1935 Mussolini's Italy commenced unprovoked aggression against Ethiopia in order to establish hegemony and unity in order to establish a foundation for the fascist empire on the African continent. The second example is the unilateral breach of the Locarno Treaty by Nazi Germany in the mid-1930s, at which

time Nazi Germany marched its troops into the Rhineland, breaching the Locarno Pact established after World War I. The third example is the unprovoked aggression by the Third Reich, Nazi Germany, against Czechoslovakia, in 1938-39. Finally, honourable senators, there is the example of the threat to West Berlin by the Soviet Union in 1961.

In each case democratic opinion varied. Attitudes swung from isolationism to passivism. In each case public opinion questioned the need for sacrifice or, indeed, involvement. Canada played, as history now shows, not an insignificant role in each of these events, even though they took place well beyond our borders. In 1935 Mussolini, the darling of modern efficiency and state capitalism, invaded Ethiopia. The League of Nations was convoked. Italy's aggression was criticized and sanctions were proposed. The year 1935 was a crucial period in the world economy. Indeed, our present economic conditions are reminiscent of 1935. Canada, as was most of the Western world, was in the throes of a deep economic depression. Governments and parties were thrashing about for economic prescriptions. Canada was in no mood to invest public expenditures on defence either at home or abroad.

Mr. R.B. Bennett, the then Prime Minister, in the midst of this economic emergency, called a national election. The outgoing prime minister took a more aggressive position respecting Canada's roles and sanctions than his own External Affairs advisors. He instructed Mr. Riddell, our representative in the League of Nations, over the objections of Dr. Skelton, our first Deputy Minister of External Affairs, to show leadership at the league in the creation and imposition of sanctions. Mr. King, upon election in 1935, aided by Mr. Lapointe, took the opposite view; yet both King and Bennett, as Prime Ministers and as Leaders of the Opposition, decided that they would take their positions without the support of Parliament. Both were not anxious to involve Parliament and did not wish it to be apprised of the real events.

King, upon taking office, immediately restricted Riddell's actions in Geneva. At that time Riddell was assisted by a junior officer from External Affairs, one Lester Bowles Pearson, and both Riddell and Pearson were deemed to be too aggressive. They both sought to strengthen the league's collective ability to take action and impose binding sanctions. Riddell was "excommunicated" and sent to a South American conference. Canada reluctantly adopted sanction measures which were not actively enforced against Italy. For over six months, King manoeuvred to deny Parliament a glimpse of the inner workings of government policy.

Much can be learned from King's memoirs and from an admirable book written by James Eayrs entitled *In Defence of Canada; Appeasement and Rearmament*, which contains magnificent reprints of government memoranda and correspondence from King and other figures. In this intriguing book we find Mr. King stating his vision of the role of the League of Nations, which vision, in my view, led to its ultimate demise. In King's view, the league should have been merely relegated to functioning as an investigatory body, like a non-binding labour investigation in mediation. Of course the role of public opinion could be triggered, but he felt world opinion would be the best deterrent against the aggressive actions of these naughty states.

Here we see the pathology of a great tragedy: Canada's refusal to defend small states and to turn back aggressive action. This quiet tragedy led both the fascist regimes in Italy, Germany and later Japan to adopt aggressive acts of expansion which ultimately led to World War II. Aggression was rewarded by inaction and useless diplomacy. Canada's policy of 1935 was not merely isolationist nor could it have been deemed neutralist; it was wantonly destructive of the League of Nations. Attempts were made by Canadians and strong-minded nations such as New Zealand to stiffen the sinews of collective action, but these attempts were retarded.

The story is no better when it comes to Nazi Germany's breach of the World War I Locarno Pact, which neutralized the Rhineland. In 1937 Hitler marched into the Rhineland and no collective action was taken to prevent it. Indeed, Nazi Germany encouraged the thought that this would appease its larger ambitions. The sordid story is no better when it came to small democratic Czechoslovakia. France and England, abetted and applauded by Canada, allowed Czechoslovakia, a democratic nation, to be dismembered based on policies of appeasement. Appeasement in the 1930s was considered a policy of non-intervention, of laissez-faire, of allowing other nations to conduct their business without any idea of restraint.

• (1540)

Many argued then that Ethiopia, and then Czechoslovakia, were of little consequence. It was a small price to pay to maintain the greater peace and greater stability in the world for all. So little Ethiopia, an antique, ancient, absolute monarchy, and awkward little Czechoslovakia, a small but brilliant model for modern democracy, were both deemed unimportant in terms of the peace and stability of France, England, the United States, or, indeed, Canada. It is interesting to note that the only strong and consistent voice in the Commonwealth staunchly opposed to these actions was little New Zealand. I believe that chapter in history requires greater promotion.

Is it not interesting to note that in these three case studies Parliament was only reluctantly taken into the confidence of the government of the day. Ten months after Ethiopia was invaded by Italy, Parliament was called for the first time. This was done chiefly because of the hectoring of Mr. Woodsworth, one of the founders of the CCF, who was not only a staunch supporter of democracy but a grand protector of small states, whatever their political complexion. Mr. Woodsworth's philosophy was that it was necessary to protect the weaker segments in society. I believe he drew a parallel between protecting the weak in Canadian society and protecting the weak in the world against stronger nationalistic bullies.

Woodsworth and other members of Parliament nagged the government and nagged Parliament. First he was resisted by both Bennett and King. Later the two switched positions, as I said, from Prime Minister to Leader of the Opposition, and again they resisted Woodsworth's attempts to take Parliament

into the government's confidence. King feared any action by Canada to stem this local aggression by the Third Reich or Italy in continental Europe or North Africa would precipitate a world war. That is what King wrote. That is what King said.

Sanctions recommended by the League were put into effect on November 15, 1935, and, as they began to work, Mussolini turned to France to postpone the League meeting in order to fend off even stronger sanctions. Meanwhile, Italy replenished its energy supplies with purchases from the United States, the Soviet Union and Romania.

Further discussions of the League's sanctions were postponed and delayed. In the interim, the whole Lavalle secret agreement was made public. The French and British cabinets had combined to purchase peace in Africa by presenting Mussolini with practically all the territory so far occupied by his armies in Ethiopia. Public revulsion swept through Britain as it did Canada. The public was abhorred. Hoare was swept from office in England to be replaced by Eden. Meanwhile, King, our Prime Minister, secretly acquiesced in the infamous pact and was delighted that France and Britain were taking the public heat.

Early in 1936, as I said, Riddell was sent—really excommunicated—to represent Canada at a South American conference, leaving King, his cabinet colleagues and the bureaucracy with a free hand to undermine the effectiveness of sanctions. Sanctions came back to the League for further consideration in February, 1936. The government procrastinated. King hid behind the procrastination of others. Meanwhile, Italian troops swept ever deeper into Ethiopia, introducing a rather novel technological feature of the day, the employment of mustard gas. Anthony Eden replaced Samuel Hoare in England and then staunchly announced that Britain would now apply oil embargoes together with other oil producing and transporting states.

Adolf Hitler, astute strategist that he was, took advantage of the uncertainty and fragile economic situation and saw there was disunity in the so-called West. He smartly marched his troops into the Rhineland in open violation of the Locarno Pact. As James Eayrs in his book so rightly points out, Hitler's aggression in itself was caused by Anglo-French irresolution and was increased ten-fold by their dilatory policies over Italy's aggression in Ethiopia.

In early May Fascist Italy entered Addis Ababa. On May 9, Mussolini declared the founding of the Fascist empire in Africa. On June 10 Neville Chamberlain, trapped by his appeasement policies, declared that the continuation of sanctions against Italy were "the very midsummer of madness." His reaction to events in the Rhineland and the breach of the Locarno Pact were mute.

On February 10 and 11 of 1936 the crisis was discussed in the Canadian Parliament. King refused to be drawn into any discussion of oil sanctions. He reminded his Parliament that the matter was still before the League and had not yet been referred to member governments for their consideration. What King did not disclose is that Canada, by his direction, had delayed consideration of oil sanctions by member governments. King decreed that Canada would consider oil sanctions after other nations had made their considerations on the merits. Let others do it, he said, and then perhaps he might move.

The next three or four months in 1936, despite the efforts by Woodsworth and other parliamentarians, finally forced debate on the general question of sanctions, collective security and the League of Nations. The government maintained, as Eayrs writes, that King's conviction was that "silence was golden." King wrote a fascinating letter to a member of Parliament at the time. He said that it was in the public interest to have as little discussion as possible raised in the House of Commons with respect to the European situation. He concluded this wonderful little note by writing the following.

> It is sometimes well to allow sleeping dogs to lie. This I believe to be especially true when they happen to be the dogs of war.

King wrote that in 1936. While the government policy of silence or reticence did not go uncriticized, it was successfully maintained. It was Mr. Woodsworth, one of the founders of the CCF, that led the way in this criticism.

In his statement to Parliament, it was King's view that sanctions might "invoke new wars or at least make impossible a peaceful settlement of the existing war." The Canadian government was not opposed to oil sanctions, King argued. Canada had supported them. However, he saw no reason to take a lead in so dangerous and controversial a matter. Why, King was asked, had the League failed? His answer, in brief, was "collective bluffing cannot bring collective security. Under present conditions most countries have shown they are not prepared to make firm commitments beyond the range of their immediate interests."

Sanctions, he argued, should be discontinued. What, therefore, according to King, was to be the mission of the League of Nations? He said it could press on with the task of disarmament or at least could seek to halt war. We could apply, he suggested, modern methods of conciliation and arbitration in settling specific disputes. These disputes could be backed by public opinion. The League, he continued, can provide a forum for discussion of economic grievances.

On June 30, 1936, the final tragedy took place. Vincent Massey, distinguished head of the Canadian delegation and one of the foremost promoters of Canada's appeasement policy both here and in England, announced on behalf of the government the end of sanctions against Italy. As Eayrs writes in his magnificent book, the great experiment was over, the great experiment had failed. It is a curious footnote to history that Eayrs notes that even later, when Mr. Chamberlain saw the errors in his appeasement policy and, indeed, abandoned appeasement, Mr. King and the Canadian government maintained their true belief in the appeasement policies.

● (1550)

In 1936, following his own impulses, Mr. King travelled to Europe and held conversations with leaders in Nazi Germany, including Hitler. He was left with the impression that they did

not want to precipitate a general European war. He did, however, note that they did contemplate an expansion toward the east. But King satisfied himself that this expansion could be effected without conflict, that we could have a larger negotiation to settle these matters. In effect, there was linkage here.

King was somewhat surprised, after the German *Anschluss* with Austria, to find Nazi pressure on Czechoslovakia. King was absolutely delighted when Lord Runciman was appointed mediator between the Czech government and the German political party in Czechoslovakia headed by a Nazi puppet. King was so pleased that he cabled Runciman with his support. Even Lord Runciman winced. He was surprised to receive this voluntary encouragement from Canada. King became concerned, however, that he might have to recall Parliament to consider the measures to be introduced. He wrote to the Governor General of the day, "I have been deeply concerned during the past fortnight with the possibilities of war in the immediate future and what this would involve in the way of the immediate resummoning of Parliament."

When Chamberlain went to negotiate with Hitler, King wired his congratulations. He stated in a press statement:

> I am sure the whole Canadian people will warmly approve this farseeing and truly noble action on the part of Mr. Chamberlain. Direct personal contact is the most effective means of clearing away the tension and misunderstandings that have marked the course of events in Europe in recent months. Mr. Chamberlain has taken emphatically the right step: the world will hope that tomorrow's conference will create an atmosphere in which a solution may be speedily found of the problems that have threatened peace.

King urged Chamberlain to meet politically with Hitler. He wrote to Lord Tweedsmuir:

> You may recall how strongly I urged these personal contacts. While it is not clear that war will be avoided, it is altogether certain that but for Mr. Chamberlain's meeting with Hitler, we should be in the throes of a world war today.

On September 26 of that year Mr. Chamberlain called the Dominion High Commissioners together in support of his policy.

Chamberlain finally admitted that Hitler's profession of limited objectives was not sincere and his ambitions were much wider. Still, with the exception of New Zealand, the Dominions continued to preach appeasement.

On September 27, Chamberlain spoke to the British people. This is what Mr. Chamberlain told the British people:

> However one might sympathize with a small nation confronted by a big and powerful nation we cannot in all circumstances undertake to involve the whole British empire in a war simply on that account. If we have to fight, it must be on larger issues than that.

The Canadian government immediately issued a statement expressing its complete accord with the statement Mr. Chamberlain made that day. Then came the terms of peace, which was for the dismemberment of Czechoslovakia. Hitler was allowed his military occupation on the installment plan—not all at once. Boundaries were to be fixed by international convention. Again, Canada, without the voice of Parliament being heard, immediately congratulated and praised British policy.

This is what Mr. King wrote on September 27: "Canada was overwhelmingly favourable to the Munich settlement." Later, this delay, King argued in its own defence, was to avoid a war. "It gave us time to prepare," so argued King after the event. But from a very careful reading of the notes and memoranda by senior advisers, Dr. O. D. Skelton, then the Deputy Minister of External Affairs, and Loring Christie, one of our senior bureaucrats in External Affairs, one can conclude that in order to maintain national unity and domestic harmony Canada should steer clear of participation or declaration with respect to European involvement.

On October 8, 1938, O. D. Skelton wrote to Vincent Massey respecting the Munich settlement stating:

> The settlement, if it can be called a settlement, is not one that can bring pride or satisfaction to anyone in civilized countries, but I certainly think it is the lesser of evils.

So, honourable senators, Canada took the appeasement line which, overwhelmingly, most historians conclude led to the obscenities of the Second World War.

This is what Mr. King said to Parliament on March 20, 1939:

> Canada's resources are limited. We have a tremendous task to do at home housing people and caring for the aged and helpless, relieving drought, unemployment and building roads and meeting our heavy burden of debt and making provision for Canada's defence and bringing our standards of living and civilization to levels our knowledge now makes possible. There is no great wealth for this purpose. We must to a larger or lesser extent choose between keeping our own house in order or trying to save Europe and Asia. The idea that every 20 years this country should automatically, as a matter of course, take part in war overseas for democracy or selfdetermination of smaller nations, that a country which has all it can do to run itself should feel called upon to save periodically a continent that cannot run itself to these ends, risks the lives of its people. Risks bankruptcy and political disunion. It seems to many a nightmare and sheer madness.

These are not my words, honourable senators, but there is an echo of these words in the western world.

To read from the pages of Canadian history makes rather gruesome reading. Of course, we have the advantage of retrospect. But, still, prevention was not considered. Sacrifices were not weighed. Antidotes were not prescribed to the pathology of Nazism. Thus, the world, and Canada, paid an even heavier price because of the weakness of its leaders and its failure to lead.

Let us turn, honourable senators, to the fourth case, the Berlin crisis of September 5, 1961. Mr. Khrushchev wrote at the time:

> The people of West Berlin must themselves determine the social and economic system of their city and enter into free relations with any state.

At the time of the crisis, Mr. Pearson, then the Leader of the Opposition, said "We have no faith in what Mr. Khrushchev says, and he is contradicted by what he said previously and what he is doing while he is speaking. "The Russians," he stated, "have made it quite clear that they are determined to alter the present situation in Berlin and to alter the earlier agreement in which Western allies were guaranteed rights."

Mr. Pearson then said this to Parliament:

> Surely we have learned, Mr. Chairman, that peace is not ensured by surrender to blackmail. Indeed, war is sometimes made inevitable by such surrender. So we asked ourselves, is there no choice between the impossible alternatives of suicide or surrender? There must be but I do not think that we will save ourselves from this situation or others merely by relying on armed force.

Here Mr. Pearson recognized the vital importance of having armed force, as well as the threat of armed force. In any way, shape or form to have the communists at that time have any sense that unity or strength was being diluted could have led to a different result.

In 1961, if one examines the *Debates of the House of Commons*, one concludes that there was unanimity by both the Conservative government and the Opposition not to reject force but to mobilize public opinion against the Soviet strangulation of West Berlin. When the Soviets moved and chose an economic embargo, the American led allied airlift saved the day. The Soviets eased its embargo. This, of course, as honourable senators will recall, led to the construction of the Berlin Wall. We all know the consequences of that futile gesture. Strength, not weakness, led to the disintegration of Eastern Europe under Soviet domination.

It took patience. It took 30 years of tax dollars, vigilance and cooperative spirits. Only France of the major Western powers as we know them took a different course in Europe. Yet even France remained steadfast and vigilant against Communist aggression. So we see that appeasement in the case of Ethiopia, the Nazi occupation of the Rhineland, and the dismemberment of Czechoslovakia, led to disaster while strength, cooperation and defence saved Berlin and was a crucial bridge to obtaining peace and security in the Free World, a crucial bridge to the new world order with which we are blessed.

● (1600)

Honourable senators, Senator MacEachen referred to Korea. I do not believe that the example of Korea is an appropriate analogy here. The conflict was far away, between Communism and freedom and, as Senator MacEachen has said, between dictatorship and democracy. The world security system was threatened and this was more than a local matter.

[Senator Grafstein.]

To my mind the principles there and the attitudes of Iraq's leadership here are no different. There the Americans led peacekeeping through the United Nations headed by General McArthur. In my view there is a good analogy to be made here, whether or not it is appropriate or full. The action taken in there and Canada's participation there was helpful and essential.

We hear many arguments about Iraq's unprovoked aggression in Kuwait, and the arguments are not new: Why are we defending this antique monarchy? Why are we defending America's strategic oil interests? What matters if a few square miles in the Gulf are subsumed in the endless tribal warfare in the Middle East? Is any war worth any price? We supported Iraq against Iran; why now the hypocrisy? Yet, despite this cacophony of disagreement, there is now wide agreement by all parties that Iraq's aggression must be contained, that Iraq must withdraw form Kuwait. The unanimity of the United Nations resolutions and sanctions for arms support are self-evident. What then should we be doing in Canada?

If I may, I should like to focus on Iraq. I believe that one should understand, as best as one can, the circumstances in Iraq and whether or not we can take the position, as some have, that this is an ancient place where tribal warfare has existed for thousands of years and therefore there is no hope that those backward people, those people who have a faith that is not predominant in the Western World, can understand Western values. In my view, that is not the case. That is a false and bankrupt attitude to take, because who could have predicted, even two or three years ago, that the crushing theology of Communism in the East would be suffocated? Who would have believed it? not one member in this place, not one expert, not one so-called pundit. So if we take the position that these people are somewhat barbaric savages that have no hope of achieving what we consider to be democratic pluralism, it is a bankrupt approach. I believe in democracy, and I think that pluralist democracy is a natural element of individual life.

So let us go back to the beginnings of time in Iraq. Iraq is a fascinating place with a fascinating history. Some of its history commends itself because we here have been, in large measure, affected by that history. Iraq was the ancient nation of Mesopotamia. Mesopotamia means "the land between two rivers." Iraq overlaps the Tigris and Euphrates rivers which are part of what we call the fertile crescent. From Turkey the Tigris flows south to join the Euphrates coming from Syria and both merge into the one waterway called the Shatt-al-Arab, which forms the border between Iraq and Iran. Iraq is larger than California and has a population of 17 million. Sunni Arabs in the north represent 20 per cent of the population. Shiite Arabs, mostly in the south, represent 55 per cent of the population. Kurds and non-Arab Sunni Muslim people reside in the north and constitute another 20 per cent. The Bedouin occupy the sparsely populated west overlapping the borders of Jordan, Saudi Arabia and Syria. Of course, there are a number of other minorities but they are now much more sparse than they once were: the Syrians, the Jews and some other Christian sects.

The modern state of Iraq was a child of the infamous Sykes Picot Agreement in 1916 when the French and the British divided their expected spoils from the defeat of the Ottoman Empire in World War I. After World War I Britain merged these former Ottoman provinces centred on Baghdad, Basra and the northern city of Mosul to form the new state of Iraq. While Iraq's boundaries with Iran existed for 250 years between the Persian and Ottoman Empires, the other borders with Kuwait, Saudi Arabia, Jordan and Syria were, as one observer of the day described it, "lines in the sand drawn by the Brits." The western boundary is somewhat artificial since it divides the Kurdish people who live on both sides of the Iraq-Turkish border. Iraq is almost landlocked with no natural, defensible borders and with only limited access to the Persian Gulf. It has 26 miles of shore at the mouth of the Shatt-al-Arab and this is the only maritime route into Iraq's interior. During the Iran-Iraq war, Jordan became the vital transportation link to Iraq primarily because its internal waterway was cut off during that war.

Ancient Mesopotamia was divided in two. In the north from the beginnings of time lived the Babylonians whose predecessors, the Sumarians, developed the first system of writing and culture. The first known bureaucracy was established in Babylonia. Hammurabi, the great king of Babylonia, was the first in the world as we know it to codify and write down a legal framework for society. Astronomy and mathematics were first developed by the Babylonians.

In the north the Babylonians rivals were the Assyrians, with its capital of Nineva, which was located near the present city of Mosul. The Assyrians in the north developed the world's first militaristic culture with a permanent military force controlled by a permanent political bureaucracy. The Assyrians were noted for their cruelty and their tactics. Westerners will recall the differences between Sparta and Athens. That I think is a good analogy between the Babylonians and the Assyrians.

So today modern Iraqis have a double complex. They aspire to the grandeur of their Babylonian ancestors while they employ in politics the cruelty of the Assyrian rule. Saddam Hussein traces his modern techniques to the ancient founders of Iraq. Both Babylonia and Assyria fell around 500 BC, which led to rule by Greeks and Persians until the 7th century when an amazing event took place, the first Islamic revolt. President Hussein today calls his war with Iran "Quasuja", recalling the battle in 1637 when the tribes, newly converted from barbarity to Islam, defeated the Persians. The Muslims, through their religious fervour, established their dominance and gave Iraq its modern name.

From the very outset of Islam a schism occurred between the Sunnis and the Shiites. The split arose as a result of disputes about the succession to the profit Mohammed. The Shiites favoured Ali, Mohammed's son-in-law, and the Sunnis, guardians of Mecca's holy places and Mohammed's birthplace, chose three caliphs who disposed of themselves through vendettas and finally one emerged.

• (1610)

Civil war between the two successor groups continued for 500 years, from 750 until 1250, under rather efficient but ruthless governors. Peace came to Iraq. From 1200 to 1600, Iraq became the high watermark for political and cultural development in the world and had a much higher level of development than Europe which was involved in the Dark Ages. During that period, Iraqis ruled the vast area from Afghanistan to Africa. Mathematics, chemistry, science, medicine, and literature flourished.

However, violence was also the hallmark of the governors. The caliph became the ruler by divine right. Eventually, weaker caliphs brought in Turkish mercenaries to enforce their absolute rule. The Turks came to dominate the caliph's court. In time, the Turks became the real rulers of Baghdad because the caliphs became dissolute. When the Mongols appeared on the western frontiers, the caliphs were not strong enough to defend their power. Genghis Khan's grandson sacked Baghdad and slaughtered the population and then centuries of stagnation set in.

It was not until the 16th century when the Ottomans, originally a Turkish tribe from central Asia, built an empire culminating in their conquest of Constantinople, where they established their capital and renamed it Istanbul. Henceforth, the Ottoman empire and Sunni people became the dominant power in Islam. There followed centuries when Persians, the ancient Iranians, supported by Shiites in the south, conquered Baghdad, slaughtering Sunnis. Then the Ottomans would conquer the city again and the Shiites would become the victims. This horrible exchange finally ended when the Ottoman rule became firmly established in 1638.

Still, hostilities continued between the Turks and the Persians until the early 19th century. The south was always populated by fierce independent Shiite tribes, and the north was dominated by the Sunnis. The Ottoman base shrunk to the main cities. The population had little loyalty to any central authority because of the vast distance between Istanbul and Baghdad.

Iraqi provinces lagged behind the Ottoman Empire and Turkey in commerce and technology. In 1917 the dissolute Ottoman rule came to an end. Istanbul had entered the World War on the wrong side, on the side of Germany and Austro-Hungary. British troops invaded Iraq in the course of their desert warfare against the Turks, allies of the Germans. By the war's end, Great Britain had supplanted Turkey as the ruler of Greater Mesopotamia. Iraq was placed under British mandate. The majority Shiites did not take political advantage of the Ottoman defeat to secure civil rights for themselves. Instead, they were rejectionist—they rejected the British rule on the grounds that Muslims should not be ruled by non-Muslims. Thus, the rebellion fought by the Shiites resulted in yet another form of Sunni domination.

Honourable senators will begin to recognize the modern players because they now enter the scene. Emir Faisal, grandfather of King Hussein of Jordan, had fought with the British against the Ottomans during the Arab revolt.

Senator Roblin: I believe he was the uncle.

Senator Grafstein: Yes, thank you for the correction. Faisal's father had been led to believe that his dynasty, the Hashemites, would rule an independent state from the Persian Gulf to the Mediterranean.

Some honourable senators will recall that the Faisal we are talking about here is the Faisal who was brought to light in the famous movie, "Lawrence of Arabia." He is a crucial note in history. Faisal met with the leader of the World Zionist Organization of the day, Mr. Weizman. Both reached agreement in principle on the implementation of the Balfour Declaration, the British promise of a national home for the Jewish people in Palestine. But the British never kept their wartime promises to the Hashemites. That unique accord, if it ever had a chance of success, was stillborn. Instead, former Arab provinces in the Ottoman empire, were placed under British or French mandates according to the Sykes-Picot Agreement. In Iraq, the British established a constitutional monarchy with King Faisal as the head while the French dominated Syria. Iraqi politicians were in a total state of unrest, unhappy with British domination.

Parliamentary democracy was tried but never took root in Iraq. The average life of a cabinet under the Hashemite monarchy lasted only 18 months. Faisal relied on Suni Iraqi officers who were not only strong nationalists, but pro-British. The army became the key to civilian control. The Iraqi kingdom was fragmented into ethnic, religious, sectarian and social lines. In 1932 Iraq got rid of its mandated British status.

Unfortunately, a year after Iraq's independence, Faisal died unexpectedly at the age of 56. His successor, Ghazi, was too young and impetuous to be an effective ruler. He died six years later. His young son, Faisal II was crowned king. The army became the true ruler under this Hashemite regency.

The Syrians continued to fight with the Iraqis. Army officers became heroes as they put down revolts. Both countries were in a state of constant coups. In 1936 the army initiated the first modern Arab military coup. The contest of ideas began in the 1930s between European technology on the one hand and Communism on the other hand. Fascism provided an awesome alternative. Iraq became an arena for contesting paraties promoting the ideas of Fascism, Communism and others.

Below this backdrop of contesting ideologies lay the simmering unrest in society, fomented by the battle between the fundamentalists in both the Shiite and Sunni camps. On the margins, the Kurds also Sunni-Muslims, bitterly opposed their Sunni brethren with blood vendettas against the Shiite. The majority of Shiites always felt discriminated against because, though they were the majority, they were not allowed participation under Ottoman rule. Sectional and regional interests allowed divisions in the structure against the Iraqis. This cauldron of regionalism, sectionalism and fundamentalism, mixed with modern ideologies, continues to stir the Iraqi political pot.

[Senator Grafstein.]

The Assyrians, the ancient Christian community, hovered along the Turkish-Iraq border. Friction was continuous. Kurds were incited to attack Assyrians, who were massacred. Finally, the Iraqi army moved in and destroyed their villages.

A new hero was born, General Siqui. In 1936 the first civil government, backed by the army coup, was established. The idea of Arab nationalism, we are told by experts, started with the desire to introduce liberal freedoms and democracy and quickly developed into reactionary, aggressive ideologies under British colonial rule. Many Sunni Arab nationalists, looking for support, turned to Germany, then strategically seeking to foment unrest in British areas of dominance. Fascism had an appeal that was not simply revenge against the British, Fascism provided an ideological option, an economic model. Hence, Arab nationalists of the day admired both Mussolini and Hitler. Admiration continues to the present day in Iraqi leadership circles.

At the outbreak of World War II, these nationalists confronted the British as the army forced civilian leaders and the regent to leave Iraq while seeking help from Nazi Germany. With the help of the British-supported Arab legion from trans-Jordan, the regent and his government were restored. Massacres took place, but conditions were finally stabilized by local police authorities. In 1943 Iraq declared war against the axis powers. Iraq allowed the passage of American personnel to assist the Russians. In 1947, anti-Western sentiment merged with anti-British sentiment and became agitated because of the establishment of the state of Israel. In 1948, Iraq sent a small force to fight in that first war. Even though very few were involved and very few were killed, Iraqi nationalists continued to seek a hero, and finally they found one in Mr. Nasser. Mr. Nasser opposed any idea of alliance with the West, and so Mr. Nasser and Nuri Said, the civilian leader of Iraq, developed a rivalry.

● (1620)

In 1955, Nasser turned to the Soviets for arms. In 1956, the United States cut off funding of the Aswan Dam. Nasser retaliated by nationalizing the Suez Canal. The Iraqis in the street applauded Mr. Nasser's rejection of the West. The attack on Suez by the British, French and Israeli governments, stopped by Eisenhower, led to a fresh rise in nationalism. It is interesting to note, honourable senators, that if one examines the memoirs of Mr. Eisenhower, one of his major regrets was that he did, in fact, stop the attack by the British, the French and the Israeli governments of the day.

In that period of the late 1950s, national leaders began to taste the new nationalism promoted by the Ba'athists. They overthrew the Iraqi monarchy. During the seizure of the palace, the regent, young King Faisal II, his mother and his sister, along with servants, were slaughtered. The military junta took over. Nuri Said, the pro-Western minister, seeking to escape, was discovered, shot and publicly hanged, as was the body of the regent and their families. With the rise of the Ba'athists, their military leader, called Kassem, dominated events. Civil war broke out between the Kurds and the Iraqi army. The Communist Party then fought against the national-

ists for control. It was in the Ba'athist Party that Saddam Hussein, the present president of Iraq, found his first power base. Two authoritative books—*The Republic of Fear* by Samir al-Khalil, and *Saddam Hussein and the Crisis in the Gulf* written recently by Judith Miller and Laurie Mylroie—indicate that Mr. Hussein was involved in the assassination attempts against Mr. Qassim. Qassim was overthrown and his junta partner, Mr. Arif, came to power supported by the military council. Qassim was executed and his mutilated body displayed on television.

In that cauldron of authoritarian military rule, there was an irredentist philosophy. Aided and abetted by its appetite for Western support on the one hand and inflamed by Western power on the other, it fed the nationalist cause.

Saddam Hussein, now aided and abetted by a very small circle of military fanatics, mostly from his family or his small town of Takrite, now ruled Iraq with an iron fist. Saddam Hussein's rise to power, based on Ba'athist ideology and ideas, was fed by the nationalization of the Iraq Petroleum Company in 1972. Nothing happened until oil prices increased 400 per cent in 1973 following the Arab-Israeli war. Iraq broke the line and continued to produce during that period, increasing its revenue ten times in two years. Massive funds flowed in to the Iraqi government. Massive government expenditures were made on living standards through the import of consumer goods. Government allocations to industry increased 12 times, transportation rose 11 times, building and housing rose nine times. Public support for the extremist Ba'athist rule increased because of their largesse.

In Iraq, Saddam now took a different view with respect to his dealings with the superpowers. Realizing that superior technology emanated from the West, he began to reduce his reliance on Soviet technology and Soviet aid. Economic ties with the United States grew, even though diplomatic relations had been broken off since 1967. By 1980, Iraq was importing $700 million worth of U.S. goods while he continued to rebuff American efforts, including those by the Carter regime, to restore relations.

After the 1978 Camp David accords, Saddam sought to play a major role on the Arab stage. He felt loyalty to no one. With untrammelled power and burgeoning oil revenues, Saddam felt free to steer a course to make Iraq the dominant power in the Persian Gulf and in the Arab world. The only fear was that Iraq's Shiite majority would be stirred to revolt by Khomeini in neighbouring Iran, who had returned in triumph to Iran in February 1979. Hussein's aggression started in border clashes backed by sectarian strife within these boundaries. Baghdad began to support Kurdish rebels in the Iranian north and activated Ba'athist cells among the restless Shiite. Meanwhile, the Iranian Shiite called upon the Iraqi Shiite to overthrow the Iraqi government. Iraq supported Kurdish rebellion in northern Iran, and exploited the ideological threat from Iran. Saddam—and this is where it becomes, I think, relevant—offered to protect the weak Arab monarchies against the possibility of a Soviet invasion as a result of the war in Afghanistan, and when the Carter Doctrine offered to defend Saudi Arabia and the Gulf states against Iranian aggression, Saddam matched this with his own pan-Arab charter called the "Hussein Doctrine" which called for collective Arab defence and rejected any foreign presence in the Gulf. Hussein's doctrine, by the way, prohibited "any Arab state from resorting to armed force against any other Arab state."

Now, when Saddam's deputy prime minister was assassinated by a Shiite, Saddam ruthlessly deported 15,000 Shiite Kurds, and within 15 months, 35,000 were expelled from Iraq. Leading Shiite figures and their families were arrested and tortured. Exiled army officers and politicians from the regime of the Shah of Persia now gathered in Baghdad. They believed that civil dissent in Iran would enable Iraq to attack Iran, defuse the Iranian army, defuse Khomeini's support, and allow the Shah's supporters to regain power.

Hussein expected a quick victory. His war aims were threefold: Secure the eastern shore of the Shatt-al Arab; induce the secession of Kurdistan from Iran; and his larger aim was to participate in the collapse of the Khomeini regime, thereby taking power or hegemony over the region. Over the next ten years, more than a million people were killed, including young children and women who had been conscripted. Over half a million people were maimed as the war between Iraq and Iran became a war without end—no victory, no peace. Honourable senators, more people were killed in that war than in all the wars of the Middle East in this century. Having lost the war he started against Iran, Saddam then turned to Kuwait, expecting, with the support of Jordan and Yemen, to carve up the Gulf oil states and occupy Saudi Arabia, deploying the oil resources and assets that he needed in order to proclaim his power and his success with his masses.

So, honourable senators, what is to be done with a nation such as Iraq, that has the fifth largest army in the world, and has spent more than 50 per cent of its gross national product in the last eight years on military equipment and over, I believe, $100 billion for arms in that period? By the way, that was not just for conventional weapons but for nuclear arms and biological and chemical weaponry. Honourable senators, Iraq did not do this on its own. Every arms-producing nation in the world provided Iraq with these awesome weapons of modern murder technology. Germany, France, Austria, the United States, Brazil, China, the Soviet Union, Czechoslovakia, every nation east or west that manufactures arms has supplied arms to Iraq in the last five years. Honourable senators, close to 10 per cent of all the arms purchased in the entire world in the last five years were purchased by Iraq. So now what is the world to do? Having created a monster and fed the awesome inflation of this nationalism, Iraqi style, the world is confronted with a horrible dilemma.

• (1630)

Daily the media, in its crude symmetry, places Iraq's gestures on the same moral plane as the desire of democracies to suffocate this evil and virulent form of nationalism. Canadians cannot understand where we are. We are told that the Middle East is comprised of backward people; but, if this is true, honourble senators, is it not a greater obscenity that the

educated leadership, the elites of these countries, who are well educated, are bankrupt when they prepare to spend the greatest percentage of their meagre wealth for arms and destruction?

So, honourable senators, what can Canadians do? What should we do? First and foremost, the international alliance must maintain its unity of purpose. I believe there is confusion about aims. We heard two speeches, by Senator Macquarrie and Senator MacEachen, and both have different objectives. When we listen to the debates in the United States, we again hear different views from Congress. I believe Canada can develop a charter for this international alliance agreeing on a declaration similar to the role Canada played in the NATO Atlantic charter when Canada, through the offices of Mr. Pearson, drafted the objects of the alliance.

Obviously the first objective of that alliance should be the unconditional withdrawal of Iraq from Kuwait. Western members may wish to inject the concept of democratic pluralism, but clearly, honourable senators, Canada can play a useful role in establishing a clear-cut statement of objectives—that we are in favour of democracy, not dictatorship, and that we want a world system in which unprovoked aggression is not allowed. Clearly Canada can play a role in articulating this new charter for the international alliance.

Honourable senators, let me make a personal comment because some Canadians, including myself, love to hide behind America. We love to criticize its leadership, yet we love to benefit from the American safety net. That is the Canadian way. In my mind there is no question that the new world order we saw signed in Paris this week was a result of America's moral leadership. It took from 1917 to 1989 to suffocate Stalinist ideology; therefore, honourable senators, why can we not set a goal to stifle the virulent form of nationalism that holds Iraq and its people captive and seek to replace them with democratic values?

Second, respecting United Nations resolutions on force, Canada should lead the way. I believe it can lead the way by establishing a short timeframe where, if the U.N. resolutions are not met by Iraq, the use of force would be automatically sanctioned. Put a timeframe on this. Let Iraq understand that daily dismemberment and destruction of human life and property is not to be allowed.

Third, it is essential to establish a legitimacy and credibility in the Middle East with Arab nations. The best way to establish that in the short run is to create a joint military command structure which includes, at its highest echelons, the Arab nations that are involved in this alliance. If we want to use the lessons of Korea, there was a joint transparent military command led by General MacArthur, but it was a United Nations or alliance command. Therefore, it is important to move forward immeditely with a command structure that is visible, transparent and widely advertised involving well-known names from Arab countries. Here again Canada can play a useful and important role.

[Senator Grafstein.]

Fourth, sanctions can be increased. Iraqi assets should be frozen in each member state of the alliance, while being widely publicized. Further sanctions could and should be considered, such as the water weapon, which I mentioned in the last few days. It has been suggested by an American strategist that the Tigris River be dammed up to quarantine the area and to demonstrate that the alliance is serious.

Fifth, Iraqi murder technology must be quarantined. Those who provide murder technology must be prevented from doing so. Honourable senators, the U.S. Senate played an interesting role in bringing this to the public's attention. A senator prepared a list of the reported and confirmed instances of military-related sales to Iraq by foreign countries. It showed that 14 nations were listed as sellers. West Germany was at the top with 70 companies, tiny Austria was not a close second with 16 companies, and the United States and the United Kingdom were tied for third, each having 11 companies. Certainly those companies' names should be publicized so that we may monitor any further shipments or contact with Iraq and perhaps stifle their activity.

Honourable senators, it is interesting that Iraq, for all its waywardness, is now leading the way in the adoption of nuclear weapons, long-range missiles, and chemical and biological stockpiles. Obviously these must be contained. The alliance should include a total ban on Iraq's murder technology. Those breaching this ban should be penalized. Honourable senators, yesterday we were advised that the agreement on arms reduction was settled in Paris, and I brought it to the Leader of the Government's attention that SS missiles from the Soviet Union, which were surplus and not caught by the agreement, had been shipped to Iraq. This is a gaping hole. We should not allow a second-hand trade in surplus weaponry. There is no agreement under the Conference of Security and Cooperation in Europe to prevent the transfer of this surplus new weaponry outside one's country.

Sixth, Canada should increase its contingency plans and back up communications for its forces in the Gulf. Surely, as Senator Macquarrie said, Canadians who are at risk should have the very best in terms of backup. Canada should consider deploying Canadian troops now in Europe on a contingency basis. It is essential. It is vital that the credibility of the alliance and the threat of force be brought home to Iraq. Members of the Arab nations must be induced to increase their support. Seventh, international organizations—and this is another important principle—of which Iraq is a member should immediately demand inspections in Kuwait and Iraq. These organizations include the atomic energy organizations, which prevent the spread of nuclear armaments, human rights organizations, the Red Cross, Amnesty International and representatives of the Geneva Convention. Their findings should be widely publicized, and Canada can lead the way.

Honourable senators, it is important not only to suffocate the aggressive attitude of Iraq, but to establish a wedge between the ruling elites within Iraq responsible for breaches of international law. It should be driven between the leadership on the one hand and the innocent Iraqi population on the

other. I have a suggestion I believe would be helpful. Once again the alliance could articulate the Nuremberg principles.

The world stands against crimes against humanity. The world stands against crimes against peace. The world understands and has adopted the concept of war crimes as a prophylactic against future abhorrent conduct. Every state has the jurisdiction to bring actions against such crimes. The question of personal responsibility and personal accountability should be made clear.

● (1640)

Should not each member of the Iraqi junta be identified in order to segregate the guilty leadership from the innocent? If that leadership has breached international law, if that leadership has committee crimes against humanity, crimes against peace, if they are *prima facie* guilty of war crimes should they not be named? Should we not adopt Amnesty International's methods of naming names and making people within Iraq personally accountable? A public list of officials responsible could be established and publicized both in Iraq and particularly in Kuwait.

I think the Kuwaiti government-in-exile has a larger responsibility to assist the effort of the alliance in a more visible way. Turkey, Jordan, Pakistan have all suffered as a result of the invasion of Kuwait. Over one million refugees have been on the move in the last 60 days. They have lost members of their families and their property. Many have been totally wiped out. Surely the Kuwaiti government can be called upon to bring much more visible and immediate financial support to these refugees.

The alliance should establish a national claims court where Kuwaiti and Iraqi dissidents and refugees can seek compensation against Iraq enforceable after the event. Why do we have to wait? Why not start now? We know what these claims are.

The free media has an important role to play in combatting the controlled media in Iraq and Kuwait. Radio Canada International should have its budget increased in order to provide 24-hour service to Kuwait and Iraq. This has provided a very important lifeline not just to Canada and Canadians but it has provided the sustenance and hope for Iraqi and Kuwaiti dissidents seeking to fight from within.

Iraqi victims who reside outside of Iraq should be assisted in establishing an organization called Radio Free Iraq in order to provide information to the citizens of Iraq and Kuwait to counter Iraq's controlled media. Each member of the alliance has a responsibility to counter Iraqi information. Obviously we should not interfere with the free press. However, when an Iraqi statement is made or an Iraqi interview takes place on television or in print or on radio which contains information we know is misinformation, it should be immediately countered by press releases, radio and TV interviews by members of the alliance.

I will give you one example of this. It is not a distant proposition. I received on my desk a booklet entitled "The Kuwait Question", which is a letter by H.E. Tariq Aziz, Deputy Prime Minister and Foreign Minister of the Republic of Iraq to the Ministers of Foreign Affairs of all countries in the world. It is dated September 4, 1990, in Baghdad. On page 27 it makes this statement. It is a very lengthy defence of Iraq's position on Kuwait. Here is what he says:

> On 15 July 1990, I delivered a detailed note to the Secretary-General to the League of Arab States in Tunis, a note substantiated by facts and figures confirming the involvement of the former rulers of Kuwait in the conspiracy to destroy the economy of Iraq, and exposing their deliberate and incessant violations, over the years, of the rights and vital interests of Iraq.

Based on what I have read in the free Western press that is not correct, but let me turn to the next statement which I think is more relevant and more curious. Here in one paragraph is his explanation of Iraq's actions in Kuwait:

> This dangerous conspiracy against Iraq led us to extend military assistance to the young revolutionaries of Kuwait in their uprising on 2 August 1990. On the following day, His Majesty King Hussein of the Hashimite Kingdom of Jordan, visited Iraq and informed President Saddam Hussein that he had made intensified contacts with a number of Arab leaders . . .

That is his explanation of that invasion. It is misleading. It is false. Yet it sits on our desks and I have not received anything from any member of government to counter this. This is an official document from the second most senior official in Iraq. When it lands on our desks I think we should immediately counter it with a statement.

All honourable senators are appalled by the interviews showing hostages with President Hussein, and the soft interviews that have taken place. We should not interfere with those interviews. I am not suggesting we should. However, immediately upon those interviews taking place responsible members of the alliance should contradict those statements and show the media how misleading and how unfortunate and how unfair they are.

It is clear that holding innocents as hostages is in breach of the Geneva Convention. Legal action should immediately be commenced by the Canadian government under the Geneva accord against the Iraqi government if all Canadian hostages are not released forthwith. There is no reason why we should not commence legal action today. We should have done it the moment we heard that Canadians were held against their will.

I conclude by asking what are the lessons of the 1930s? They are that appeasement in any form does not work. Appeasement increases the rewards of aggression. It is important that the alliance not be undermined by inconsistent positions. The threat of force is potent and it is only believable if the western world is unified on this issue. International public opinion is prepared to be unified. We need only the governments to lead the way against this unprovoked aggression. Otherwise, the lessons of the 1930s, the sacrifices of the 1940s, will have been in vain.

The last decade of the 20th century can suffocate evil ideas. It can suffocate the cult of violence. It can suffocate violent,

bankrupt leadership which abuses its population in search of a false ideology. False and evil ideas can be stopped if they are attacked in their infancy and not allowed to grow and inflate the roots of totalitarianism wherever they sprout. These ideas must be treated like a plague. If they are, we will stop the plague and then we will be able to grow a healthy democratic exchange where we can foresee peace and security in every region of the globe.

Hon. Duff Roblin: Honourable senators, my contribution to this discussion will not be on the same scale or on the same level as the three very interesting speeches that we have heard today. While there is much that has been said with which I can concur, I am not sure that the interests of Canada would induce me to support some of the suggestions which have been made as to what the course of our policy ought to be.

The discussion has touched on a number of fascinating topics. We started off with Senator MacEachen and the record of the Korean War. I want to say a few things about that because the sequence of events in that instance are interesting.

We have had some excellent comments about the development of a new system of world peace and security, which, oddly enough, seems to be springing up from this particular confrontation in the Middle East. We had an excellent analysis of the evils of appeasement from Senator Grafstein, which I certainly can concur with. We have, of course, front and centre in our minds the horrors of war, and the difficulties and problems of engaging the people of Canada and the Canadian nation in the military operations of the kind that are being discussed these days.

● (1650)

Perhaps I could start by offering a few reflections on the Korean situation. In Mr. Pearson's biography entitled *Memoir 2*, which Senator Doyle kindly handed to me a few moments ago, he outlines in some detail the sequence of events with respect to the Korean situation, something which might not hurt us to rehearse. While the comparisons are not exact with our present situation, they do provide some food for thought.

The United Nations decided on June 27 to pass a resolution to declare aggression in Korea and to ask for the assistance of the members of the United Nations to deal with that aggression. Canada supported that particular initiative on the part of the United Nations.

If I understand correctly what Mr. Pearson had been trying to convey in his autobiography, and the sequence of events that he is illustrating, I read that we first agreed to send destroyers to Korean waters, and then to airlift supplies and arms to the South Koreans. If I have the sequence of events correctly, that was decided pretty soon after the resolution of the United Nations was passed.

Parliament was sitting a few more days until the end of the month of June, 1950, to resume its session on August 28 following. In the interval, Mr. Pearson went to Washington to consult with the Americans, in particular Secretary Acheson, and others, as to what the Americans thought about Canada's position and the whole of this. He did not see the President, but, after all, he himself was not the Prime Minister. In those days he was Secretary of State for External Affairs. He spoke to Mr. Acheson and they discussed a number of things. Mr. Pearson records:

> Finally, we were concerned with the United Nations aspect of the above developments; what the policy of members of the United Nations, like Canada, should be in these circumstances, particularly in regard to active assistance to operations in Korea.

I do not mention this in a critical way, but merely to say that before Canadian policy was set he did take the opportunity to go to Washington and to consult with the Secretary of State of the day as to what the American view was with respect to Canada.

One of the things that Mr. Acheson suggested was that, and I am quoting from the book, ". . . he was emphatic that even single battalions would be not only politically valuable but effective help in present circumstances." If I were to comment on that, it would be to say that the same kind of valued considerations pertained in the Korean situation as pertain today in respect of the American view of Canadian policy. They wanted us then, and they want us now to take part in the proceedings because they felt it would add legitimacy to what was being done. It seems to me that is somewhat similar to the circumstances in which the government at the present time has been struggling.

I notice in Mr. Pearson's account that on August 7, which was three weeks before Parliament convened, the government started to recruit for the Canadian volunteer battalion that was to go to Korea. It was after these events took place that Parliament met on August 29 and dealt with these questions of assistance to the United Nations effort in Korea. Nothing particularly hinges on this account, as far as I can see, except to say that, generally speaking, the same kind of international considerations pertain when we have a situation like the Korean situation or the situation such as we have in the Gulf these days. There is a parallel here that should not be entirely overlooked.

I say, by way of comment, that while the operation was under the general aegis of the United Nations Military Committee, to be sure, in fact that duty was delegated to the United States military authorities who actually conducted the war. Thus, there are parallels here that perhaps are of interest to us as we consider what has been going on.

What about the course of events? It seems to me a remarkably hopeful fact that as the world struggles to deal with this question, the United Nations has taken on new importance and a new lease on life and is potentially, perhaps, in the process of framing a new peacekeeping apparatus, a new peacekeeping policy and instrumentality, for which all of us have hoped for many years but never thought to see in the way that we see it now. We do not know—and heavens knows we have had fumbles in the past—whether this new development will prove to be that new approach to the peacekeeping question that we seek. However, it is certainly an opportunity which should not

be overlooked, and one which I think deserves the clear support of the people of Canada and ought to be a policy objective of the government of this country, as I think indeed it is.

To think that the United States which has been so cavalier about the United Nations in recent years, has now come back to the fold and is paying up what it owes, as indeed the Russians are doing; and to think that the Security Council can speak with a united voice these days on matters of this kind, where their peripheral interests, if I can use that expression, are concerned; and to think that the United Nations can muster up the intellectual energy to pass resolutions of the kind they have, condemning the aggression in Iraq and making a number of proposals as to what should be done—in particular to approve and organize an embargo to an unprecedented extent and effectiveness—is, I think, one of the most hopeful signs that any of us have seen in a long time with regard to the question of keeping peace in the world. The way this firm stand against an important instance of aggression has been taken is something which should attract our attention, because it seems to me that this is a development which demands, I think, the support of the nation, the government, and certainly members of the Senate.

However, I think that we must bear in mind that the effectiveness of what has happened depends on the effectiveness of what is going to happen. In other words, if we cannot maintain this attitude of unity, of united dedication to the task; if we cannot maintain the impetus that we have already put in motion with respect to peacekeeping and to this aggression, then the whole thing may collapse like a house of cards. It seems to me that nations which have an interest, as we have, in peacekeeping in the world must see that that kind of attitude does not prevail and that the unity and singlemindedness of purpose that has been demonstrated so far continues. It can only continue if we continue to support it.

I agree with those who say that if we can increase the effectiveness of sanctions, then we should do so. Let us look into matters of that kind. We also have to recognize that this is one of the hard facts of life where balance and judgment are deeply concerned. We also have to recognize that if we are not willing to consider what alternatives we have if these sanctions do not succeed, then we may find that the whole exercise goes for nought. This is not to say that I am preaching military action—I am not. I am one who says that, yes, we have not yet given sanctions the full opportunity to do their stuff. We must do that. There is no reason to pay any attention to those impatient people who want to see military action taken tomorrow—not at all. I would resist that. I want to see sanctions given full force and effect and time to show what they can do. Having said that, we must recognize the fact that somewhere along the line we may be asked to take other decisions. We have not reached that point yet and we may not ever reach that point—certainly it is not before us at the present time—but it is an issue that cannot be excluded from our thoughts and judgment in this particular matter.

• (1700)

The Leader of the Opposition made a very interesting distinction which, I confess, should have occurred to me. It is that there are two forces at work here: the force of the United Nations with respect to the sanctions, and the force of the United States as protector of Saudi Arabia. We have to admit that these are at the present time two different lines of action. I know that it is the purpose of the United States to secure the consent of the United Nations to any military activity should it be required. I dare say that that will be discussed by heads of state for the next little while. I am one of those who would like to see that possibility regarded as a last resort, and not something that we should willingly jump to at the present time. On the other hand, let us recognize that if U.S. military power were not in Saudi Arabia, who could say what Iraq would have done with respect to that country. Certainly they would otherwise have had the physical force to do what they would have liked in respect to occupying the property of their neighbours in that part of the world. So I am not condemning the United States for sending its military forces to Saudi Arabia; nor am I willing to condemn the Government of Canada for the small efforts it is making in that connection. I believe that this particular move must be considered with a very real sense of realism if we are to ensure that we do not get a militry reaction on the aprt of Iraq that would otherwise be impossible.

The importance of American military action in the Gulf cannot be overlooked. It is part of the whole process. I am not saying that I want to fight, not tomorrow at any rate, but it is part of the whole process and it has to be regarded and supported in that particular respect.

I come back to Senator Grafstein's theme about the necessity to take into consideration the questions of appeasement and collective security. I admit that of the long chain of events that he has outlined for us to show how those concepts have been honoured or dishonoured, as the case may be, in times gone by, the question of collective security is at the heart of the issue. However, it is necessary to keep a certain sense of balance here because appeasement and collective security with respect to Hitler is one thing, and with respect to a country like Iraq it is another thing; it is a different proposition. That does not mean that the principles of collective security do not apply, but the solutions that we adopted in the previous case are not necessarily the solutions we would adopt in this case, although I have to admit that we are walking a very thin line there, and I am not prepared to say how the balance should fall at the present time. These are issues which we must all take into consideration.

I want to say a word or two about Iraq because some of us may have the notion that it is an invulnerable country with a large military establishment, modern weapons of war and, indeed, a nation that can sit out whatever can be done by the rest of the world to bring it to heel. I do not know how things will turn out, but I am not so pessimistic as to think that sanctions may not be effective, and I am not so pessimistic as to think that this man who runs Iraq is so completely inflexible

that none of the things the rest of the world does get across to him. I do not think that that is the case. It is his job to put up the best front that he can, and if we get ourselves a few months to let the sanctions work, he will find himself in a more difficult position than he faces today. He is not inflexible. After all, whoever saw such an astonishing volte-face as the one he demonstrated with respect to the war with Iran. After fighting for eight years and losing hundreds of thousands of people and uncounted treasure and any gain he got from the Iraq-Iran war, he gave up because he thought it was in his interests to do so. If that is the case, he may consider some time that it is in his interests to make some further democratic approaches with respect to the situation in which he finds himself now.

There is one thing that I would caution against: I do not like these unconditional surrender policies that have been popular in the world. We were pretty big on them at the end of World War II, and we did pretty much the same thing in World War I. We must never put ourselves in the position where there is no alternative but to go ahead and indulge in military action. It is necessary to keep open the possibility of diplomatic settlement in these matters. I can conceive it as being quite possible that if things get rough enough in Iraq, the man might decide that he is willing to make some concessions on Kuwait and agree to some inspection of his chemical and nuclear warfare systems. After all, he has invited the International Energy Agency to inspect his use of nuclear materials. I realize that that does not mean very much because he can hide a lot, but it represents an appreciation of approaches of that kind to the various problems at hand. While I think it would be "Pollyannaish" to say that any accommodation is in sight at the present time, there is that possibility sometime in the future if we are content to keep up the pressure.

I caution honourable senators to remember our experience. Our experience in a far greater, more dangerous and desperate situation than anything you can imagine in the Middle East, our East-West confrontation, has been solved. That confrontation was solved in a number of ways, but one contribution to the solution of that problem was the steady, confident determination on the part of the NATO Alliance to hold itself together even though members were tempted at times to make some kind of off-the-cuff deal or some arrangement that would break up that alliance. The fact that that alliance held steady, determined and resolute but not aggressive or offensive over that long term of years, is part of the reason why we have this happy situation that we have in Europe today. The lesson from that experience to be applied to Iraq is that there is no greater enemy than ourselves. Our most difficult problem is holding our alliance together and keeping it firm, united, determined and steady and, at the same time, avoid offensive action of the kind that would lead to war, which no one really wants or supports. It seems to me that that is the kind of lesson we ought to apply to this situation. The more we niggle, complain, cast doubt or criticize about holding firm, although that is the privilege of every citizen of this land, the more disservice we do to the cause and to ourselves. I do not mean to say that we cannot stand intelligent criticism—and we have had some here today—about what is going on and about what should go on. Those are necessary parts of our process, but we should try to keep within due bounds and to remember that it was the slow and steady pace that won the day with respect to the East-West contest that has now come to such an unexpectedly happy conclusion.

Honourable senators, I have a little more to say. What should Canada's policy be? The first item of Canadian policy is to support this new peacekeeping initiative which is now growing under the auspices of the United Nations. We should do nothing that will take away from the development of that policy, and it ought to have the support of the Government of Canada and Parliament. I think we should recognize that an embargo is something that does not produce results overnight. We have seen embargoes in other cases, and sometimes they have not worked very well. In other cases they have had some real influence on the course of events. Perhaps South Africa is one such example.

● (1710)

In any event, I entirely agree with those senators who have spoken, and I suggest that we should not be impatient, that we should let this embargo work. I would also suggest that we hold our fire until we see that it is having some effect on the general situation we face.

If it comes to a matter of force, it is very important that it should be under the auspices of the United Nations in one way or another. Perhaps the United Nations Military Committee should not be the body to run the war, but any militry force should certainly under the auspices of the United Nations as, indeed, it was in the Korean situation.

If we look a little further ahead into the future—I am not sure that it is a possibility here, but at least it is worth mentioning—I think we should be trying to imagine some kind of security arrangement, setup or plan for the Middle East which does not exist at the present time. Surely there is room for constructive, imaginative work in this respect because we have to recognize that the people will not really be very happy to accept the military presence of the United States. We should recognize that if a security structure is to be developed there it will have to be done by the people concerned. While talking about that, I am not only talking about the fighting in Lebanon or the animosity between the Syrians and the Iraqis and the Iranians, I am talking also about the situation in which the Jewish state finds itself. The importance of security for them has to be one of the great issues that will undoubtedly, in due course, emerge from whatever happens in this Middle Eastern development.

Honourable senators, it is a good thing to reflect on some of these matters. I am happy that you have given me the opportunity to offer a few rather disjointed and disconnected remarks with respect to it. It is my hope that we will be able to see our way clear to ensure that the initiative and the drive of the United Nations become the central point of our policy.

Hon. Senators: Hear, hear!

Senator MacEachen: Honourable senators, I think it is appropriate for me to withdraw the motion which I made to launch this debate.

Senator Roblin: Yes, that is right.

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

Hon. Senators: Agreed.

Motion withdrawn.

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE ACT
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMEND—THIRD READING—NOTICE OF MOTION IN AMENDMENT

Hon. Stan Waters: Honourable senators, I wish to give notice of a motion; but before I do so, I wish to express my regret that I was not informed that this debate on Iraq was going to take place. I would have appreciated some notice of that. As an independent sitting over here at third base, I suppose it is pretty easy for some of you to forget the independents. It would have been very helpful to have had some warning of this motion, because I would have liked to participate. I have had some considerable experience of peacekeeping and war and I have some views which I think could be constructive.

Honourable senators, I wish to give notice that I shall be moving an amendment to Bill C-62 following the results of the vote on the eighth amendment.

Senator Roblin: If it makes you feel any better, I did not receive notice either.

BUSINESS OF THE SENATE

Hon. C. William Doody (Deputy leader of the Government): Honourable senators, at this point I would suggest that we suspend the sitting until 8 o'clock this evening.

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

Hon. Senators: Agreed.

The sitting of the Senate was suspended until 8 p.m.

[*Editor's Note: For continuation of proceedings see Issue No. 112C.*]

THE SENATE

Tuesday, November 20, 1990

[*Editor's Note: Continuation of proceedings from Issue 112B.*]

At 8:00 p.m. the sitting of the Senate was resumed.

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE ACT
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMEND—DEBATE ON THIRD READING CONTINUED—MOTION IN AMENDMENT

On the Order:

Resuming the debate on the motion of the Honourable Senator Kelly, seconded by the Honourable Senator Beaudoin, for the third reading of the Bill C-62, an Act to amend the Excise Tax Act, the Criminal Code, the Customs Act, the Customs Tariff, the Excise Act, the Income Tax Act, the Statistics Act and the Tax Court of Canada Act.

Hon. Raymond J. Perrault: Honourble senators, I have the honour, on behalf of Senator MacEachen, seconded by Senator Stanbury, to move:

That Bill C-62 be not now read a third time but that the Bill be amended to provide for four categories of tax rates and to grant tax-free status to books, children's clothing and non-prescription drugs,

(1) on page 65, by striking out lines 43 and 44 and substituting the following:

"equal to

(a) 7 % of the value of the consideration for the supply if the supply is not set out in Schedule VIII, or

(b) such percentage of the value of a supply as is set out in Schedule VIII in respect of that supply.";

(2) on page 131, by striking out lines 30 to 32 substituting the following:

"Canada a tax equal to

(a) 7 % of the value of the consideration of the supply if the supply is not set out in Schedule VIII, or

(b) such percentage of the value of a supply as is set out in Schedule VIII in respect of that supply.";

(3) on page 343, by adding immediately after Schedule VII the following:

"SCHEDULE VII

1. A supply of a passenger automobile with a retail value of $40,000.00 or more but not in excess of $50,000.00 ..... 10 %;
2. A supply of a passenger automobile with a retail value in excess of $50,000.00, but not in excess of $60,000.00 ..... 15 %;
3. A supply of an item of clothing with a retail value in excess of $1,000.00 ..... 20 %.
4. A supply of a passenger automobile with a retail value in excess of $60,000.00 ..... 20 %;
5. A supply of an item of jewellery with a retail value in excess of $3,000.00 ..... 20 %;"

(4) on page 342, by adding to Schedule VI, and numbering accordingly, new Headings and Parts as follows:

"BOOKS

1. A supply of books.

CHILDREN'S CLOTHING

1. a supply of clothing and shoes designed primarily for children 16 years of age and under.

NON-PRESCRIPTION Drugs

1. A supply of non-prescription drugs."

[*Translation*]

The Hon. the Speaker: It is moved by the Honourable Senator Perrault, for Senator MacEachen, seconded by the Honourable Senator Stanbury, that Bill C-62 be not now read a third time but that the Bill be amended to provide for four categories of tax rates and to grant tax-free status to books, children's clothing and non-prescription drugs,

(1) on page 65, by striking out lines 43 and 44 and substituting the following:

"equal to

(a) 7 % of the value of the consideration for the supply if the supply is not set out in Schedule VIII, or

(b) such percentage of the value of a supply as is set out in Schedule VIII in respect of that supply.";

(2) on page 131, by striking out lines 30 to 32 substituting the following:

"Canada a tax equal to

(a) 7 % of the value of the consideration of the supply if the supply is not set out in Schedule VIII, or

(b) such percentage of the value of a supply as is set out in Schedule VIII in respect of that supply.";

(3) on page 343, by adding immediately after Schedule VII the following:

"SCHEDULE VIII

1. A supply of a passenger automobile with a retail value of $40,000.00 or more but not in excess of $50,000.00 ..... 10 %;
2. A supply of a passenger automobile with a retail value in excess of $50,000.00, but not in excess of $60,000.00 ..... 15 %;
3. A supply of an item of clothing with a retail value in excess of $1,000.00 ..... 20 %.
4. A supply of a passenger automobile with a retail value in excess of $60,000.00 ..... 20 %;
5. A supply of an item of jewellery with a retail value in excess of $3,000.00 ..... 20 %;"

(4) on page 342, by adding to Schedule VI, and numbering accordingly, new headings and parts as follows:

"BOOKS

1. A supply of books.

CHILDREN'S CLOTHING

1. a supply of clothing and shoes designed primarily for children 16 years of age and under.

NON-PRESCRIPTION DRUGS

1. A supply of non-prescription drugs."

Is it your pleasure, honourable senators, to adopt the motion?

[*English*]

Senator Perrault: Honourable senators, as I rise to speak to this amendment, which those of us on this side of the chamber believe to be progressive and consistent with our party's policy toward tax reform based on ability to pay, I am reminded that this is the second anniversary of the Conservative Party's renewed mandate to govern the country. Two years ago today—

Hon. Joyce Fairbairn: Black day.

Senator Perrault: —this Conservative government, with 43 per cent of the popular vote—

Hon. L. Norbert Thériault: It was 12 per cent of the vote in Québec.

Senator Perrault: —assumed power after a well-financed campaign in which they festooned their political bandwagon with gaudy promises including promises to spend hundreds of millions of dollars in every section of the country from coast to coast.

Hon. Eymard Corbin: Jobs, jobs, jobs.

Senator Perrault: Two years ago there was not a single cloud in that blue Tory sky.

Senator Fairbairn: They were lurking.

Senator Perrault: Yes, they were lurking just below the horizon; no question about that. It was a no-hard-times campaign, as I recall. It was a very positive and upbeat campaign. There was no talk then of an alarming and burdensome national debt, no talk of dismantling, reducing and destroying Canada's carefully and painstakingly constructed social system, the network which Canadians turn to when they are in trouble. There was no talk then of Americanizing unemployment insurance and removing the government from this very essential feature of that social security net. There was no talk of clawing back pensioners' benefits. There was no talk of removing cost of living protection and all of the other shabby features of this government's hidden agenda.

During the last federal campaign, the Prime Minister spoke on the subject of tax reform. Oh, we have been told in this debate that the Canadian people knew there would be a GST. Why then did the Prime Minister not talk about it in his campaign from coast to coast? Senator Waters, I have yet to discover one speech which the Prime Minister made in Alberta promising to impose a 7 percent GST in that province; nor have I heard such speeches in British Columbia. We were, however, given some indicators that there would be changes in taxation.

The Prime Minister said that he, indeed, is a former working man who drove a truck. He said he knows what it is like to suffer and struggle, and that he knows the difficulties faced by the working people. It is for these reasons that he is devoted toward making the taxation system fair and equitable to ensure that the rich pay and that there is care for the poor. This was the generalized way in which we were signalled that there would be some changes in taxation.

Oh, I recall one incident when Mr. Blenkarn made a rather imprudent speech during the campaign when he said that what the Tories really had in mind was a tax that would apply on all goods and services. Mr. Wilson quickly distanced himself from that type of irresponsible talk. Do you remember that? Yes? The Conservatives are nodding their heads. Well, you have good memories for certain things.

● (2010)

I also remember that the Prime Minister said words to this effect: "Heavens to Betsy, we do not have that in mind at all. We want a fair, just and equitable taxation system." The Right Honourable Prime Minister said that the goal of a new

Conservative government with a renewed mandate would be to create a fairer taxation system—that is, a just system. That oratory was enough to bring thousands of Conservatives to their feet applauding from coast to coast. They loved that; and you are still applauding! You must be masochistic—that is all that I can suggest.

Senator Frith: The sound is of one hand clapping!

Senator Perrault: No one could, or would, wish to quarrel with such a commendable goal of fair taxation. But we have lived to see the value of Conservative campaign promises.

There have been thirty-two tax increases since the Conservatives came to power in 1984. The manufacturers' sales tax, which the Prime Minister never tires of condemning indignantly as being unfair, punitive and negative, has been increased by this Conservative government three times since 1986, from just over 9 per cent to over 13 per cent. So much for Tory oratory compared with Tory performance.

The thrust of Tory taxation policy since 1984 has been strongly and demonstrably regressive. This is not even a matter of speculation; it is a demonstrable fact. The only people who have benefited from Conservative taxation policies since 1984 are the very wealthy in Canada. The rest have suffered. All the tax breaks have been for the wealthy, while the disadvantaged received a few crumbs brushed from the Tory revenue table.

This reminds me of Oliver Twist, who pleaded to the school master, "Please, sir, may I have more?" The disadvantaged in Canada today are saying, "Please, Conservative government, can we have more?" They are receiving the same rebuff directed to Oliver in that great play.

An Hon. Senator: And more taxes!

Senator Perrault: Yes; that is correct. If the GST is passed, the average Canadian family with children—and again these are facts, not political sloganeering—will pay $684.00 more next year under the GST even with the refundable tax credit. Does this really represent progress? Is this the version of "progress" according to that Conservative hidden agenda? Approximately 46 per cent of Canadian families with incomes under $30,000.00 will actually be worse off under the GST even with the GST refundable tax credit.

Senator Frith: Tory times are hard times!

Senator Perrault: That will occur under the GST. Again I ask the question: Does this fulfil the promise made by the Prime Minister during the campaign? Under the GST a $4.6 billion dollar tax burden would be transferred from corporations to Canadian consumers.

The disturbing and dismal fact in Canada of the 1990's is that middle income groups are under a terrible seige. Most of them cannot afford the lawyers and the chartered accountants to find tax loopholes for them; they are just being wiped out. Middle income families are being attacked mercilessly by this government.

Now it is two years later. Oh, we have come a long way since those heady days of 1988. What a difference a few months have made! Never in the history of Canada has a federal government disillusioned more people more quickly.

A new poll announced one hour ago revealed that Conservative support across Canada has dipped to an incredible low of slightly under 15 per cent, and the country is in a state of economic crisis. Compared with October of last year, there has been an increase of 60.6 per cent in bankruptcies, representing disaster for 4,700 individuals and 1,100 companies.

Can any of us remain complacent in the face of statistics of that kind? So far this year bankruptcies are up by 40 per cent, representing 34,000 individuals and 9,400 Canadian companies.

Do the government senators really represent a party that wants to continue these types of insane economic policies?

Senator Leblanc: Yes!

Senator Perrault: Do you really want to continue that? Do you really understand what it means to lose your lifesavings in bankruptcies and be wiped out in the way that thousands of Canadians are being wiped out?

Senator Gigantès: No, they never have understood.

Senator Perrault: On this second anniversary of the Tory triumph many hundreds of Canadian factories and shops are darkened, and 160,000 good-paying industrial jobs have gone since the signing of the so called free trade deal. They have vanished! Many of those jobs have gone to the United States. Some have gone to Mexico to take advantage of those "subhuman wages" that I cited in this chamber the other day.

Senator Nurgitz: How many have come to Canada, though?

Senator Perrault: Is this really what the Conservative Party promised Canadians two years ago? Have you fulfilled your mandate? Have you kept faith with Canadian people, wherever they live in this country?

Senator Stanbury: They do not think so!

Senator Perrault: Is this your much-touted return to the market economy and rugged free enterprise?

The question that now has to be asked is: Will your party survive the calculated policy idiocies that are destroying the country? No wonder one of your veteran members of Parliament, Patrick Nowlan, quit your party in dispute just this afternoon to join the others. He was fed up! The Nowlan family have been an adornment of the Conservative party for years. They cannot take it any more!

Senator Balfour: That is no disgrace!

Senator Perrault: The proposed goods and services tax now before us is framed in the same reactionary and predictable Conservative mode. As members of the Senate Opposition have demonstrated in recent weeks, the proposed GST is burdened and laden with inequities.

What interests me is the fact that some of you know that there are weaknesses in this bill that should be corrected, yet you have stood in your places and have voted for something when you know that it is wrong. That is the dismal truth. You

know that it is wrong for some of these measures to be imposed and you know what it is doing to some of the lower income groups in this country. Yet, like the Don Cossack choir on attack, you all sing in unison. Some of you have indicated that your consciences are troubled, but when it comes down to the vote, party discipline directs that you vote for government policy, which I suspect you know is wrong.

We have in the Senate a Liberal Party Opposition, together with allies in the Senate which I am happy to acknowledge—people who are keeping the faith with the Canadian people and especially with the 85 per cent who believe that the GST is the wrong tax at the wrong time. They are among the vast majority who are willing to pay their fair share but who are not willing to permit Canada's poor to be victimized and small businesses, single mothers and others to be harassed out of existence.

We have done, and are doing, our best to oppose the GST in the interests of all of Canada. We have advanced alternative proposals, because undeniably there are debt and deficit challenges in this country. Those challenges have to be met. We cannot avoid that. Yet despite our best efforts, it is obvious that the pledge was a sham. There has never been any intention to amend the GST bill, despite the fact that we took the Prime Minister at his word when he assured Canadians that he would consider reasonable Senate amendments.

What is the Leader of the Government's definition of "reasonable"? What did the Prime Minister mean when he went on these open line shows across the country saying, "We are reasonable people. If they are reasonable amendments, we will consider them." We do not even have a Conservative majority in this chamber willing to stand up and defend most of these weaknesses in the GST. Are you so ashamed of the bill that you cannot stand up and speak, or is the muzzle on? Have you been told, "Do not say anything; you might get into trouble"?

Senator Poitras: We have tried our best!

Senator Perrault: Stand up after I have finished and start defending the bill, because very few of you are.

Senator Poitras: I will!

● (2020)

Senator Perrault: What did the Prime Minister mean when he said that he would support reasonable amendments? Give us a few examples of amendments which you feel would be reasonable, and let us sit down and confer together.

Despite our best efforts, it is obvious that the pledge was a sham. There are indications that there has never been any intention to amend the GST bill to remove provisions which are blatantly unfair. Our efforts to amend what has been described as a "seamless garment" have been reasonable. I mention the following:

Our battle for those who live in the north: Not one of you has defended the iniquitous, regressive taxation that you will be imposing on people who live in northern Canada and in its remote parts.

Our efforts to help the students: Those of you associated with educational institutions know the impact it will have on students already under terrible stress trying to earn enough money in a bankrupt economy to pay their fees.

Our efforts to remove the GST provision to tax books: The United Kingdom has a VAT, but they specifically excluded books. They say it is an integral part of society to have a well-educated population and that to tax books sends out the wrong signals. But here we are going to tax books in the year in which we are dedicated to battling all sorts of problems, when we are trying to enhance the literacy campaign. In the year of the battle against illiteracy, we start to tax books.

Our efforts to reduce the burden of medical costs: It is true that, following our summer deliberations, it was the majority view of the Senate Banking, Trade and Commerce committee that we should not proceed with the goods and services tax bill. But we are reasonable people, and this has not deterred us from attempting to amend the bill to make a bad bill better and to remove some of the bill's defects.

Let me go now to the substance of these amendments, which I hope senators opposite will support. At least give this Christmas gift to the Canadian people. Give them an opportunity to feel that at least the bill is going to be fair.

As our committee travelled across the country, one criticism was heard everywhere and every time hearings were held. It was that the GST is a regressive tax, a tax which cares not whether luxuries or necessities are bought, a tax which takes no account of whether the purchaser is rich or poor.

The Minister of Finance claims that this is a progressive tax, but his claim is supported only by organizations such as the Business Council on National Issues. Every single social group, labour group, community group, co-op, credit union, and agricultural organization, as well as every provincial government, claims that the GST is regressive and wrong. It is an inherently regressive tax which is not made progressive by the addition of meagre tax credits for the very poorest of Canadians. The tax credits only lessen the regressive nature for the poorest; they do not eliminate it at all.

The tax credits do nothing for the hard-pressed middle class, which is a designated cash cow.

A typical comment on the regressive nature of the GST was heard by the committee in Vancouver from Ms Cathie Yingling, representing the United Church of Canada, B.C. Conference, Committee on Health, Housing and Social Services. The United Church is very familiar with Canada's social problems and has worked for years to try to cure some of them. Ms Yingling stated:

> Bill C-62, the proposed goods and services tax, will . . . tax people on their current consumption. While everyone will be affected by the GST, rich and poor alike, with a 7 per cent rate, the fact remains that lower and middle-income people have to spend all or most of their income on goods and services just to maintain a decent living standard and have nothing or very little left for savings.

Does anyone on the other side dispute that? Of course not. You cannot dispute it.

Savings and investments will not be taxed. Indeed, the reason that you lost one of your members of Parliament for Alberta was that he thought it was blatantly unfair for Mr. Wilson to exempt his own profession, with reference to stock market transactions.

Senator Murray: How many members do you have from Alberta?

Senator Perrault: Talk to the member who defected from your party and find out the reasons why left. That was one of the main ones: looking after one sector of the economy and then imposing the tax on the other.

Your total support in Alberta is now about 5.0 per cent, and you will lose every seat in that province. You know the figures as well as we do. So don't gloat about your power in Alberta; you don't have it any more.

The United Church spokesman then stated:

> Savings and investments will not be taxed. The net effect of the GST, therefore, is to shift the tax burden mainly on to the backs of the lower and middle-income people in Canada. We believe this is an unjust form of taxation on these middle and lower-income Canadians.

Reverend Art Griffin, also of the United Church, stated:

> Seven per cent on rich and poor alike. That is the terrible travesty of this suggested tax. Surely it should be graduated, if it is to be at all.

How can the GST be progressive if it is not graduated? How can it be progressive if it cannot differentiate between the purchase of a Ferrari and the purchase of children's winter boots? Only in a Tory mind could you cook up something that would tax a Ferrari the same as it would tax winter boots or children's clothing. The justice of that escapes some of us.

Mrs. Beth Loring, Co-Chairman of the Roman Catholic Diocese of Victoria, Social Justice Commission, stated before our committee:

> Up to now in British Columbia there has been no tax on children's clothing until they reach the age of 15. After that, there is a 6 per cent provincial tax. This mother is now going to have to pay 7 per cent on her children's clothes.

Presumably, that will be on top of the provincial tax.

This criticism was heard not only in Vancouver but from coast to coast. It was heard from people in the areas represented by senators sitting opposite. People from your regions have told us this. Are we to understand that, despite the fact that those people feel it is wrong that children's clothing should carry the same rate as a brand new Ferrari, you are going to vote for it, regardless of what the people in your region want? That will discredit the Senate more than anything.

This criticism concerning taxation on children's clothing was heard not only in Vancouver but from coast to coast. At the other end of the country, in St. John's, Newfoundland, the committee heard from Dr. Laurel Doucette of the Social Action Commission of the Roman Catholic Archdiocese of St. John's. She stated:

> The introduction of a consumption tax at this point in the history of the province is unthinkable. No one, apart from the current federal government, expects the tax credits provided for low-income people to be adequate in the first year of the tax, and due to inflation the credits will decline in value and application after that. People who are illiterate, or who, because of low income do not pay income tax will not know how to apply for credits.

We were told this by every single social welfare organization in Canada. Are you telling us that, despite the fact that these agencies in your own regions, in your own provinces, in your own cities and towns are telling us this, you are going to ignore their advice and are going to follow government orders and vote for something that is clearly wrong?

Dr. Doucette further stated:

> Those who do successfully apply will be hard-pressed to resist the urge to use the lump sum payment on overdue bills or on special family needs, rather than applying it to spending over the course of four months.

The question of whether all eligible individuals would apply for the credit was raised not only by social welfare groups but also by individuals such as Robert Campbell of Toronto, a laywer, who stated:

> One characteristic of the GST is its unfairness, but I wish to comment specifically on a point that was stressed by the Minister of Revenue . . . and his reference to the fact that lower-income groups have been reached out to by the minister or his department in order to acquaint those people with their entitlement to refundable sales tax credits. In many cases I suggest that people in that category will not be recompensed. The GST credits will not be received by those who do not file income tax returns. I understand that it is estimated that 15 per cent of lower-income earners who qualify for GST refundable tax credits will, for various reasons, file no income tax return and consequently will receive no reimbursement. This group will include transients, illiterates and immigrants who are suspicious of or fear the bureaucratic process.

Witness after witness claimed this tax was unfair. Significantly, almost all the people said they wanted a fair tax system, that they would be pleased to make their contributions to debt and to deficit reduction if they felt that the taxation system was just.

The Minister of Finance claims that it is progressive, that the GST is a tax which all Canadians will grow to love after they learn to live with it. There is no doubt that some Canadians will find it very easy to live under this system—the people who buy the Ferraris. Some Canadians will not feel the impact of this tax in the same way as others will. When Mr. Cosmo Mannella, a labour relations officer with the Carpenters' Union, appeared before the committee in Ottawa, this is

the picture he painted of tax reform under the Mulroney government:

● (2030)

> Under the personal income tax, the more you make, the more you pay. Even after so-called "tax reform" under the Tories a manager with an income of over $70,000 pays 29 cents of each extra dollar of income in federal tax compared to the 17 cents of each extra dollar paid by a worker with an income of $25,000. That difference is not big enough, as I shall argue later, but at least it is there.
>
> Under the GST, by contrast the manager will pay the same 7 per cent tax as the ordinary worker on a light bulb, a movie ticket, a hamburger, or whatever it is they buy. It doesn't matter how well off you are, you pay the same amount to the government, and that is not fair.
>
> But it is worse than that. A manager, unlike an ordinary worker, can afford to save rather than spend a significant share of his or her income. Most ordinary people these days do well to put something aside for a rainy day, let alone invest in stocks and shares, mutual funds, real estate or what have you. They spend virtually all their income on food, shelter, clothing and, yes, on the occasional meal out and a movie. Virtually all of their income will be taxed under the GST, while the savings of the wealthy will escape the tax.

Are you arguing that point that he makes? There is total silence on the other side.

> As a result, the GST will take a higher percentage of income from low income families. To take one example, a family of two adults and two children will pay 5.2 per cent of their income in GST if they have an income of $30,000 but just 3.9 per cent if they have an income of $100,000. That is hardly fair.

Is it any wonder that church groups in both Newfoundland and British Columbia called for a special sales tax on luxury items? With the GST, no special sales tax is possible. Why should it not be possible to devise a variable tax rate, a rate that recognizes that there is a difference between luxuries and necessities, between Ferraris and children's snowsuits, between other large expenditures and diapers?

The amendment that I have brought forward tonight is but a start in changing the regressive GST into a variable and progressive goods and services tax. If you intend to impose your majority will in this chamber, at least consider an amendment which will make it fairer. The amendment would place a higher tax rate on luxury automobiles, expensive jewelry and clothing.

What is the impact? Let me give you two examples. The first part of the amendment would set up an increasingly higher rate of taxation for expensive passenger automobiles, for example. Suggested tax rate for cars costing between $30,000 and $40,000 would increase from 7 per cent to 10 per cent, then to 15 per cent for vehicles between $40,000 and $50,000, and 20 per cent for passenger automobiles priced at $50,000 or more. Is this unfair? Does this appeal to your sense of justice? We are suggesting something that will raise money to help pay some of the bills of this country. We are saying that this is one way to make the very wealthy pay a fairer share.

If the Liberal amendment carries, the proposed GST rate would also rise to fifteen per cent for any personal item of clothing greater than $1,000. In addition, certain other expensive items would be subject to an increased rate of taxation, with a 20 per cent GST applied to goods costing $3,000 or more. Is this unfair?

The list of luxury goods to be taxed at a higher rate, along with the applicable rate of taxation, will be subject to review on a regular basis. On the other hand, the second part of the legislative modification would offer a zero rate of taxation to children's clothing, non-prescription drugs and books which under Bill C-62 are all to be taxed at the 7 per cent rate.

The proposal to zero-rate books, the second such attempt by Liberals in the Senate, is particularly noteworthy, given the offer made yesterday by the Quebec finance minister to exempt books from the provincial GST as long as the federal government followed suit. The federal government should take immediate advantage of this offer from the Province of Quebec and let the other provinces do the very same. This would be progress.

Honourable Senators, some people suggest that having a variable rate of taxation would make the Canadian taxation system unique in the world. Let us put some international comparisons on the record. The substance of this amendment is easily justifiable with international comparisons. The Leader of the Government has talked about increasing our international competitiveness. I believe it is important also. In defending the GST, he often points to European countries where value-added tax has been introduced as if we would somehow go backwards in failing to adopt this regressive and unfair tax.

Let us look at the examples set by European countries and examine how their respective governments have established VATs. Contrary to government claims, uniform rates of VAT are not the general rule in Europe or elsewhere in the world. They are the exception. Several countries have seen fit to introduce variable or multiple rates of taxation on goods and services, which is the spirit of this amendment that we are introducing tonight. For the information of honourable senators, let me identify a few of these countries that have variable rates. They are: Austria, Belgium, Brazil, Colombia, Cote d'Ivoire, France, Germany, Greece, Honduras, Hungary, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, Morocco, Netherlands, Nicaragua, Niger, Norway, Portugal, Senegal, Spain, Sweden, Taiwan, Turkey and Uruguay. I did not invent these facts. That list is taken from *Value-Added Tax, International Practice and Problems,* a scholarly essay published by the International Monetary Fund.

Further, many of the above-mentioned countries moved from a uniform rate to multiple rates. Others introduced a variable rate VAT from the very start.

I suppose you could say that all of these other countries are wrong and we are right. Perhaps Michael Wilson, Brian Mulroney and the Leader of the Government in the Senate are the only ones who have got it right. As they used to say in the army, "The only one in step is my boy Johnny." Somehow I do not think so. In point of fact, over 75 per cent of Canadians think Michael Wilson and Brian Mulroney are dead wrong.

We had a plebiscite on the Vancouver City ballot on the weekend, as Senator Lawson knows. I believe 86 per cent were against the GST. Are you so hard headed that you are not going to admit that there are variations in this tax? Do certain politicians on the government side have such inflated egos that they cannot admit that perhaps we can do things better?

As honourable senators know, the evidence is overwhelming. Multiple rates do exist and are prevalent in the majority of countries using a value-added tax. There are three basic reasons to zero-rate goods or services in jurisdictions where governments have introduced a value-added tax. Let me speak briefly on these points.

The first reason has to do with improving the progressivity or fairness of the value-added tax. This feature has, unfortunately, been lost or, at the very least, much reduced in our income tax system. Under this Conservative government, under the cover of tax reform, we have reduced the number of brackets for income tax purposes from ten, if my memory serves me correctly, to only three. The progressive nature of income tax in this country has been, for all intents and purposes, destroyed. The rich now get a much better break under Tory-style tax reform than they used to under previous Liberal administrations.

● (2040)

"Fairness" is a simple word that means so much for ordinary Canadians, but with a uniform tax rate of 7 per cent on virtually all goods and services, it is a word that has fallen on deaf Tory ears. Variable rates introduce some sense of equity with the GST. It is an attempt to make a bad tax a little better. Who can seriously argue that low income households do not spend a higher proportion of their income on children's clothing? Honourable Senators, children's clothing should not be taxed, wherever children live in Canada. It is abhorrent to the concept of Canadian fair play that people who live in northern Canada, because they live in a colder climate and must wear warmer clothes, have to pay much more for their children's clothing than people who live in Toronto.

The second reason for zero-rating or even exempting goods and services is that they are deemed to be meritorious. Here one can think of health care and education and books. To tax books is to impose ignorance. Literacy and education would seem to be a meritorious endeavour. Books contribute to our country's continued education. They ought to be free of tax, as they are in the mother country, the United Kingdom.

The third and final rationale for applying a zero rate of tax on certain goods and services is that these may be too difficult to tax and that administratively it just makes common sense not to tax them. Regardless of the reasons one chooses, books, children's clothing and non-prescription drugs should not be subject to the GST.

[Senator Perrault.]

Consider the experience in other parts of the world. Take Belgium, for example, where there are six different categories of tax ranging from 1 per cent to 33 per cent. In Brazil the tax ranges from 9 per cent to 11 per cent, and in Columbia there are 7 categories ranging from 4 per cent to 35 per cent. This is the pattern, not the exception, throughout the world. In other countries, luxury items are the ones that attract high taxes in the sure and certain knowledge that they are going to be purchased by people with a lot of money.

I should like to conclude my remarks by saying that variable rates will make the tax more difficult to administer for federal bureaucrats, but whose interests are we serving in this country, the public interest or the bureaucrat interest? I don't need to be elected to know where my loyalty lies in this respect and my honourable friends should not feel any different. This is clearly a proposal which is going to make the system fairer for the people of Canada. It will help out hard-pressed families with children, whose expenses are so high during their growing years. Our loyalty should be with the people of Canada and the people we represent.

Twenty-four new senators were appointed after August 24. Surely they were not sent here to serve as a mouthpiece for the Prime Minister. They should be authentic spokesmen for the hopes, dreams and aspirations of people living in their own regions. Those consumers who can afford luxury goods should pay more tax. Honourable senators, that is just plain common sense.

Some Hon. Senators: Hear, hear.

Hon. Richard J. Stanbury: Honourable Senators, the purpose of Senator MacEachen's amendment tonight, to which Senator Perrault has spoken so articulately, is to respond to the concerns of many, many witnesses who gave evidence before the Standing Senate Committee on Banking, Trade and Commerce in every part of Canada as that committee travelled across the country and listened to evidence during the summer months. Those concerns spoke to the essential unfairness of the goods and services tax as concocted by the Mulroney government and the government's unwillingness to make amendments to remove that unfairness. People were entitled to expect fairness because of repeated statements made by Mr. Wilson throughout 1989. On April 27, 1989, in a statement called, "The Goods and Services Tax" , Mr. Wilson stated:

> A central element of the government's plan for sales tax reform is its commitment to improving the overall fairness of the tax system. With sales tax reform will come a more equitable sharing of the tax burden.

A little later he stated:

> The government believes that a more effective approach to achieving fairness is to maintain a broad sales tax base while relying on instruments capable of directing assistance to lower and middle income Canadians.

Fairness, again! Further on he stated:

> In addition to the new GST Credit, other income tax changes that will benefit middle income households will be introduced as part of sales tax reform.
>
> In combination, the refundable sales tax credit and other income tax changes will result in a more progressive system after reform than before.

One more quote from that statement is:

> As a further element in the commitment to fairness, the Minister of Finance has indicated that the new tax will not be allowed to prejudice the reasonable opportunity for home ownership that Canadians would otherwise have enjoyed.

Mr. Wilson spoke about fairness in April of 1989. Then, in the technical paper on the goods and services tax, dated August 1989, the Hon. Michael H. Wilson, said in one of his first statements:

> To ensure that the proposed GST system is fair, the existing FST credit would be replaced by a new GST credit.

Fair, again, is what he says.

Then, in December of 1989, in a document headed "Goods and Services Tax, tabled in the House of Commons by the Hon. Michael H. Wilson, Minister of Finance" he said:

> The government has consistently maintained that sales tax reform should be accomplished in a way which contributes to a fair and progressive tax system.

He went on to say:

> In reviewing the trade-offs necessary to secure a lower rate for the GST, the government has ensured that equitable treatment across income groups remain a fundamental element of the reform.

Mr. Wilson is either trying to fool us or does not understand fairness in a tax system, nor does he understand the evolution of the Canadian tax system.

Since its genesis in 1917, the federal Income Tax Act has been frequently amended and it was substantially revised in 1945 and 1952. But by 1962 there was widespread agreement that a further revision was necessary. In that year the federal government established the Royal Commission on Taxation under the chairmanship of Kenneth Carter, a chartered accountant who practised in Toronto. The commission reported in 1966 with a six-volume document which constitutes perhaps the most thorough, lucid, and brilliant analysis of income tax policy that has ever been produced.

Given that the main purpose of taxation is to raise revenue, the question arises as to what subsidiary objectives could be pursued by tax. The Carter Commission took the view, which is very widely shared, that equity—and that is fairness—should be the major subsidiary objective of that system. The commission also addressed other objectives, such as neutrality. The main objective, however, was equity.

The commission distinguished between horizontal equity, which requires that persons in similar circumstances bear the same taxes, and vertical equity, which requires that persons in different circumstances bear appropriately different taxes. Carter held, and again his view is very widely shared, that both dimensions of equity require that tax be levied in accordance with ability to pay.

While the ability-to-pay criterion is widely accepted as the measure of equity in a tax system, the opposition to Carter's recommendations showed that many people could not accept all of the implications of that criterion.

Senator Murray: Including the Liberal government of the day.

Senator Stanbury: Absolutely, I agree, but that was in reaction to public response. I see no reaction to public response in this case.

The tax legislation of 1971 accepted some of Carter's recommendations and rejected others, but the net effect of the reform was an improvement in the equity of the system. The end result of the process of tax reform was a far cry from the Carter report. The 1971 legislation made four basic changes in the Income Tax Act.

• (2050)

1) It broadened the tax base; 2) it restructured the rates of tax; 3) it introduced new averaging provisions; 4) it altered the tax on corporations and shareholders so as to partially integrate the corporate and personal income tax. In all, a much more equitable system.

Whatever gains have been made over the years in the promotion of equity in the tax system risk being totally voided by this new and outrageous GST proposal, which is regressive.

At issue here are two different philosophies which were very well summarized in the book on Canadian taxation, written by Linda McQuaigh entitled: *Behind Closed Doors*; How the Rich Won Control of Canada's Tax System. On the one hand, McQuaigh points out that there is the Carter Commission philosophy of equity and that everyone should pay according to their ability to pay. That is, the greater the individual's income, the larger the proportion of income which could be relinquished in tax.

On the other hand, we now come to the Wilson Tory philosophy. The best way to describe it would be to indicate that if the first philosophy above can be described as "make the rich pay", then the Wilson school of thought can be called "make the rest pay".

Rather than taxing individuals on their income, the proponents of the "make the rest pay" school often suggest taxing individuals on the basis of consumption. That is exactly what the GST is doing.

Money spent would be taxed, but money saved would be tax exempt. At first glance, that may seem fair. People who want to pay less tax can simply consume less.

An unmistakable fact emerges; lo and behold, honourable senators, the rich are able to save more, which is what makes them rich. Both the poor and middle classes tend to spend the bulk of their income to cover basic living expenses. Any tax

based on consumption is bound to hit those who, by necessity, must consume almost everything they receive.

Senator Frith: And therefore are poor.

Senator Stanbury: Therefore they are poor.

A consumption-based tax then turns the ability-to-pay concept on its head. The heaviest burden falls on those who are least able to pay. Naturally, there are no amendments which will remove the general regressiveness of this tax, because it is a regressive tax. The tax falls most heavily on those who cannot afford to pay. Although it is not quite as bad as Mrs. Thatcher's poll tax, but it follows the same principle, which is that everybody pays the same rate regardless of their resources. We all know what is happening to Mrs. Thatcher. Mr. Wilson claims that the GST is not regressive because of the credits that are available to the very poor. That is nonsense. Even the largest credit of $275.00 per adult, and $100.00 per child cannot compensate a family for the cost that is added to their expenses by the tax. Attrition begins. The poor would not even get the value that was promised to them. The Senate committee report has a section on page 1465 which is headed, *The Tax Is Unfair*. The members of the committee said this:

> Even more important than the technical flaws in the Bill is the matter of fairness. Any tax that is going to raise $18.5 billion per year and constitute a major part of the federal tax arsenal must meet some basic elements of fairness. The GST, and other VAT-type taxes, is not generally viewed as meeting those basic requirements. It is a regressive tax: lower income individuals spend a greater share of income on consumption and are therefore obliged to pay a greater proportion of their income in sales taxes. To make it more acceptable, the federal government is including a system of enhanced refundable tax credits as part of the GST package.
>
> If the basic structure of the tax is going to be determined by the tax credits, they must continue to be effective. Instead, the provisions of the Bill ensure that, only temporarily, would they do the job which they are meant to do.

The most important effect, if anything can be more important than theft from the poor, is the erosion of the spending power of those members of our society who are more prosperous than those who get credits. Those people pay exactly the same for goods and services; their toothpaste, a movie, their books, a haircut, the same as a pauper or a millionaire. They are the foundation of our society. Just because they earn a decent living, they pay everything; income taxes, provincial sales taxes, excise taxes, municipal taxes. In fact, they pay 52 percent of their income in taxes and now this super surtax called the GST.

The Prime Minister notes the people do not like the GST because they do not enjoy paying taxes. What an insult to the solid, responsible, middle-class Canadians. As long as the people feel it is their fair share, they pay all their taxes without complaint. What they cannot abide, and will not abide, is a government that dumps on them and allows those with more money to go free.

Oh, I know senators on the other side will say, "Oh, the wealthy pay more because they buy more." What a cop-out. When a millionaire takes his family to a movie, it costs him an unnoticeable smidgen of his income, while costing the worker earning $30,000 his entire entertainment budget for the week. Yet you want them both to pay the same amount of tax. The government claims the tax is less regressive because of the tax-free status of basic groceries, prescription drugs and medical devices. That benefits the well-to-do who typically consume more of those goods. Therefore, the tax-free status of these items profits the rich even more than the poor, and continues the regressivity of the tax.

The Committee Report, at page 1467, had this to say about the fairness of the zero-rated and tax-exempt items:

> The system of credits is not the only means by which the Government has promised the people that the adverse consequences of the GST would be mitigated. Some products are to be zero rated while others are to be tax-exempt.
>
> The Government, for example, has made much of the fact that residential rents are tax-exempt. This exemption serves to conceal the GST paid on inputs but it certainly does not eliminate the tax. This is particularly ironic because the FST is being discarded because of its invisibility.

The people are angry. I thought I might give you an example of the sort of thing they are sending around to show their anger. This is called *A Day in Your Life Under the GST*.

> In the new world of the GST, Big Brother won't be just watching you, he is going to have his hand in your pocket every time you turn around.
>
> A day in your life under the new Mulroney/Wilson GST will look something like this:
>
> You wake up—shut off the new alarm clock you just paid 7% more for.
>
> Brush your teeth—you paid 7% more for the brush and the toothpaste
>
> Take a shower—you paid 7% more for the soap, the shampoo, the towel, and everything else in the bathroom
>
> You dress the children for school in the new shirts, pants, socks, coats, hats and shoes you just paid 7% more for
>
> You hand them their school books—you paid 7% more for the books too
>
> If you can still afford it, you drive to work
>
> You have a flat tire on the way—it costs you 7% more for repairs
>
> Park the car in the lot—it costs you 7% more for parking
>
> Take a coffee break—7% more for the coffee and the snack

Buy a lottery ticket for the Saturday draw— 7% more

Collect money for a going away gift for one of your co-workers—

collect 7% more to cover the new tax

Have lunch, pick up a sandwich—pay 7% more

Bowl of soup—7% more

Cup of tea—7% more

Dessert—7% more

• (2100)

Go back to work and try not to think about how ripped off you feel

Slip out for a haircut—pay 7 % more

On the way home, stop for gas—pay 7 % more

Stop at the hardware store for a can of paint for the children's room—pay 7% more

A paint brush—7% more

A new screwdriver—7% more

Pick up a hockey stick, a baseball glove or a Barbie doll for one of your children—7% more

Stop for a take out pizza, or chicken, for a quick dinner for yourself and your family—7% more

Take your youngest kids to the early show of Teenage Mutant Ninja Turtles—7% more per turtle

Drop one of your kids off to the gymnastics class—7% more

And another one at a computer course—that's 7% more too

Buy some popcorn and snacks at the movie theatre—7% more

Return home, put the kids to bed and sit down and write cheques for the utility bills,

The gas bill—7% more

The oil bill—7% more

The electricity—7% more

Send a cheque to the plumber who fixed the leak in the bathroom sink—7% more

Put postage stamps on the envelopes—7% more

Try to relax in front of the television you just paid the 7% tax on

Sit in your new chair—you paid the tax on that too

Read a book—7% more

Have a midnight snack—7% more

Senator Frith: Unless it is caviar! You can eat all the caviar you want and you do not have to pay the GST.

Senator Perrault: And if all of this is too much for you and you drop dead from paying this new tax, that will cost you 7 % more too, because this tax even applies to funerals.

The only way you can avoid paying the tax is to:

stop eating anything which is not defined as "basic groceries" by Big Brother in the Department of Finance

don't buy any more clothes or shoes

unplug the phone

unplug the t.v.

unplug the fridge

turn off all the lights

shut off the electricity

turn off the furnace and sit in the basement

and whatever you do—don't die!

And while you are down there, you might offer up a silent and tax free prayer that the Senate will defeat this outrageous new tax nightmare.

Senator Frith: Hear, hear! And consider yourself lucky because next year the tax will be 15 per cent.

Senator Stanbury: That is right.

Senator Fairbairn: If you live in the North, it is much worse.

Senator Stanbury: I said the people are angry, not because they decline to pay their fair share but because they feel deeply that this government is ripping them off; this government which 43 per cent of them elected only two years ago. They cursed the 43 per cent who voted Tory, even if they themselves were among them. They cursed the abuse of the parliamentary system which keeps them from throwing the scoundrels out for another three years. They blessed the Fathers of Confederation for having the foresight to give them the Senate of Canada, which is at least one check or balance against an elected dictatorship.

Senator Steuart: Thank God.

Senator Fairbairn: In 1910, the people of California solved a similar problem with their State government by establishing the remedies of initiative, referendum and recall in their constitution.

Senator Frith: They did it in Arizona; they recalled the government.

Senator Stanbury: That is right. The people of Canada are ready today to insert similar remedies into our Constitution. They know we need some kind of a shepherd's crook to yank a failing Prime Minister off the stage; some kind of restraint is needed for an irresponsible government.

This amendment is a symbolic attempt to balance the books just a little. Tax the toys of the rich at a rate that has some impact on their judgment. Relieve all of society from the burden of paying a tax on books, children's clothing, and non-prescription drugs. There never should have been a tax on these items, and we all know that. We have demonstrated this in the debates on our earlier amendments.

It is quite normal for value added taxes to have special rates for special items. Of 50 countries with VAT, 25 of them have a variable rate. It is perhaps worth noting that in only five of the 50 countries have basic rates remained at or below 7 per cent.

Of course, that is another worry of the public here in Canada. They know two things: one, that unlike any other

country in the world, they will have two consumption taxes to pay at the federal and provincial levels; two, that value added taxes are such a money machine that governments cannot resist frequently doubling or tripling the rate.

The amendment calls for a special rate on expensive cars, clothing and jewels. These are the items where dealer showrooms or boutiques display an ambience which quietly says if you have to ask the price, you should not be there.

Senator Frith: You cannot afford it.

Senator Stanbury: We are saying if the tax is a consideration in your purchase you probably should not be there either. If you are there, then you should pay a little extra in gratitude to your society. Make it possible for you, as well as others less fortunate than you, to buy tax-free books, children's clothing and non-prescription drugs. These items consume a goodly portion of the income of poorer families, and should not be taxed as they are vital to every family.

I know you do not want to commit our government to using the surplus over the 18 billion dollars from the FST to reduce the national debt. If you should change your mind, a variable rate may be a good way of developing a surplus without having such a regressive tax. I do not think the people would object if you said we needed the extra money to reduce the national debt.

It makes me remember the wartime 47 years ago when I proposed to the young lady who became my wife. We carefully picked out a diamond ring which was a mere chip and cost $50. As I recall it, I had about $150 in the bank. The total purchase seemed possible but then the jeweller reminded me that there was a 50 per cent wartime luxury tax on jewelry. The purchase consumed half my bank account and was quite a shock to me as a soldier receiving $2.25 a day. I happily paid the tax. Indeed, I was blissfully happy then and continue to be so to this day.

Senator Frith: That was the best investment you ever made. Make one more move as smart as that one, Senator Stanbury, and you are home.

Senator Stanbury: Honourable senators, this amendment will help to make the bill less regressive and bring it more in line with the evolution of Canadian tax policies. I support the amendment and ask other honourable senators to do likewise.

Senator van Roggen: Senator Stanbury, toward the end of your remarks, you mentioned the fact that in this particular case, as a federal state, this tax is being imposed on a lower level of tax already in existence in the form of provincial sales taxes. Of the 50 odd countries that have this form of tax, do you know of one other country that has two levels of sales tax where one is piled on top of the other?

Senator Stanbury: I am advised that there is not a single other country in the world that has such as system.

Senator van Roggen: Or has ever attempted such as system?

Senator Frith: Perhaps Brazil.

[Senator Stanbury.]

Senator Gigantès: Honourable senators, I too would like to support this amendment, and I think the Tories should also.

Senator Frith: Author, author! I am just reading the book.

Senator Gigantès: Thank you. I think the Tories should support this amendment out of a need to show that they lack hubris and that they are not so arrogant that the gods will destroy them.

The Tories should support this amendment as they see we are in a recession. There are 60 per cent more bankruptcies this month than in the same month a year ago. There are hundreds of thousands of jobs, never to be recovered that are being lost in manufacturing. Small firms have been driven into the ground through high interest rates due to your policies.

The rich, who have money to lend, are the sole benefactors of high interest rates. Would it not be a sign of decency for you to not show your wealth when everyone around you is poor. The intelligent rich understood what Marx was saying when he said, "Workers of the world unite, you have nothing to lose but your chains." They understood that if the chains were covered in gold, perhaps thin gilt, the workers would tolerate them a bit more. The intelligent rich, the intelligent rulers, the intelligent bosses of major industries in other countries do not have the colossal differential advantage in earnings that is enjoyed by Canadian and US bosses. Why is that so?

• (2110)

Why? Because they care about social peace. They care about appearances; they care about not being selfish brutes. But you will pay for this. This amendment might save your skin and might save some seats in the House of Commons if you pass it, because people will say, "Well, there is a dram of decency in Tories."

Senator Cools: Where is it?

Senator Gigantès: If they pass the amendments, some people might think there is a dram of decency. It is indecent, in economic times like these, when farms are being foreclosed; when people are getting to the point where they can no longer pay their mortgages; when young couples cannot buy a home; when businesses everywhere are closing down and hundreds of thousands of workers are going to be much poorer than ever they were before and will not regain the type of jobs that they now have because we will have some new free trade agreement with Mexico and our nice Canadian capitalists will move to where they can pay $45.00 a week to get a job done.

Have the decency to pay a little more tax when you are riding in a Ferari! When you are driving around in what one of our colleagues opposite calls his Ford—because Jaguars are not being made by Ford, they are owned by Ford—let it be known that you have had the decency to pay a little more tax. If you can afford a Jaguar, and you can afford 20 per cent tax on it, truly. It will make for a better feeling in the country. You should care about that.

You cannot move all your production into poor countries and exploit the poor Mexicans and other poor people, because if you pay them $45.00 per week they will not have enough

money to buy the cars that you are making, or whatever else you are making. Meanwhile, you will have thrown your workers here out of work. These are the same workers who are buying your cars and your products. You will impoverish your customers here, move somewhere else and screw those workers by paying them terribly small amounts. But who will buy your products? For God's sake, start being intelligent and start being decent.

High interest rates have ruined this country. I demonstrated the other day— and I am sure none of you would like to check this, but you can if you want— that this government, in the first five years of its mandate, could have had a national debt $85 billion dollars less than it was in December of 1989. Why was it higher? Because corporate tax this year had to be lowered much lower than that in the United States.

At a meeting of the Standing Senate Committee on Banking, Trade and Commerce we heard from one of our colleagues that, "No, it is not possible. Our taxes are much higher than they are in the United States." Well, of course. That is the *leit-motif*. That is the rallying cry of Tories that they are being taxed more than others. So what do they do? They shift the tax burden onto the poor and the lower middle class through this iniquitous indirect taxation, and they do it in the most inept way.

This is the crowd that said they would create harmony in federal-provincial relations. Even with a bunch of Tory governments out there, they were not able to get an agreed single tax. They could not even do that. With eight provinces on board, they could not even get the Meech Lake Accord passed with the support of the two opposition parties.

There is the incompetent apprentice sorcerer over there who was responsible for that. It is people like that who, in their immense incompetence, do not understand that it is suicidal for their freres politically in the other chamber to have this kind of tax, which is badly organized, appears unfair, and on which they accept no amendments— that is, no amendments such as the one today; no amendment such as the one on the North, which they turned down. This will make the miserable life of people in our northern parts even more miserable and will literally cause deaths from hunger, cold and exposure. But they do not care. They will be rolling around in their great big Jaguars and Rolls-Royces, buying more jewels, and expensive clothing, and shifting the burden of tax onto those who cannot afford it. This is the sort of thing that destroys the fabric of a society.

Senator Haidasz: Shame!

Senator Gigantès: This is from a government that has loosened the east/west link by loosening the common services and benefits that are important to keep a country together, from a government that is selling our birthright to the Americans without conditions. Professor Richard Lipsey, the great prophet of the free trade agreement, said in his book that the most important thing about this agreement in years to come will be that it has established the right of Canadian capitalists to invest unhindered in the United States. Well, whoopee! Isn't that terrific? These wonderful multibillionaires will take their marbles to the United States and the rest of us, the workers who will be deprived of jobs over here, are supposed to look at this as being absolutely wonderful. Well, at least preserve appearances.

I recall the story of King—

Senator Stanbury: You would think that they would be smooth about it at least.

Senator Gigantès: They are not. They are crass and incompetent.

King Victor Emmanuel, the little Italian king who served along side Mussolini, one day dropped his handkerchief on the balcony of the palace from which he was watching a strutting parade. Mussolini bent and picked up the handkerchief and said, "Your majesty, may I retain this as a keepsake?" The King said, "For God's sake, give it back to me so that I have something in which to hide my face!"

This amendment provides you with something with which to hide your face!

Senator Cools: Hide it!

Senator Gigantès: Have some decency. Do not go around strutting with your lack of feelings and your lack of solidarity towards other human beings who are less fortunate than you are.

Herbert Spenser, your prophet, said that the rich are rich because they are the elect of God. The converse is that the poor are not the elect of God, so they deserve to suffer. I never expected that I would see this principle applied in 1990 in so stupid a fashion in a country like Canada, a country known around the world for being a caring country and a country that had built unity through care for its citizens; a country that established equalization payments because it said that it was important for people all across the country to have equal benefits at a certain level.

● (2120)

It is contrary to this very philosophy to tax those who are least able to bear the tax. It is contrary to this philosophy to hit the North. By the time the tax works its way through transportation over long distances, the people in the north will be less able to warm themselves, less able to cover themselves, less able to buy ammunition, less able to buy skidoos. The prices will double, 7 per cent on 7 per cent on 7 per cent.

But, of course, you don't care. You are sitting in your marvellous, air-conditioned, beautiful Jaguars or Rolls Royces, probably covered with a fur blanket and having chauffeurs to drive you around. This is the Marie Antoinette syndrome. At least I am told she was good-looking. Apart from the ladies opposite, the rest of you are not good-looking.

There we go. "Let them eat cake." But you tax the cake. What you do not tax is your caviar, the caviar of the stock broker friends of Mr. Wilson—Mr. Wilson, who upon entering office said, "What this country needs is more rich people." What has he been doing ever since? Making more rich people. And how? Not by improving the economy in general, not by

thinking of Canada as a national unit, but by selling it to the Americans.

Senator Haidasz: Shame!

Senator Gigantès: And by increasing the taxes of the poor and decreasing the taxes of the rich.

Senator Haidasz: You should hide your faces.

Senator Gigantès: Now we are offering you, with this amendment, that handkerchief of King Victor Emmanuel in which to hide your shameful faces.

You have already rejected—and that was criminal—the amendment with regard to the North. You rejected an amendment on medical services and on education. Of course, on education it is understandable. I remember that on an earlier occasion I was asking the Leader of the Government, who was talking about some people he was appointing to some board in the Atlantic provinces, whether all the appointees were Tories and whether they could read. He said, "Some of them are Liberals." I said, "Well, of course, then, some of them can read." This was at a time when the Tory government had not read things that were happening. They got worse. They couldn't even pronounce the word "recession".

This is a government which has been lying from day one. It started back in the campaign in 1979. Mr. Crosbie, whom I like very much, said, "If we told people what we plan to do, we couldn't get elected." This is on record. He said it publicly. It is on TV and it is in print.

At least he is frank. This is one of the things one likes about Mr. Crosbie. He is prepared to confess the enormity of being a Tory—the enormity of being a Tory, the "state line." Unfortunately, Plato invented it or at least defined it. It has always been used by the rich.

The intelligent rich have the talent of hypocrisy. They pretend that they are not all that much richer than anybody else. But not you, oh no! Let the people in the North die. Let the kids not be able to afford one more book which they may need, so long as you can go around wearing big, fat jewels and driving Fords-Jaguars, in other words.

What is with you? Don't you have any self-knowledge? Don't you understand what you are doing? Don't you understand what you look like? Must you all imitate your puffed-up, impossible, incompetent Prime Minister, the man who is so eaten up with his desire for self-aggrandizement that he launched himself off in all directions without having planned anything, and spoiled all his major endeavours through lack of preparation, through lack of intelligence? And I am being generous.

On the Free Trade Agreement he gave to the Americans what the Americans wanted and did not obtain what we wanted. I will not go so far as to say that his former American masters suggested what he should do. But for someone who had directed branch plants and closed down a whole town because he was told to do so by Cleveland, it becomes second nature.

[Senator Gigantès.]

Then came Meech Lake. He was supported by all three parties, by eight of the ten provinces, and he screwed up. How much more incompetent can anybody get?

The GST was going to be a wonderful tax. Everybody was going to be taxed more heavily, but it was going to be visible. In other words, you were going to get it right between the eyes, not in the back. It turns out that he could not get his Tory premiers on board, he who was going to bring great harmony. So now we have the most complex, impossible indirect tax system in the world. There is no other country that has so stupid, so impossible—

Senator Haidasz: Screwed-up!

Senator Gigantès: —so screwed-up a system. Thank you, Senator Haidasz. I didn't dare say it in case somebody accused me of being unparliamentary.

Senator Meighen: Tell me about the Tory Premier of Quebec.

Senator Gigantès: Do you wish to address me, sir?

Senator Meighen: I did.

Senator Gigantès: You did? Would you repeat, please.

Senator Meighen: I asked you to name the Tory Premier of Quebec.

Senator Frith: You know who it is.

Senator Gigantès: Right now is not the time to criticize Mr. Bourassa. Let's leave him out of it. Among other things, the man's health gives some concern, maybe not to you but to me.

We have the GST which is now the most complicated tax ever devised anywhere. We have offered you a series of amendments which would clearly have improved it. Your Prime Minister said, "Well, of course, if they had offered us some amendments, we would have been prepared to consider them."

Never, never! We offered amendments. Everybody agrees they were good amendments. There is no one in this country who disputes that the amendment relating to the North is decent and proper and necessary.

We had Madame Solange Chaput-Rolland giving us another of her sermons on morality and on how much worse we are than anybody else and how much worse our modesty is than hers—she who, she tells us, has known all these great people and has written all these great books, and her conscience was absolutely savaging her about the books. Yet, she voted to have books taxed. She was given figures by Senator Hébert which showed that bookstores would close, that small publishers would close. But no, it is part of the pattern of how the rich capture the tax system. You are going to harm this country irreparably.

● (2130)

I am worried about your party. I wrote an article which appeared in various newspapers. I said it is a tragedy that at this time, when for the next two years English Canada will have discussions with Quebec, your party is being discredited

in English Canada, your Prime Minister is hated in English Canada and there will not be an interlocutor for those discussions with Quebec. This GST, your behaviour and your rejection of proper and decent amendments is aggravating the situation. You are in power; we are not. You are going to screw-up again and the country will pay.

Being in power does not mean riding roughshod over the poor in the North and depriving children of clothing.

Senator Barootes: We will screw-up again like 1984 and 1988.

Some Hon. Senators: Hear, hear!

Senator Gigantès: There are occasions when nations make mistakes in electing people and they live to regret it. Your party is perhaps the one that will put an end to this country because your party has people who are so taken up with their own self importance that they cannot see the misery they are inflicting on the weak.

Senator Barootes: You talk about arrogance, talk about your former leader.

Senator Gigantès: You rejected the amendment regarding the North. Today you tell us to pay a little more on jewelry, Jaguars and Rolls Royces, so that the kids of the poor can wear new boots this winter.

You are a decent man, Senator Barootes. Why are you getting into this stupid fight? You have looked after the poor. Coming from you, it is not believable when you try to be partisan on such an issue. Senator Barootes, you do not want the poor to suffer and you know it.

Senator Meighen: Is this part of the sixteen hours?

Senator Gigantès: No, we will get to that in good time.

Senator Kelleher: Keep drinking lots of water.

Senator Gigantès: Just looking at you makes me hot under the collar. The liquid goes out through my pores and not through my bladder.

This is unbelievable. You are offered a chance to redeem yourself with a series of decent amendments, but you are incapable of saving yourselves. You are shaming this country; you are shaming your party, and you are damaging Canada. For God sake, wake up and repent.

Hon. Consiglio Di Nino: Honourable Senators —

Senator Haidasz: On behalf of all multi-millionaires, continue.

Senator Di Nino: May I have the pleasure of addressing you, Senator Haidasz?

Senator Haidasz: Yes.

Senator Di Nino: Thank you. Some of these comments are directed at you.

I should like to take a few moments of your time, honourable senators, to express some opinions on what has taken place in this chamber in the past weeks. I will then address the issue being debated and the amendment put forth this evening.

The past several weeks have been a most interesting time in my life.

Senator Gigantès: I am glad you appreciate it.

Senator Di Nino: I am sure it has been just as interesting for all of us, honourable senators. When summoned to serve my country in the chamber of sober second thought—and that is a misnomer—I looked forward to stimulating and challenging debates with learned men and women, men and women of wisdom and wit. I looked forward to a time of learning. I anticipated participating in debates on issues which would affect all Canadians as well as future generations, our grandchildren and those who follow them. I must admit I wondered at my ability to participate in such debates with men and women of legendary reputations, famous for their oratorical skills.

I came here with an open mind, prepared to listen to all sides. I came here prepared to change my mind where and when convinced by my honourable colleagues.

Senator Cools: Convince us.

Senator Di Nino: Today, honourable senators, I am sad to state that the past few weeks have been frustrating, humiliating and certainly disappointing. The wisdom and wit has generally been lacking. The oratorical skills have, at best, been misdirected, and the behaviour in this chamber has been an embarrassment to all of us.

Senator Stanbury: We agree.

Senator Di Nino: I have been called names I have not heard since my school days. I have been addressed in offensive terms, certainly unparliamentary terms. At times it has appeared to me as if the only objective is to gain political brownie points. I have wondered whether the experiences in the chamber during the sitting are the norm or the exception. Honourable senators sitting on both sides have attempted to reassure me. They claim this period has not been normal. As a matter of fact, some have opined that a number of honourable senators have been behaving in an abnormal manner. I take comfort in their sincere comments, but I wonder if the damage done is irreparable.

One thing is sure, honourable senators, no one in this chamber—or for that matter, no political party—will gain from our behaviour. There have been some sane moments to temper the insanity of the past few weeks, but most of these moments have come from the participation of independent senators. Senator Pitfield made good sense in his presentation on October 25. Senator Molson has at least on two occasions brought us back to the real world. I must say the person who has to date impressed me is Senator Everett. He has been eloquent, sensible and courageous.

Let me now direct some remarks to the GST issue. That the tax is unpopular is not arguable. Any tax measure which either changes or increases taxes will be unpopular. That the tax is all bad, or is, or will, be responsible for all of the country's ills is very arguable.

• (2140)

The debates have emphasized the negative aspects of the GST, and that is fair game. The opposition's role is to oppose, but it is also important to put on the record the positive aspects of the new legislation.

The federal sales tax and the manufacturers' sales tax are universally condemned as bad taxes—bad for the country. The removal of the federal sales tax and the manufacturers' sales tax has been recommended by successive governments for over the past 50 years. The alternatives would all be difficult to sell to an electorate. Therefore, no other previous government has had the political will to tackle this issue. The Mulroney government has decided finally to act on the recommendation of the numerous surveys, studies and reports conducted during past decades. The Prime Minister, the Minister of Finance and other cabinet ministers have all admitted that practical experience will lead to changes in the legislation, as is the case with most legislation. I share that opinion.

The main ingredient missing from the arguments put forth by honourable senators opposite is the benefit to the Canadian economy from increased economic activity. The manufacturing sector, the sector which creates the jobs in this country, has been the most supportive of the GST. We are already seeing reductions created by the GST. The automotive industry is at the forefront in this regard. Perhaps I can read into the record a list of names of those businesses which have publicly committed to pass through any identifiable savings to consumers. They are: Black and Decker, Ford, General Motors, Chrysler, Nissan, WCI, Inglis, Camco, Du Pont, Interhome Energy, Imperial Oil, Sears, Eaton's, Hudson's Bay, Canadian Tire, Bell Canada, Ontario Hydro, Hydro-Québec and so on. For the record, I would also like to name some of the many Canadians who have supported the GST. I believe that all of these people have presented their views to the Standing Senate Committee on Banking, Trade and Commerce.

Irwin Gillespie of Carleton University has said that the MST-GST tax substitution is, on balance, a good tax reform. Robert Clark, an economist at the University of British Columbia, said:

> My overall verdict is that, as compared with the manufacturers' level sales tax, the proposed tax is significantly more equitable to households in the same income groups and in different income groups, substantially more efficient in the allocation of resources, and more visible than the present tax has ever been.

He concluded by saying that the GST was the most appropriate form of general sales tax for the federal government to introduce.

The Commodity Tax Committee of the Canadian Institute of Chartered Accountants stated: "We, therefore, strongly support the initiatives being considered by the government to reform this antiquated system." The Economic Council of Canada stated: "This is a badly needed reform to an obsolete, inefficient tax." The C.D. Howe Institute viewed the GST as vastly preferable to the FST.

[Senator Di Nino.]

I will not bore honourable senators with quotations of other groups of witnesses.

Senator Haidasz: What did the Catholic bishops say to the committee? They said that it is an immoral tax.

Senator Di Nino: The point that surely must be made is that it is difficult to understand why the Standing Senate Committee on Banking, Trade and Commerce would virtually ignore all of this evidence in recommending that no further action be taken in the Senate on this legislation. "Axe the tax" is all that committee recommended.

That position is all the more difficult to accept when one considers that barely three years ago the same committee, including many senators sitting opposite, recommended that as soon as is practicable the government introduce legislation to implement a broadly based multi-staged sales tax to replace the existing federal sales tax system.

Some Hon. Senators: Hear, hear!

Senator Di Nino: Unlike the existing tax, which is imposed at multiple rates on only one-third of all goods and services consumed in Canada, the GST will apply at a lower uniform rate to most goods and services. This will mean that sectors across the economy will be treated more equitably and that consumer decisions will not be distorted, as they are by the current system.

It seems to me that the GST will provide a strong incentive for companies and individuals to conduct their affairs legitimately and openly. This will result from the fact that the GST removes the federal sales tax from business inputs to lower operating costs, increasing competitiveness and profitability. This will create more jobs.

The Canadian Manufacturers' Association appeared before the finance committee of the other place a little over a year ago. Representatives of the organization stated:

> The CMA has been pursuing reform to the current federal sales tax for more than 35 years and finally someone has heard us . . . The current federal sales tax, aptly called the manufacturers' sales tax, discriminates against exports, favours imports and is levied on a narrow base of 75,000 businesses. It is complex to administer as is evidenced by the 22,0000 administrative provisions. The CMA supports the government's proposal to proceed quickly with the implementation of a goods and services tax.

The current FST is a mode of tax harmful to Canada's economy. The GST will lower production costs, making companies better able to compete at home and abroad. Similar taxes operate successfully in 48 countries around the world. The GST will improve Canada's international competitiveness, leading to greater investments and more jobs.

Let me now address, if I may, a few comments on tonight's proposed amendment. There are three basic reasons why I strongly disagree with the amendment that has been put forward tonight. The first of those reasons is complexity.

Let me talk about the current federal sales tax for a few minutes. One of the basic structural problems with the current federal sales tax is the fact that it is applied to a narrow base at a high rate. While senators opposite might like the arbitrariness and inefficiencies that result from such a system, we on this side do not, and there are very good reasons for this. I mentioned the arbitrariness of a system with varying rates and exemptions. Under the current sales tax system there are approximately 260 court cases pending, and this is in addition to the hundreds of disputes that are currently being handled by Revenue Canada. These cases specifically relate to the fact that under the current system there are arbitrary judgments and administrative arrangements that must be made in order to keep the system working. Currently there are 22,000 such deals that must be administered by Revenue Canada to make our 65-year old tax system function.

Let me provide senators with a few examples of what happens with a narrow tax base. Complexity arises because the tax is not applied to all products and because a distinction between taxable and exempt items is often difficult to define and sustain. For example, directories, catalogues and children's colouring books are taxable while other books and magazines are not. Regular footwear and tennis shoes are exempt from tax while ski boots and bowling shoes are taxable. Major disputes have gone before the courts to resolve the boundaries between taxable and exempt goods. Is fluorinated toothpaste exempt as a health care product because it claims therapeutic qualities or is it taxable as a cosmetic? If electricity is not taxed, should flashlight batteries be exempt from tax because they are containers of electricity?

Such disputes raise issues of economic fairness and millions of dollars of tax revenue are at stake in their outcome—

Senator Frith: Unlike the divinely simple GST!

Senator Di Nino: Complexity is aggravated by the fact that, where the federal sales tax does apply, it is currently applied at three different rates: 9 per cent, 13.5 per cent and 19 per cent. Multiple rates have led to disagreements over what is taxable and at what rate. For example, even though the list of construction materials eligible for the 9 per cent rate runs for several pages, there are frequent disputes over whether certain types of flooring materials and built-in furniture are eligible for the 9 per cent rate or whether they are taxable at 13.5 per cent as regular household supplies. Equally important, the existence of three rates adds significantly to business compliance costs.

A recent study of selective businesses undertaken for the government by a private consulting firm indicates that a firm producing goods taxed at two different rates sustains compliance costs that are approximately 50 per cent higher than they would be if only one rate were applicable. In light of the fact that more than half of all firms subject to federal sales tax produced goods taxed at more than one rate, the dimensions of these compliance costs are significant.

Opposition senators have indicated that a single GST rate does not provide for a higher tax rate on luxury goods.

• (2150)

However, honourable senators should know that the government also has the excise tax system which applies tax to jewellery, alcohol, tobacco, and other products such as automobile air conditioners. All products are taxed under the excise tax system. Therefore, the government does have the capacity to tax the selected goods at a higher rate.

The second major criticism we have with the proposed amendment is that the numbers do not add up. While this has been a problem with several of the amendments that have been proposed by honourable senators opposite, it seems that they have not learned from prior shortcomings.

Tonight they are suggesting that by placing a higher rate of GST on expensive or luxury goods, it will somehow pay for the removal from the tax base of such goods as books, children's clothing, and non-prescription drugs. This clearly is not the case. The rate on goods and services would have to be raised in order to keep this amendment from potentially costing the government hundreds of millions of dollars.

The major criticism that we have with this amendment is that it flies in the face of what the rest of the world's industrialized countries are doing. Around the world, during the last decade, we have seen nations reform their tax systems in order to achieve greater fairness and more economic efficiency. The principles of tax reform are a comprehensive broad base and a low-uniform rate of tax. In this way, loopholes are closed, distorting exemptions and exceptions are kept to a minimum and the operation of the system both in terms of administration and compliance is greatly simplified.

What this amendment proposes is that Canada turn tax reform around the world on its head. Instead of simplicity, there is complexity. Instead of fairness across all economic sectors, there are relative advantages for one sector over the other. These are the hallmark of a regressive, abusive system.

The GST as a structure today is a progressive and fair system of tax. Families with an income of $30,000 or less will be better off than they are under the current system. Canadians with a higher income will be paying a greater share of their income in sales tax than they do today.

The Department of Finance learned lessons from European countries in the design of the GST. Other countries told us to keep a single rate of tax. We were able to learn from the mistakes made in these countries, and these lessons were incorporated in the single rate, broadly-based GST.

I would like to conclude, honourable senators, with some remarks that I am sure that most in this room are not going to like.

Further to my earlier remarks, my experiences in this chamber have left me suspicious of and doubting the motive behind the debates of the honourable senators opposite. I viewed their presentations with suspicion. Frankly, it seems to me that the Liberal senators' performance is only intended to foster partisan political gain.

I may be wrong, but that is my honest opinion.

Some Hon. Senators: You are wrong.

Senator Di Nino: Some of the amendments proposed by the honourable Liberal senators have merits, and I will be prepared to debate these merits. Unfortunately, I believe these amendments were crafted solely for the purpose of attracting public sympathy for purely political reasons.

Senator Frith: Ask the co-ops about that.

Senator Di Nino: I am aksing. In asking my colleagues to vote against this amendment, as I intend to do, I offer my cooperation to all senators who, after this impasse has been put behind us, are interested in rebuilding a chamber of reason, wisdom, and respect.

Some Hon. Senators: Hear, hear.

Senator Di Nino: For the sake of our children and grandchildren, I hope and pray we can soon put aside these past weeks and get on with the job we have been entrusted with, the job of continuing to make Canada, my country of choice, the best country in the world.

Some Hon. Senators: Hear, hear.

Hon. Fernand E. Leblanc: Honourable senators, I would like to ask one question, since the honourable senator mentioned how good this goods and services tax is for Canada. My question is a very simple one: I had some talks with the senator some time ago concerning the North and the livelihood of the people, and what has been occurring over the years. I wonder if the honourable senator can enlighten me as to how the goods and services tax is good for the North. I have not heard one single word relating to the North. Perhaps he can educate me as to how this goods and services tax is good for the North.

Senator Di Nino: Honourable senator, first of all, as you have already indicated, you and I have had a chat about my experiences in the land and in the northern country. At some more opportune time I will make somecomments which will support my honourable colleague in his endeavours.

As it relates to the GST, I truly believe that in some cases, yes, somebody is going to pay a little more tax. In other cases, the tax will be reduced. In balance, if you truly want to be honest about it, I believe you will find that in balance there will be very little difference whether in the North or in the other parts of the country.

Senator Frith: Do you have that straight? Next question?

Senator Leblanc: I am quite surprised to hear that. We are going to pay a bit more, but in a sense it is quite fair. That is what you are saying. Honourable senators, I was quite shocked to hear that our minister, the Minister of Indian Affairs, only two days ago had learned that Inuit are taxpayers. That indicates how much this government knows about the North.

Senator Gigantès: Would the honourable senator allow a question?

If I understand the Minister of Finance and some of his declarations, this tax will collect more money than is now being collected. In a period of recession it means taking more money out of the pockets of consumers. There will not be a reduction in the deficit if more money is not taken out, and they say they will reduce the deficit. But at a time of recession, how will taking more money out of the pockets of consumers increase economic growth? It is difficult to understand. No economist would understand it either.

[The Hon. the Speaker.]

Senator Di Nino: Perhaps I can enlighten you again, honourable senator, that the Minister of Finance, and the Finance Department, have stated that in the first year the GST is anticipated to be revenue neutral.

Senator Frith: And deficit reduction neutral too.

Senator Gigantès: I have an excellent bridge in Brooklyn to sell you and some wonderful swamplands down in Florida.

Senator Di Nino: That particular statement was confirmed by the Conference Board of Canada.

Some Hon. Senators: Hear, hear!

Senator Di Nino: What Finance is saying, and I agree with, is that the elimination of the FST, the manufacturer's sales tax, should, and will, increase economic activity in the country. When that happens, then there will be additional revenue from this increased economic activity which will help reduce the deficit.

Senator Gigantès: I do own a piece of swamp, which is my senatorial thing. I will buy another one and sell you that one. I have some in Florida. If you can believe all that — it was a great speech, but your faith does you credit. Obviously.

Senator Di Nino: Thank you, honourable senators.

Senator Gigantès: Saint Paul would be proud of you.

MOTION IN AMENDMENT—DIVISION DEFERRED

The Hon. the Speaker: Honourable senators, it has been moved by Senator Perrault, for Senator MacEachen, seconded by Senator Stanbury:

> That Bill C-62 be not now read a third time but that the Bill be amended to provide for four categories of tax rates and to grant tax-free status to books, children's clothing and non-prescription drugs,
>
> (1) on page 65, by striking out lines 43 and 44 and substituting the following:
>
> "equal to
>
> (a) 7 % of the value of the consideration for the supply if the supply is not set out in Schedule VIII, or
>
> (b) such percentage of the value of a supply as is set out in Schedule VIII in respect of that supply.";
>
> (2) on page 131, by striking out lines 30 to 32 substituting the following:
>
> "Canada a tax equal to
>
> (a) 7 % of the value of the consideration of the supply if the supply is not set out in Schedule VIII, or
>
> (b) such percentage of the value of a supply as is set out in Schedule VIII in respect of that supply.";

(3) on page 343, by adding immediately after Schedule VII the following:

"SCHEDULE VIII

1. A supply of a passenger automobile with a retail value of $40,000.00 or more but not in excess of $50,000.00 ..... 10 %;
2. A supply of a passenger automobile with a retail value in excess of $50,000.00, but not in excess of $60,000.00 ..... 15 %;
3. A supply of an item of clothing with a retail value in excess of $1,000.00 ..... 20 %.
4. A supply of a passenger automobile with a retail value in excess of $60,000.00 ..... 20 %;
5. A supply of an item of jewellery with a retail value in excess of $3,000.00 ..... 20 %;"

(4) on page 342, by adding to Schedule VI, and numbering accordingly, new Headings and Parts as follows:

"BOOKS

1. A supply of books.

CHILDREN'S CLOTHING

1. a supply of clothing and shoes designed primarily for children 16 years of age and under.

NON-PRESCRIPTION DRUGS

1. A supply of non-prescription drugs."

Is it your pleasure, honourable senators, to adopt the motion in amendment?

Some Hon. Senators: Yea.

Some Hon. Senators: Nay

The Hon. the Speaker: Will those honourable senators in favour of the motion please say "Yea."

Some Hon. Senators: Yea.

The Hon. the Speaker: Will those honourable senators who are against the motion please say "Nay."

Some Hon. Senators: Nay.

And two honourable senators having risen:

The Hon. William J. Petten: Honourable senators, pursuant to Provisional Rule P-3.(a), I request that the division be deferred until 5:45 o'clock p.m. on the next sitting day.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Thursday, November 22, 1990

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

CHARLES DE GAULLE

TRIBUTE ON ONE-HUNDREDTH ANNIVERSARY OF BIRTH

Hon. Jerahmiel S. Grafstein: Honourable senators, today marks the One-hundredth anniversary of the birth of one of the twentieth century's greatest figures, Charles André Joseph Marie de Gaulle, who was born on November 22, 1890, in Lille, France. Charles de Gaulle was a great figure who stood for freedom when others refused to take a stand. He stood for friendship after the Second World War. He joined in the alliance with Germany in 1963, with another great statesman of Europe, Konrad Adenauer. That agreement in 1963 in turn led to the new Europe which we celebrate this week.

Finally, probably one of his greatest achievements was his ability to understand the constitutional malaise of the country in which he resided. He was able, in a peaceful way, to transform the constitutional makeup of France in peacetime.

As we know, honourable senators, great leaders are not perfect. Charles de Gaulle had many faults and made errors in judgment, but he is still entitled to an honoured place in the pages of history, and we should so respect that.

Some Hon. Senators: Hear, hear!

OFFICIAL REPORT

CORRECTION

Hon. Eymard G. Corbin: Honourable senators, I rise on a question of privilege. I wish to bring a correction to the *Hansard* of November 20. I am quoted as having said:

> Having interviewed 10,539 of their members, the Canadian Federation of Independent Business came to the conclusion that 74.4 per cent said they were entirely satisfied with the government's effort to give them accurate and useful information—

Some Hon. Senators: Hear, hear!

Senator Barootes: Sounds great!

Senator Corbin:

—on how the GST will affect their enterprises.

I said no such thing. I said they were entirely unsatisfied, or dissatisfied, if you wish.

BUSINESS OF THE SENATE

Hon. Royce Frith (Deputy Leader of the Opposition): Honourable senators, I was asked by some of my colleagues if Senator Murray would be available for the start of the Question Period. We had planned to proceed with Presentation of Petitions and then to Question Period in due course. Senator Murray has said he is available now, and I believe there is agreement to commence with Question Period and then revert to petitions.

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I believe that Senator Stewart has a committee report to present.

Senator Frith: I overlooked that. Perhaps we could have Reports of Committees and then proceed to Notices of Inquiries, Notices of Motions and Question Period, following which we could revert to Petitions.

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

Hon. Senators: Agreed.

FOREIGN AFFAIRS

NINTH REPORT OF COMMITTEE PRESENTED AND PRINTED AS APPENDIX

Hon. John B. Stewart: Honourable senators, I have the honour to present the ninth report of the Standing Senate Committee on Foreign Affairs, which deals with the monitoring of the implementation of the Canada-United States Free Trade Agreement.

I ask that the report, but not the staff report to the committee, be printed as an appendix to the *Debates of the Senateand to the Minutes of the Proceedings of the Senate* of this day and that it form part of the permanent records of this house.

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

Hon. Senators: Agreed.

(*For text of report, see Appendix, p. 3936*)

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

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

QUESTION PERIOD

PERSIAN GULF

UNITED STATES RESOLUTION ON USE OF FORCE—CANADIAN COMMITMENT—GOVERNMENT POSITION

Hon. Allan J. MacEachen (Leader of the Opposition): Honourable senators, I have a question for the Leader of the Government arising out of the subject matter we discussed yesterday afternoon. It has to do with whether Canada has made any commitment to the United States to support a resolution on the use of force in the Persian Gulf. There have been reports that a number of countries, including Canada, have committed themselves to supporting such a resolution if it were brought forward. The report also says that a number of other countries have not yet agreed. I wonder if Canada has been asked for such commitment, and, if any undertaking has been made, has it been surrounded by any qualifications?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, both the Prime Minister and the Secretary of State for External Affairs have been in Europe for the past few days and have met with the leaders of governments of other countries. I have no information that would indicate that we have committed ourselves to a particular resolution at the UN Security Council. I am not aware that there is a draft circulating along the lines the honourable the Leader of the Opposition has indicated, but I shall make inquiries immediately to see what further information or comment the Prime Minister or Mr. Clark may have on this matter.

GRAIN

URUGUAY ROUND—INTERNATIONAL SOLUTION TO SUBSIDY WAR—GOVERNMENT POSITION

Hon. H. A. Olson: Honourable senators, I should like to ask the Leader of the Government if he could help me to understand what the trade minister, the Honourable John Crosbie, means when he says, and I quote:

> There's still no sign that the European Community is prepared to break the impasse over farm support that threatens to destroy any chance of liberalizing world trade, says federal Trade Minister John Crosbie.

He goes on to say, and I quote:

> Unless there is some satisfactory solution in agriculture, it's extremely unlikely there will be a successful conclusion of the round.

That refers to the Uruguay Round. Does this mean that there has been no movement in trying to find an agreeable international solution to the subsidy war that has led to the devastatingly depressed prices for grain in the international market? Is Mr. Crosbie now admitting that they have made absolutely no progress in trying to correct this disastrous situation?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, it appears that the European Community countries were unable to agree on their position internally until mid-November. At that time they put forward a proposal which we discussed in a general way here in Question Period several days ago. The proposal, in the view of Canada and other countries, is quite inadequate. As I recall, it provided for a gradual decrease in support of some 30 per cent from a base year, which was very, very high compared to the proposal that we put forward, which called for the elimination of export subsidies and reductions in tariffs, and quite severe cuts in trade-distorting subsidies internally.

• (1410)

Compared to those proposals, the European Community's position is regarded as inadequate, and indeed their posture as inflexible. Mr. Crosbie has said what I think most observers agree to be the case, that without some agreement on agriculture the round itself is in peril of failure.

Some progress, I think, had been made on such matters as a dispute settlement mechanism. There was rather less progress on intellectual property and services. However, the big hang-up is agriculture. The fateful day is the Brussels meeting in early December when some decision will have to be taken as to the future of the round.

What more can I say? The round itself is in grave peril unless the countries decide to take what little they can get in the agricultural field and elsewhere and call it a day. However, it will not have been a very successful round.

Senator Olson: Honourable senators, my question was somewhat more specific than the general round, although I am sure a lot of Canadians are interested in the whole.

As I recall it, the European Community offered about a 30 per cent reduction in subsidies during the 1990s. I do not have the quotation in front of me, but it seems that Mr. Yeutter, speaking for the United States, simply rejected that out of hand. It was not satisfactory for the United States to even consider withdrawing certain rules they have, and financing to support those rules, for the export of a number of agricultural products, particularly grain.

As I have said, my question was somewhat more specific. Is there not some other action the Canadian government is taking in trying to resolve these severely-depressed prices for grain? In other words, if this round fails, which as Mr. Crosbie says, appears likely, then grain producers in this country have nothing to look for in the government's efforts to resolve this subsidy war, which is causing the Canadian Wheat Board to lower prices as much as to meet the competition. The United States, for example, because it has a bigger treasury, can borrow more than we are able to do, and it can pass that around to its producers. It seems that we are now down to one single action. Either we get some success in agricultural subsidy reduction from this round or the grain producers will continue to be faced with the kind of disastrous situation that they have been facing for the last two years.

I just hope the minister can give us some encouragement that the government is trying to do something else.

Senator Murray: The honourable senator knows that we are trying to do many other things. We were instrumental in putting agriculture at the very top of the agenda for the Uruguay Round, where it belongs. As I said, unless the impasse on agriculture can be resolved, the Uruguay Round will not have been successful. However, the honourable senator knows full well that we are not idle in the bilateral context either.

Further to that, we played a leadership role in the Cairns Group, as the honourable senator knows, and the Prime Minister himself brought the question of the subsidy wars to the top of the agenda of the meeting of the Group of 7. We are active on a great number of fronts in trying to solve this problem. The immediate challenge is to get a long-term solution at the Uruguay Round where our efforts are being deployed.

EFFECT OF UNITED STATES POLICIES ON CANADIAN PRODUCERS

Hon. H.A. Olson: Honourable senators, this is fairly frustrating since everything that the minister has said is being done is a failure. We have had examples of that before. I do not think the minister should hold up as great efforts things that his own ministers are now saying will fail, such as the Cairns Group and all its efforts, as well as getting the matter to the top of the agenda, when the consideration of the agenda is a failure. That does not raise a great deal of hope.

I should like to ask the minister even more specifically about what kind of answers we are getting from the United States, particularly from Mr. Yeutter, concerning the devastation that its policies are causing Canadian producers. It has gone on for so long. The minister has said that we have had so many bankruptcies that they are now on the way down. That is because there are not enough people left to go bankrupt. Those are not comforting thoughts.

I hope that Senator Kelly will not interrupt this discussion. I can tell him, before he does, that this matter is of great importance to the people of Canada from where I come.

Can the minister give us some indication of what type of response we are getting from the United States? There was a time when representatives of the government could talk to the Secretaries and other senior officers of the United States Department of Agriculture, as well as the United States Treasury, and actually get some reasonable responses, especially if something damaging was being done to our producers by them. Can the minister tell us if we are getting any reasonable replies from the United States?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): The honourable senator is seeking information additional to that which I have been able to provide this afternoon. I shall make inquiries. I shall ask whether there is further information that is available and I shall bring that into the house at the earliest possible opportunity.

[Senator Olson.]

Senator Olson: Honourable senators, have we now reached the point at which the minister admits that they have not been doing anything?

Some Hon. Senators: Oh, oh!

Senator Olson: That is what he said. All I know is that what we have been doing to date has been a failure.

I know that the minister has not had a great deal of time to go to many cabinet meetings as of late. Surely, he knows whether there has been anything done besides totally relying on whether or not the Uruguay Round and the Cairns Group input into that round were going to succeed. We now come to the point in time where the minister responsible for all these matters says that it looks like that will fail. Do we now have to go to search for something else to do? Has not anything else been done along the way?

Senator Murray: The honourable senator is seeking quite detailed information, including information on the content of discussions between Canadian ministers and officials and their United States counterparts. I do not have that kind of information before me. I would have to make inquiries and I have already under taken to do so.

• (1420)

Senator Olson: Honourable senators, let us put aside the details for now. Can the honourable senator tell me whether or not serious discussions have been underway directly with United States senior officials?

Senator Murray: I think I can give the honourable senator that assurance.

INTERNATIONAL TRADE

PROPOSED INTERNATIONAL TRADE ORGANIZATION—REQUEST FOR PROGRESS REPORT

Hon. Jack Austin: Honourable senators, I should like to direct a question to the Leader of the Government in the Senate. What progress has the government made in its initiative, which I think is a very useful and constructive one, to discuss with our trading partners the formulation of an international trading organization?

Senator Murray may recall that part of the original arrangement at the beginning of the post-war era was the Havana Charter. It was a parallel charter to one of monetary reform, and it led to the GATT arrangement. I think the Secretary of State for External Affairs has put forth a very interesting idea, and I wonder whether, as one of the alternatives to the possible failure of the Uruguay Round, the world might be interested in the negotiation of an institutional system to carry out these negotiations within the context of the institution, rather than within these ad hoc rounds that have been taking place and have been successful up until the world trade community reached this quite intractable agriculture issue?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable

senators, the Minister for International Trade, the Honourable John Crosbie, made some comments on that matter some time ago. I do not have them before me. I would have to ask him for a report on what progress, if any, has been made along those lines in the discussions at Geneva or elsewhere.

MEXICO

TRILATERAL TRADE ARRANGEMENT—COMMENTS BY MEXICAN AMBASSADOR TO CANADA—ATTITUDE OF CANADIANS

Hon. Jack Austin: Honourable senators, to continue in this vein of international trade policy, another initiative, if that is the right word, which the government has undertaken is to agree to negotiate the terms for a trilateral trade arrangement among the United States, Mexico and Canada. I wonder whether the minister can tell us what the government's policy reasons are for bringing us into those negotiations.

I should tell honourable senators, by way of explanation, that the Mexican ambassador has in the past two days chided—and I think that word is fair—Canadians for their rather negative and defensive attitude toward entering into this possible negotiation. The ambassador said in a public speech that all he sees in the attitude of the government and the business community of Canada is a sort of defensive position, that Canada had better be there in case more harm is done to us than would otherwise be the case.

I think that the Government of Mexico has a point to make in saying that if Canada feels entitled to be present, it should have a positive attitude toward a new relationship and a concept of development of the North American region.

I wonder if the government leader can give us some guidance on government policy. I would like it to be clear to honourable senators that I am in no way reflecting a negative attitude towards the potential for value to Canada in these negotiations which may be ahead of us. I am eagerly seeking information at this stage.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I appreciate the position taken by the honourable senator. I too read at least a media account of the speech made by the Mexican Ambassador to Canada. His criticism of the Canadian business community seemed to be that it was excessively preoccupied with protecting its share of the United States market in these trilateral discussions and that what they should be looking at is the fact that Mexico represents a market of, I believe he said, 86 million people with rising incomes and, therefore, considerable opportunity for Canadian exporters. That is the point that the Mexican Ambassador made, and it seems to make sense. That is the view that Canada is taking in these consultations. For the moment, they are consultations among Canada, the United States and Mexico with a view to establishing a basis for a trilateral negotiation with the objective of a three-way free trade agreement.

• (1430)

The first consultations were held in October, I believe in Houston, and further consultations were held at a senior official level this week in Washington.

Senator Austin: What I am asking for, honourable senators, is guidance with respect to the Canadian criteria. I do not mean the Canadian negotiating points specifically, but a set of goals which is the policy of the government, what it is that we would hope to achieve, and why those things are desirable for Canada. I have read all of Minister Crosbie's statements and, of course, they are couched in very general and cautious terms. There is not much guidance yet.

Senator Murray: That is a fair question, but I want to emphasize that our position going into these talks is not a defensive one. It is, I know, a more aggressive position on the part of Canada, recognizing the importance of the Mexican market and recognizing also the importance to the world of lowering barriers to trade and investment around the world.

I may say that Mr. Crosbie will be meeting later this week or early next week in Houston with his United States and Mexican counterparts.

APPOINTMENT OF CHIEF NEGOTIATOR

Hon. George van Roggen: Honourable senators, I have a supplementary. I may have missed this, but has Canada named a chief negotiator for these particular negotiations or is it anticipated that we will be doing so soon?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): No, honourable senators. The current discussions are described as consultations, with a view to laying the basis for negotiations that would lead to a three-way free trade area, and while there have been ministerial meetings involving Mr. Crosbie in particular, we have been represented in the official discussion by a senior bureaucrat, Mr. Don Campbell, a deputy minister in the Department of External Affairs and International Trade.

GOODS AND SERVICES TAX

GOVERNMENT PLAN FOR EARLY PASSAGE—ROLE OF SPEAKER

Hon. Paul Lucier: Honourable senators, I have a question for the government leader. I have been watching the minister on TV and in the media lately, and he is very confident that the GST will be passed early, within the next week or two. I have also heard the Minister of Finance say the same thing. Mr. Jelinek has said there is a committee of cabinet of some kind to prepare a plan and that the plan will be implemented. We all know that the only way that plan could be implemented would be if the Speaker agreed to it. I should like to ask the minister if there have been any discussions that included the Speaker of the Senate on any arrangements that may be used to get the GST through the Senate.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable

senators, I dealt with some questions on this matter the other day. No one, to my knowledge—certainly not I nor any minister—has stated that Bill C-62 would be disposed of in the Senate by a particular date. Mr. Wilson and I have expressed our confidence that the Senate will have dealt with the bill—indeed will have passed the bill—in good time for it to be implemented on January 1, 1991.

Senator Lucier: That is fine, but that does not come close to answering the question. I never suggested that you had agreed on a particular date. I am saying that both you and Mr. Wilson have been very confident that the bill will go through very soon, and I do not think there was any doubt about that. There were also statements by Mr. Jelinek that there was a group in cabinet assigned the task of putting together a plan to get the GST passed early. We all know that that cannot be done without the complicity of the Speaker. We know the rules of the Senate. You know the rules of the Senate. You know that there are no time limits, and you also know that if the rules of the Senate are followed you cannot pass this quickly. Since you seem to be so confident that the bill will be passed quickly, I should like to know if there have been any discussions with the Speaker. Has the Speaker been part of any negotiations that will be used at a later date to try to get the GST through the Senate?

Senator Murray: Well, honourable senators, the answer to the last part of the question, of course, is no. Why should I not be confident that Bill C-62 would be disposed of in good time by the Senate? We came back here on September 25 and the Senate has been preoccupied almost exclusively with that one issue ever since. The third reading debate has been going on now for two and a half weeks or more, which is extraordinary if not unprecedented. We have disposed of seven amendments at third reading stage, again an unprecedented number of amendments at third reading. The vote on the eighth amendment takes place this evening. I do not know what my honourable friend is suggesting here when he says that within the rules we cannot dispose of Bill C-62. Assuming that the eighth amendment is disposed of this evening, the question becomes: Shall the bill be read a third time? That is not a debate which, in our parliamentary system, goes on forever. If the honourable senator is suggesting that the right of the Opposition to filibuster or to delay is unlimited, then Parliament really has a problem.

Senator Lucier: I recall, about the first week in October, hearing the Minister of Finance say on TV, "We will have this through next week. I just talked to Mike Duffy and we are going to have it through next week." It seems to me that the fact that we have been a long time on third reading—as you say an unprecedented time—might give you a clue that you may not be as close to having it passed as you think you are. I am asking, since you think there is going to be something done to help you pass the GST: Have any negotiations taken place with the Speaker? You have said no. I accept that part of your answer.

Hon. Edward M. Lawson: Honourable senators, following on Senator Lucier's question, and Senator Murray's response, that after the eight amendments he would go directly to move the previous question, it seems to me that it ignores the point that was made by Senator Waters yesterday, that he intended to introduce an amendment on the conclusion on the eighth amendment vote. I also want to advise honourable senators that it is my intention, on the conclusion of Senator Waters' amendment, to seek recognition from the Speaker for the purpose of introducing an amendment. I hope that has not been overlooked.

Some Hon. Senators: Hear, hear!

Senator Murray: Honourable senators, what I said was that when any amendment is disposed of, the question then before the house is the main motion, and that is a fact of parliamentary procedure and practice. I think my friends, Senators Lawson and Waters, know that so far as the government is concerned, and so far as senators on this side are concerned, we are quite prepared and are quite happy to provide the same opportunity to independent senators as was provided to Liberal senators, namely the opportunity, within a certain time frame, to propose amendments and have a vote.

Some Hon. Senators: Oh, oh!

Senator Murray: If my honourable friends are surprised, I can only say I am surprised they are surprised.

Senator Gigantès: We are surprised you are surprised!

Senator Murray: I think Senator Lawson and Senator Waters know that is the position of the government. We were prepared to have a house order—because it would take a house order—along the same lines as that passed here a few weeks ago which would give our independent senators the same opportunity the Liberal senators had.

Senator Bonnell: Does that mean eight amendments?

Senator Murray: No. I think they also know that there is no interest on the other side in voting for or in facilitating such a house order.

Some Hon. Senators: Shame!

Hon. Royce Frith (Deputy Leader of the Opposition): Honourable senators, I hear someone saying "Shame!"—shame that we would not support or try to persuade these independent senators to accept a limited number of amendments when we assume they heard what happened to our amendments.

Senator Olson: They were just ignored!

Senator Frith: They were absolutely ignored. It was purely mechanical. Automatons stood up and defeated them all. So is it any surprise to the leader that the independents might think they might not want to make the kind of deal we made, considering the results?

Senator Murray: I can only say—

An Hon. Senator: Trained seals!

Senator Murray: —that I think the independent senators are capable of speaking for themselves. The proposal I have made, so far as I am concerned, is still on the table.

Some Hon. Senators: Hear, hear!

Senator Olson: I would like some clarification.

Senator Frith: That is what you will get if you make any deal.

Hon. Stan Waters: Senator Murray, I would like to draw your attention to the interview you had with Don Newman of *Newsday* about a month ago in which he asked you this very question:

> Are you concerned that some of the independent Senators, and Senator MacEachen mentioned Senator Waters from Alberta, and I suppose he's a good one to think of in connection with the GST, that they may try also to move amendments, or has this been precluded, in your view, by the agreement?
>
> **Senator Murray:** No, no. There are six independent Senators, and no agreement that the leader of the Opposition and I could make is going to bind people who are not in either of our caucuses. Of those six independents, only two have declared themselves as being against the GST. So those two Senators will have an opportunity to move an amendment each—that is what the rules provide here. They can't filibuster forever, but there will be an opportunity for an amendment or two if there are two Senators opposed to it. But this won't go on forever, and I wouldn't want to prevent them from exercising their democratic right in an orderly, Parliamentary debate.

Some Hon. Senators: Hear, hear!

Senator Murray: That, I think the honourable senators know, is exactly what we were trying to accomplish in discussions that were held earlier this week. We wanted to give the honourable senators the same opportunity that Liberal senators had, each to move an amendment and to have those amendments debated and voted on in a package of time. That is what I meant by an orderly debate.

Senator Frith: Oh, I see!

Senator Perrault: Oh, oh!

Senator Lucier: Here go the rules! Here go the rules!

Senator Murray: My friends opposite do not like the way it turned out, but they agreed to it. I think it was an orderly debate.

Senator Olson: It was a useless debate!

Senator Murray: They had the opportunity that honourable senators and members of Parliament seek in any debate, which is to put forward their point of view, in some cases to put forward their alternatives, and try to persuade other senators and public opinion of their position concerning the GST and their amendments. As the honourable senators know, from discussions that were held with several of my colleagues, that is what we were trying to accomplish by those discussions. It is to be regretted that Liberal senators will not facilitate what we are trying to do.

Senator Frith: Limiting their debate! We certainly will not facilitate limiting their debate.

Senator Waters: Honourable senators, at the risk of being repetitious, Senator Murray said that he was not going to bind people who were not in either caucus. I took great comfort from that remark, and I assumed that we would be operating under the old *Rules of the Senate*, and that Senator Lawson and I would not be constrained by any agreement you made with the other caucus.

Senator Frith: Well said, sir!

Senator Murray: The Senate operated under the provisional rules for the eight, and I certainly did not have in mind doing anything but negotiating a similar arrangement with our friends who are independent senators. I think it is a perfectly reasonable position for us to take; and, for the life of me, I cannot understand why our friends opposite will not accept it, unless, of course, they want to use independent senators to carry on an endless filibuster.

Senator Frith: Why would we limit them? Why in God's name would we want to limit them?

Hon. Edward M. Lawson: Honourable senators, in fairness to Senator Murray, what he says is true. There have been discussions with some of his colleagues, representing the government, and Senator Waters and myself about time limits. We met again yesterday, and it was left that a representative of the government would speak with representatives of the Opposition to determine if something could be worked out, and they would then get back to us. No one has come back to Senator Waters or myself, and the first response we heard, other than what the government leader ahas just said, is that no arrangement has been worked out. So we simply assumed, and are proceeding on the basis, as Senator Waters just described, that we are operating under the rules of the chamber and will be entitled, as Senator Murray was quoted as saying by Senator Waters, to offer our amendments under the *Rules of the Senate*. We are proceeding on that basis.

Hon. Royce Frith (Deputy leader of the Opposition): You can officially assume that we will not do anything to limit your debate and your amendment powers. You can assume that as being officially on the record.

Senator Murray: Honourable senators, inquiries were made of independent senators and of Liberal senators, and I think I can state, on behalf of Senator Doody and myself, that we were not able to elicit much interest or to reach an agreement with the Liberals on the matter of a house order, which would facilitate an amendment from Senator Lawson and Senator Waters.

Senator Frith: "Limit" is the word, not "facilitating".

Senator Murray: It is facilitating the business of the Senate. I suppose we will be getting into this later on this afternoon or early this evening, and I want to remind everyone that the provisional house order provides that no motion for the previous question would be receivable until after the eight amendments from the Liberal Party had been disposed of. Therefore,

it is clear that a motion for the previous question is receivable after the eighth amendment has been disposed of. This matter can be discussed in the usual channels now, if honourable senators are interested. I was interested in facilitating an opportunity for Senator Waters and Senator Lawson to move their amendments along the same lines that my friends opposite had.

An Hon. Senator: They have that right!

Senator Murray: Yes, they have a right, but I also have a right, after eight amendments, to move the previous question.

Some Hon. Senators: No!

Senator Frith: You want to choke them off!

Senator Olson: You have no right!

Senator Murray: I beg your pardon? Read the rules. We will discuss this matter this evening, but the rules are clear.

Senator Barootes: The Liberals would not cooperate!

Senator Frith: We refuse to cooperate in choking them off!

Senator Barootes: Muzzle them!

• (1440)

Hon. H.A. Olson: Honourable senators, let us be perfectly clear on what Senator Murray has just said. He has said that unless the independents agree to a time limit, which is not in the rule book, then they are going to be prevented from doing what they have a right to do under the rule, which gives them the right to move an amendment.

Unless they agree to a time limit, which I presume is six hours because that is all we had on each amendment, the government leader is going to move the previous question before they move their amendments. Is that what you said?

Senator Murray: The Honourable Senator Olson can save his synthetic indignation for later. I think it fair to say that we were embarked on what I consider quite constructive discussions with the independent senators. It is the failure of my friends opposite to cooperate which has led us to this.

Some Hon. Senators: Oh, oh!

Senator Frith: You publicly stated that nothing bound them.

Senator Waters: I have two questions arising from that.

First, are you suggesting that either by accident or design no consideration was given to the rights of independent senators when the original house order was made?

Second, are you now saying that in the absence of an agreement between the government and the Official Opposition to limit the debate we will be stripped of our rights? Is that what you are now saying?

Senator Frith: That is what he is saying.

Senator Barootes: The Liberals are stripping your rights.

Senator Murray: Honourable senators, this is a matter for debate later this afternoon. However, I can tell the honourable senator first of all that the house order was negotiated among four senators representing the government and the Official Opposition. Independent senators were present the day the order was passed and had an opportunity to express their views. There is nothing unusual about that. There are independent members of Parliament in the House of Commons who do not participate in inter-party negotiations in that place.

I think it is also fair to observe, although it is perhaps of no satisfaction to Senator Lawson or Senator Waters at this stage, that it was open to them to take part in the debate at the report stage and on any of the seven amendments, and within the same time frame to have moved subamendments.

My only point in asking some of my colleagues here to meet with independent senators was to arrange the business of the house in the same way it had been arranged for the previous eight amendments. We would then have a package of time available to independent senators to move their amendments. That does take a house order. Without a house order I do have the right—it is in the rules and is confirmed in the provisional house order—to move the previous question.

I still would like to see some negotiations take place on this matter. I prefer an orderly debate, as I have said, and I remain prepared to facilitate the presentation of amendments by independent senators.

Hon. Jerahmiel S. Grafstein: Did the Leader of the Government authorize members opposite to discuss these matters with the other independent senators who are not present today?

Senator Murray: Honourable senators, what I got from the question is a reference to the four independent senators who are not here. To the best of my knowledge we have contacted or certainly tried to contact all of the others with regard to possible amendments.

Hon. Jerahmiel S. Grafstein: Could you tell us what their position is on the question of amendments?

Senator Murray: Subject to confirmation, my understanding is that there are only two independent senators who wish to present amendments.

Senator Grafstein: That was not my question. Did you contact them with respect to the rules applying to independent senators regarding amendments? It may very well be that they choose not to move an amendment themselves, but they may have views about the role of independent senators and the rights of other independent senators to present amendments. That is my question.

Senator Murray: Honourable senators, they have views on a number of things and they have, including Senator Pitfield, expressed those views in the course of this debate. Again, my objective in this matter, since we will be, and have been, dealing with Bill C-62, is to facilitate amendments from those independent senators, whoever they are, who wish to present amendments.

Hon. Raymond J. Perrault: The Leader of the Government in the Senate gave an interview a couple of days ago in which he sounded every bit the ultimate democrat. He said that all members would be allowed to speak in this debate, that there would be no limits. I hope he has not changed his mind.

[*Editor's Note: At this point the honourable senator played a tape recording.*]

There is a tape in which you said "We will just sit and wait them out." There is no restriction on their freedom. This is the exact tape that you recorded with the CBC. Are you changing your views today? You are hedging in your commitment very carefully to make certain you can get that vote exactly when you want it. However, you are on tape and we can replay it any time.

Senator Murray: Honourable senators, whatever else that sound was, it did not sound like me.

Senator Perrault: That was your voice.

Senator Frith: You were ice skating but the ice broke.

Hon. Peter Bosa: Honourable senators, the Leader of the Government in the Senate, in response to a question by Senator Lucier, stated that the Speaker would not be involved in negotiations, or he was not involved.

I would like to ask the leader if he would give members of this house the assurance that he will not impose on the Speaker, like he did previously, a ruling that does not exist in the rule book?

Senator Murray: Honourable senators, I imposed nothing. The advice I gave to Mr. Speaker, or anyone else, with regard to a resolution of the problem that existed at the time was given in the foyer to the national media. That was my advice. If it is asked for again in that context and that forum, I shall continue to express my opinions freely.

Hon. D.G. Steuart: Before I ask my question, I would like to pass on a little advice that would be given to someone starting out as a salesman. It was always to tell the truth and then one never had to try to remember what one said. The leader of the government was obviously having a little difficulty remembering what he said in all of these interviews he gave.

I understand clearly what you are saying to the independent senators, and that is: "Knuckle under or we will muzzle you." Is that not what you are telling them?

Senator Murray: Honourable senators, I am saying that I want to give the independent senators—and I think we were having some quite constructive discussions along these lines—the same opportunity that my friends opposite had with regard to moving the amendments.

Senator Olson: Eight amendments? Each?

Senator Murray: Hardly. I think the rules provide that they are entitled to one amendment each. I think they are quite capable of speaking for themselves, and we will be into this matter a bit later in the afternoon.

Hon. Joan Neiman: Honourable senators, a few minutes ago the Honourable Senator Lawson read an extract from a newspaper interview the honourable leader of the government gave in which he said that the independent senators would be allowed to present amendments, but that he would not want the debate to last forever. I wonder if the government leader would define that term for us a little more narrowly? Is it six hours and three minutes or something less, or something considerably more?

• (1450)

Senator Murray: Honourable senators, that, like all these matters, is a question for discussion and negotiation among the parties. Again, I deplore and regret the fact that my friends opposite have not been willing to embark upon those discussions in a constructive way.

AGRICULTURE

PROPOSED CAVENDISH PLANT IN NEW BRUNSWICK—PROVISION OF FUNDS BY FEDERAL GOVERNMENT

Hon. Eymard G. Corbin: Honourable senators, I should like to move on to big potatoes. It was reported in *Maclean's* on November 12, 1990, not to mention in a multitude of other media, including radio, television and newspapers, especially in New Brunswick and Prince Edward Island, that Ottawa and New Brunswick had agreed to provide a new Cavendish plant with $14.5 million for pollution control equipment; a $10.5 million investment tax credit; and $4 million in funding for employee training for the proposed new Cavendish Farms Plant at Grand Falls, New Brunswick. That firm also has a big potato plant on the island. In Grand Falls it is moving across the road from McCain Foods.

The question I wish to put to the Leader of the Government in the Senate is this: Has this assistance program been approved formally by the government? If so, by which agency? I assume it would be ACOA and probably some other departments. If it has been approved, has it been announced? If it has not been announced, is it still being negotiated? When can we expect a formal announcement by the federal government on its participation in this deal?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, like the honourable senator, I was following some of this through the media for some time. However, I am really not very up to date with my information. I am interested in having the answers to the same questions, and I shall inquire and report back.

Senator Corbin: If the honourable government leader finds specific answers to my specific questions soon, I shall greatly appreciate it.

Senator Murray: That should not be difficult, honourable senators.

THE CONSTITUTION

APPOINTMENT OF EIGHT SENATORS— EFFECT ON COMPOSITION OF REPRESENTATION IN HOUSE OF COMMONS—GOVERNMENT ACTION

Hon. Jerahmiel S. Grafstein: Honourable senators, I have a question for the Leader of the Government in the Senate. On November 20, 1990, Mr. Justice Stevenson of the Queen's Bench of New Brunswick came down with his decision respect-

ing an application made dealing with the constitutionality of the appointment of the eight senators and the consequent composition of the other place.

As the Leader of the Government will know, we presented in this place a notice of motion which was to be dealt with probably later today. However, in advance of that matter being dealt with, perhaps I might ask the Leader of the Government some questions, since we have now been advised—and I am refering to information given in the other place—that the Minister of Justice and Attorney General of Canada, in response to a question asked by the Hon. Herb Gray, advised that she, on behalf of the Government of Canada, will be appealing the decision of the New Brunswick court because, as was reported in *Hansard* of the other place, "We do not agree on the implications of section 26."

The Leader of the Government in the Senate will recall that on or before—and certainly following—the appointment of the eight senators, we on this side of the house asked that the government spare the provinces and individuals expense and confusion by having a reference on the matter to the Supreme Court of Canada with the consent of the Attorney General of Canada. In light of the circumstances and the commitment of the government to appeal the New Brunswick decision, would the government agree now to take a reference to the Supreme Court of Canada so that the uncertainty surrounding not just the position of senators but the composition of Parliament could be dealt with quickly?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, both the Ontario and New Brunswick judgments confirm the validity of the appointment of the eight senators under section 26. As I understand it, in Ontario the other party has launched an appeal. In New Brunswick, that aspect of the judgment which was contrary to the Ontario decision, that having to do with the representation of New Brunswick in the House of Commons, is being appealed by the Attorney General of Canada.

I understand there is also a case relating to this matter in general coming up in the Supreme Court of British Columbia within the next few weeks.

I would have to ask the Attorney General for a statement as to Senator Grafstein's suggestion that the federal government ought to try to deal with the matter by way of a unilateral reference to the Supreme Court of Canada.

Senator Grafstein: My suggestion is not that there be a unilateral reference, but that there be a reference with the consent of the various parties concerned in order that the terms be agreed upon and so that the lower courts can be leapfrogged and the matter taken directly to the Supreme Court of Canada.

Had the government followed the suggestions presented by senators on this side of the house earlier this fall the matter would already have been dealt with by the Supreme Court of Canada. Thus, the uncertainty which I think is increasing in the country would have been settled by Christmas. As it now turns out, if these appeals work their way up through the courts, then, under the present situation, there will be uncertainty in at least two provinces. If there is a different decision handed down in British Columbia, that would make a third case of uncertainty. This will heighten the uncertainty, which means that these matters will not be dealt with by the Supreme Court of Canada until the middle of next year at the earliest. In the meantime, I think there is a serious cloud of uncertainty over the deliberations of not just this place but also the other place in terms of important measures which have been and are anticipated to be passed by the government.

Senator Murray: Honourable senators, I do not agree that uncertainty is increasing. With regard to the essential question—that is, the validity of the eight appointments under section 26—certainty is increasing since both the judgments of Ontario and New Brunswick were without ambiguity whatsoever. They very clearly confirm the validity of the appointments under section 26. I think that is the essential question.

However, my friend has raised some finer legal points on this matter. I would not try to answer them without taking counsel and without asking for a report from the Honourable Kim Campbell.

Hon. Jerahmiel S. Grafstein: For the information of senators opposite, and in particular for the information of the Leader of the Government, we were told, when we raised this issue with the government, that it was a simple matter which could be dealt with expeditiously. Indeed, senators who are experts in constitutional law opined that such was the case. The Attorney General of Canada, in representations to the courts of Ontario and New Brunswick indicated that this was a serious and important matter with obvious widespread constitutional ramifications and therefore should be considered seriously.

My concern is that the decision of the New Brunswick court is absolutely silent on the question of the validity of legislation passed by Parliament in the period of time since the appointment of the eight senators. There is absolutely nothing in Mr. Justice Stevenson's decision, as I read it, to indicate that he was asked to rule on the validity of legislation in the other place and, therefore, the effect on Parliament during this period when the other place is not properly constituted. So there is a question of uncertainty since the judgment of Mr. Justice Stevenson is silent on that point, and I assume that it is silent because he was not asked that question.

• (1500)

It strikes me that the government has increased the uncertainty by not moving, with the consent of the applicants, to the Supreme Court of Canada so that the questions may be properly framed to finally put to bed this heightened uncertainty.

Senator Murray: Honourable senators, with the greatest respect for my friend, who is a lawyer—and I am not—it is extremely far-fetched to suggest that there is anything in Mr. Justice Stevenson's judgment that in any way casts the slightest doubt on whether Parliament is properly constituted or

whether the laws as passed by Parliament are valid. One need only read the way in which he approached the subject of the right of New Brunswick, as he found it, to an eleventh Member of Parliament to see that that is the case. The Justice called on the government to make arrangements to create an eleventh MP for New Brunswick, and that is where he left off. The fact that he was silent about the validity of laws passed by Parliament and about whether Parliament is properly constituted should not, it seems to me, be interpreted as meaning there was any question remaining on that matter.

However, as I have said, my honourable friend has raised some fine legal points, and I shall ask the Honourable Kim Campbell to make whatever comments she thinks are proper and appropriate to the matter.

Senator Grafstein: Honourable senators, I have one other matter that I should bring to your attention, since the independent senator has raised a question concerning the eight senators. It says at page 17 of the decision of Mr. Justice Stevenson of the Court of Queen's Bench of New Brunswick, which was given on November 20:

> If Parliament fails to promptly devise a method of creating and filling an eleventh seat, the court could be asked to do so.

That is a pretty strong statement, certainly as strong a statement as I have read in decisions directing Parliament and, in effect, the government to take the initiative to proceed promptly.

Senator Frith: Or the court will do it.

Senator Murray: Or the court will be asked to do it.

Senator Grafstein: Mr. Justice Stevenson says, "the court could be asked to do so."

Senator Frith: It means that he would assume jurisdiction.

Senator Grafstein: The decision goes on to say:

> While the court cannot tell Parliament what to do, it is the guardian of the constitutional rights of citizens and will, if necessary, find a way to ensure that those rights are observed.

That is as staunch, strong and powerful a statement as has ever been given by any high court to Parliament.

Senator Murray: Honourable senators, that statement does not cast any doubt whatever on whether Parliament, the House of Commons or the Senate, is properly constituted; nor does it cast any doubt whatever on the validity of the laws passed by Parliament, which was the point my honourable friend was pursuing earlier.

Senator Grafstein: Honourable senators, if one even agrees with the Leader of the Government in the Senate that the decision of Mr. Justice Stevenson is silent and therefore that there is no impropriety or unconstitutionality or *ultra vires* with respect to legislation passed since the eight appointments—and I do not—certainly the question of unconstitutionality or impropriety comes up if Parliament fails to follow a directive of the court which says, "If Parliament fails to promptly devise a method of creating and filling an eleventh seat . . ." In effect the Minister of Justice has said to Parliament, "We are not going to move; we are going to appeal." Certainly, during the period of appeal, the government runs a terrible risk that having received, in effect, a directive from the courts its legislation may not be properly constituted. What happens if the appeal is not granted, say six months hence? What happens with legislation passed by Parliament from November 20, 1990, onward, laying aside the legislation that may be called into question from the date of the appointment of the eight senators? Is it not a terrible risk the government is running?

Senator Murray: Honourable senators, my honourable friend is a wonderful advocate and if I am ever in a really tight corner, I shall retain him.

Senator Olson: Try answering the question.

Hon. Michael Kirby: Honourable senators, my question is for the Leader of the Government in the Senate. Like the Leader of the Government, I am not a lawyer either, but I shall try to ask my question in such a way that he will find it harder to duck away from it by using the argument that he is not a lawyer. My question picks up on the point just made by Senator Grafstein. If honourable senators will read the judgment of Mr. Justice Stevenson, in layman's terms he is essentially making the following point: First he makes the point that New Brunswick is entitled to an extra member of Parliament. He then goes on, by quoting the relevant sections of the Representation Act, 1986, to make it very clear as to why New Brunswick is entitled to an additional member.

My first question to the Leader of the Government in the Senate addresses his comment of a minute ago, that there is no question about the legitimacy or constitutionality of the House of Commons. If, in fact, as Judge Stevenson has ruled, New Brunswick is entitled to one additional MP, and if that MP is elected, it is very clear that at that point all the other provinces are in violation of the Representation Act. Let us apply the formula of that act by which MPs are assigned. You can trust my mathematics if you wish. On the basis of that formula, and that New Brunswick is entitled to one additional Member of Parliament, every province, with the exception of Prince Edward Island, the Yukon and the Northwest Territories, gets additional seats. In fact, the total number of MPs in the House of Commons would increase from its current level of 295 to 373.

Senator Frith: Three hundred and seventy-three?

Senator Simard: Question?

Senator Kirby: Yes, 373.

Senator Simard: Come to the question.

Senator Kirby: I will be delighted to do so. My question to the Leader of the Government in the Senate is: Does he agree that under the circumstances I have described, that the constitutionality of the House of Commons is clearly in doubt. If one accepts that, New Brunswick is entitled to one additional MP.

Senator Murray: Honourable senators, Senator Grafstein referred to exchanges in the House of Commons between the Minister of Justice and various members of that House in which she made the statement that there is no question as to whether the House of Commons is properly constituted. I have not heard from anyone, until this moment, the rather fascinating argument that Senator Kirby has made, but, there again, I would have to ask for a comment from the Minister of Justice and Attorney General of Canada on that matter. He is suggesting that we are in contravention of the Representation Act if Justice Stevenson's decision is upheld and the extra seat is created for New Brunswick. There are a number of hypotheses there, to begin with, and I would like someone in the Department of Justice to take a close look at them before I reply.

● (1510)

Senator Kirby: I would suggest to the government leader in the Senate that my argument is not very sophisticated. It merely says that, if the House of Commons is based on proportional representation, and if you change the number of members from one province, you clearly, by anyone's mathematics, have skewed the proportional representation. You have to adjust all other provinces proportionately. That is all I did, using the stated formula. So it seems to me that you cannot arbitrarily add or subtract MPs from one province without adjusting the others. That is exactly what the Representation Act says, and the Constitution says you cannot do that.

Whether or not the government leader in the Senate accepts my argument, it is clear that there is an element of uncertainty now surrounding the constitutionality of Parliament as a whole, taken as two chambers, the House of Commons and the Senate. It is also clear, in a number of legal minds and people I have talked to since Judge Stevenson's judgment came out, that some element of uncertainty is raised as to the ultimate legality of legislation passed by a Parliament which is no longer properly constituted. In light of that uncertainty, all that we on this side are asking the government to do is to eliminate that uncertainty by expediting this case to the Supreme Court of Canada, since it is going to go there anyway, rather than risking a situation in which a substantial number of bills get passed and then the Supreme Court rules that, in fact, Parliament was not properly constituted and, therefore, the legislation is not legal. I would like the government leader in the Senate to explain why the government is so afraid to take this issue to the Supreme Court and why it will not, in fact, deal with it?

Senator Murray: Honourable senators, we are in court. We are appealing the decision of Mr. Justice Stevenson at the Court of Appeal of New Brunswick. The Minister of Justice and Attorney General of Canada has stated, on her responsibility in the other place, that there is no question at all but that Parliament is properly constituted. Therefore, there is no question in the minds of the government insofar as the validity of legislation passed by this Parliament is concerned. Having said that, if there are additional points that Ms. Campbell should make by way of comment or response to the questions raised by Senator Grafstein and Senator Kirby, I will invite her to do so at an early date.

[Senator Kirby.]

Senator Kirby: I should point out to the government leader in the Senate that he is asking us to accept or to believe a statement from the Minister of Justice when this same Minister of Justice told us, for example, when the eight senators were appointed, that they were appointed as regional senators and that they did not represent a province. Both statements have been repudiated by judges in Ontario and New Brunswick. Given the fact that many of the previous statements made on this issue by the Minister of Justice have been shown to be wrong by judges in the Supreme Court of two separate provinces, I ask the leader why we should accept the glib and simple statement from the Minister of Justice that Parliament is properly constituted?

Senator Murray: Honourable senators, the essential point that has been adjudicated in the cases in Ontario and New Brunswick has been the validity of the appointments of the eight senators under Section 26, and I, as a layman, put the judicial score now at federal government two and Liberal senators zero.

Senator Simard: Right on!

Senator Frith: But we are only half way through the first period.

Senator Kirby: Since the Leader of the Government believes he won the New Brunswick case, may I ask why the federal government is appealing? This is the first time I have heard of the winner of a case appealing the judgment. Would you please explain to us why you are appealing, if you think you won the case?

Senator Murray: Honourable senators, there is one aspect of the decision, having to do with the House of Commons, where we feel, with respect, that Mr. Justice Stevenson is in error and the decision should be appealed, and we are doing so. However, again, he is absolutely unambiguous and categorical in stating that Senator Ross, and by extension the other seven senators appointed under Section 26, were properly and validly appointed.

Senator Kirby: Just so we are clear, honourable senators, since Senator Murray made a comment a minute ago about extending the principle from Senator Ross to the other seven, let me point out that there are two totally separate legal questions. One is whether the New Brunswick appointment is, in fact, constitutional, and the second is whether the process by which all eight were appointed is constitutional. They are two separate questions, and as Senator Murray knows, courts and judges are proceeding to deal with the second question. One cannot conclude, on the basis of the two judgments that have been rendered, that all eight are, in fact, constitutional appointments.

However, I should like to make one final point to Senator Murray. He should look at the experience of the federal Parliament with respect to constitutional issues being challenged, and the historical precedents in circumstances where

the federal government lost a case and decided to appeal. For example, when an attempt was made to repatriate the constitution in 1980 and 1981, the federal government ceased and desisted. It stopped taking any action whatsoever with respect to that constitutional resolution and said it would wait until the Supreme Court had ruled. In light of the fact that the federal government is appealing the New Brunswick decision, and in light of the fact that that decision clearly deals with the question of the legitimacy and constitutionality of the House of Commons, why is the government not following the precedent which has been so clearly established in the past? Under circumstances where a Supreme Court judge in one of the provinces has ruled in a way that the federal government does not regard as acceptable and is therefore appealing, why is the government not ceasing action on Bill C-62 and taking the issue directly to the Supreme Court of Canada, as has happened every other time in Canadian history that the federal government has been left in a position where it lost a court case?

Senator Murray: I am aware, of course, of the precedent of 1981-82. I do not know that that has been the course that has always been followed. Whether it has or has not, the logic of the honourable senator would indicate that we should shut the whole place down because we are appealing one particular aspect of a decision which, frankly, in its essence, was favourable to the federal government's case.

Senator Kirby: Senator Murray knows very well that, when Royal Assent takes place, the reason that the House of Commons comes to the bar of the Senate is that Royal Assent takes place on the clear understanding that both Houses are legally and constitutionally constructed, and that is precisely the issue which comes into doubt as a result of Judge Stevenson's decision. So I ask you again: Why do you not attempt to remove the uncertainty? Clearly, the only answer is that you have to be afraid of the court's answer. The reason you are not going directly to the Supreme Court is because you are going to attempt to jam legislation through in the hope that the court will be afraid to annul legislation that has already passed.

Senator Murray: Well, honourable senators, again, we do not accept the statement that the honourable senator has made to the effect that there is some cloud over Parliament and some question as to whether Parliament is properly constituted—

Senator Bonnell: The judge just told you there was!

Senator Murray: —as a result of that one aspect of a judgment made in the New Brunswick court. We do not accept the senator's contention, for the reasons on which my friend the Minister of Justice and Attorney General may wish to elaborate. Nor do I think it is proper or very fair of the honourable senator, having asked the question as to why we are not making a direct reference to the Supreme Court of Canada, to answer it himself in the most pejorative of terms. I will see if there is a comment or a response that Ms. Campbell wishes to give on that particular question and, if there is, I will bring it in very shortly.

Senator Grafstein: Honourable senators, just one further point on this issue, if I may. To take the logical extension of Senator Kirby's position, is the Leader of the Government and members opposite of the understanding that if, in fact, Mr. Justice Stevenson is correct in requesting an additional seat in New Brunswick, the proportional representation and, indeed, the representation of each of the regions of the country, becomes distorted? The result would be that for Quebec, which has always been very jealous and protective of its representation in the House of Commons, its representation should be increased, not by one, but by in excess of 20, if my calculations are correct. The same applies to my problems. Certainly senators opposite, who have been so zealous in ensuring that their regions are fully and properly represented, should be concerned about the serious cloud on the composition of Parliament.

● (1520)

It strikes me that it is not fair or appropriate for the Leader of the Government in this place to take a cavalier attitude toward this issue, as did members opposite whenever we raised this issue since the session commenced. Now we have a serious cloud that affects not only members opposite, but all members in terms of their regional representation in the House of Commons. If that is out of whack, everything we do here may be called into question. Surely members on both sides, especially Senator Beaudoin and others who are constitutional experts, are as concerned about this particular issue as the courts.

Senator Murray: Honourable senators, I hardly think it is cavalier of me to undertake, as I have done, to see whether there is an official statement that the chief law officer of the Crown wishes to make in response to the points that have been raised by my friends opposite.

Senator Grafstein: Would the Leader of the Government undertake to keep these issues in question in mind and, at the earliest possible moment, advise this place what the response of the Minister of Justice is to these questions? I think it is important that we have some degree of understanding as quickly as possible as to the government's position.

Senator Murray: Honourable senators, I am sure that Ms. Campbell will provide me with any statement or information she properly can on those points at this time. Meanwhile, it is only fair to note that she appears daily in the House of Commons for Question Period, where members of Parliament have an opportunity to put these same questions and others to her.

Senator Olson: But we don't! We have to ask you!

Hon. Paul Lucier: Honourable senators, the minister said several times that the government does not accept the New Brunswick court ruling as it affects the House of Commons. You have been clear on that, and I understand that. Why are you so quick to accept, without reservation, the other part of the ruling of the same court? You seem to be saying that there is absolutely no question about the eight senators, because that is what the New Brunswick court said.

Senator Murray: And the Ontario court, too.

Senator Lucier: Which can still be appealed.

Senator Murray: It is being appealed and so can the New Brunswick decision.

Senator Lucier: What I want to know is why are you so clearly accepting one half of the judgment and not accepting the other half? Why are you going in two different directions? Same court, same judge, two different things.

Senator Hébert: Same answer.

BUSINESS OF THE SENATE

DELAY IN RESPONSE TO QUESTIONS—GOVERNMENT POSITION

Hon. Lorna Marsden: Honourable senators, the Leader of the Government has said several times in this most recent exchange that he will bring in a response from the minister at an early date, and it is that aspect I would like to ask him about now. On September 26 I asked a question concerning the events in Oka, which were then in progress. Every day we read more about questions that are being raised as a result of the events this summer. Two days ago I had a response to that question, which was that this question was overtaken by events. It took two months to get a non-response to a question on which a great deal more substance would have been appreciated.

On November 6 I asked a question concerning copyright and the current misunderstandings and anxieties that have been raised by the lack of response on copyright. Yesterday I asked a question about a study for which Professor Michael Porter is being paid $1 million and about the federal contribution to that.

I would like the Leader of the Government in the Senate to tell us how his response to questions is now being organized. Can I, in particular, expect to get an answer to the copyright question before two months have passed? I am receiving letters on the subject every single day.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): I will do my best, honourable senators. The other day I had a box score as to how many questions we had answered and how many remained pending within the hands of various ministers and departments. I think our record is still good, but I appreciate the point the honourable senator has raised about her question on copyright, and I will do my best to get a reply soon. In fact, I will make a special inquiry.

Senator Marsden: I appreciate that. My criticism is not that the questions are not answered, but they take a great deal of time to be answered, and, in some cases, are non-responses.

Hon. Colin Kenny: Honourable senators, I have a question along the same lines. On page 3259 of the *Senate Debates* of October 26, I asked a question relating to oil spills in Canadian waters. My question was:

> Honourable senators, I have a question for the Leader of the Government in the Senate. A year ago September the Interim Report of the Public Review Panel on Tanker Safety and Marine Spills Response Capability was issued. The report, as senators will recall, was very critical of Canada's capability to prevent and clean up spills, and there were problems with outdated vessel tracking technology. There was an un-updated and incomplete inventory of Canada's equipment to clean up spills.
>
> Since the Senate will be discussing Hibernia today, in the chamber, could the Leader of the Government advise us when the final report, which it was announced was due last December, will be forthcoming? Could he explain also why there has been such a long delay in the issuance of that final report.

On November 20, page 3866, Senator Doody replied:

> I have the response to a question raised in the Senate on October 26, 1990, by the Honourable Colin Kenny, regarding The Environment—Oil Spills in Canadian Waters—

etcetera. The reply was as follows:

> I wish to table the Interim Report of the Public Review Panel on Tanker Safety and Marine Spills response capability, as requested by the Honourable Senator.

The Interim Report was tabled a year ago. It was in the question I put to you. Thank you. You have tabled it again. The question was: When are you going to table a final report? I thought my question was very clear. The second part of it was: Why is it taking so long? Does anyone read the answers that you table?

Senator Murray: Honourable senators, yes, usually. I am sorry if there has been a problem with that particular question—or, rather, with the particular answer. I shall make new inquiries of the minister of the department concerned and attempt to satisfy the honourable senator with a proper and complete reply.

Senator Kenny: If you are making inquiries, on September 27 I asked 25 questions on the order paper about terrorism and public safety. On October 3 I asked eight questions about oil spills. On October 4 I asked 25 more questions about conservation and alternative energy research. Do you have any idea when we are likely to receive answers on these questions?

Senator Murray: I shall make inquiries, honourable senators.

GOODS AND SERVICES TAX

MEMBERS APPOINTED TO THE COUNCIL OF THE GST CONSUMER INFORMATION OFFICE—REMUNERATION AND EXPENSES—GOVERNMENT POSITION

Hon. Keith Davey: Honourable senators, I am confused about a document I received on my desk, perhaps this morning, about the GST Consumer Information Office. On the second page it says ten new members were appointed, and that they will assist the chairperson, the vice-chairpersons and the chief executive officer. These people were appointed on June 12, 1990.

I have a series of questions. First, how many members were appointed on June 12, 1990?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): I am sorry, I have no idea, honourable senators. I would have to inquire.

PAYMENT FOR ACTIVITY—GOVERNMENT POSITION

Hon. Keith Davey: Obviously there were some. I would like to find that out. Are the ten new members paid for their activity?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Again, honourable senators, I would have to inquire.

Senator Davey: I would like to know if they are paid, how much they are paid and what their travel expenses are.

● (1530)

I am also a little confused. At page 2 it says the office was set up to inform people of the foreseeable impact of the GST on the price of goods and services. Then it says it is an independent organization. On page 1 it says:

> The Minister of Consumer and Corporate Affairs, Peter Blais, today announced the appointment of ten new members . . .

That does not sound to me like an independent organization. I am merely looking for advice. Is the GST Consumer Information Office an independent organization?

Senator Murray: Honourable senators, that is the intention, but as with all such agencies some minister has to take responsibility before Parliament for them. I will have to inquire as to what the legal authority was for setting up that office and exactly what its relationship is to the Minister and Department of Consumer and Corporate Affairs.

Hon. Royce Frith (Deputy Leader of the Opposition): Honourable senators, just before we leave Question Period and the question of the court cases and appeals, may I offer a brief, perhaps edifying comment? It is a story about George Walsh, a very famous lawyer in Toronto who eventually became a judge, as did his son, who is still a judge as far as I know.

George Sr. was very famous for quick-witted responses. On one occasion he is reported to have been before the court of appeal in Ontario where he had three appeals in a row. He argued the first appeal and when it was finished the next case was called and he stood up and argued that appeal. The next case was called and he stood up again. One of the judges asked him, "Mr. Walsh, do you appeal all your cases?" to which Mr. Walsh replied, "No, My Lord, only the ones I lose."

ANSWER TO ORDER PAPER QUESTION TABLED
OFFICIAL RESIDENCES COUNCIL
CANADIANA FUND

REMUNERATION OF MEMBERS

Hon. C. William Doody (Deputy Leader of the Government) tabled the answer to Question No. 61 on the Order Paper—by Senator Marshall.

DELAYED ANSWERS TO ORAL QUESTIONS

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I have four delayed answers to questions, and I ask that they be printed as part of today's proceedings.

CITIZENS' FORUM

TERMS OF REMUNERATION OF CHAIRMAN AND COMMISSIONERS—REQUEST FOR TABLING

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I have a delayed answer to a question raised on November 7, 1990, by the Honourable George van Roggen, regarding Citizens' Forum—Terms of Remuneration of Chairman and Commissioners—Request for Tabling.

(*The answer follows:*)

> As I informed honourable senators the other day, Mr. Spicer is paid at the same rate as he was as Chairman of the CRTC—the position from which he has taken leave of absence in order to chair Citizen's Forum.
>
> I have been informed that the pay range for Mr. Spicer's level—referred to technically as GIC 10—is in the range of $124,400 to $151,300.
>
> I have also been informed that the other members of the Citizen's Forum panel, whose responsibilities, unlike those of the Chairman, will be part-time, are remunerated on a per diem basis in a range of $450 to $600.

CITIZENS' FORUM

TRANSCRIPTION OF PROCEEDINGS—AVAILABILITY TO SENATE

Hon. C. William Doody (Deputy Leader of the Government): I have the response to a question raised in the Senate on November 13, 1990, by the Hon. Raymond J. Perrault, regarding Transcription of Proceedings—Availability to Senate.

(*The answer follows:*)

> I am informed that there is no official transcript of Mr. Spicer's informal meetings with residents of Tuktoyaktuk and Inuvik.
>
> I understand that these meetings were primarily intended to inform residents of Tuktoyaktuk and Inuvik about Citizen's Forum, and to give them an opportunity to meet the Chairman. Other meetings, which will be part of the actual Forum dialogue, will follow later.

AGRICULTURE

MAJOR SALE BY CANADIAN WHEAT BOARD—REQUEST FOR DETAILS

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I have a response to a question raised in the Senate on November 15, 1990, by the Hon. H.A.

Olson, regarding Agriculture— Major Sale by Canadian Wheat Board— Request for Details

(*The answer follows:*)

As indicated in the response to the honourable senator's question of November 8, 1990, details of sales are not released by the Canadian Wheat Board nor indeed by the government. The only information available on recent Canadian Wheat Board sales consists of an indication by the Board on November 16, 1990 to the effect that several million tonnes of grain were sold to the Soviet Union. The Board has later confirmed that these sales included wheat, durum and barley. No other details are available.

AGRICULTURE

DELIVERY OF INITIAL QUOTAS

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I have a response to a question raised in the Senate on November 15, 1990, by the Hon. D.G. Steuart, regarding Agriculture—Delivery of Initial Quotas.

(*The answer follows:*)

Information regarding the percentage of farmers able to deliver their initial quota is not available in that form. The Canadian Wheat Board reports, however, that as of November 21, 1990, approximately 80-85 per cent of the wheat and durum from the initial 1990/91 quota has been delivered and that approximately 55 per cent of the barley from Series A contracts and the A quota have been delivered.

As a result of the Canadian Wheat Board's ongoing sales efforts, there will be very good grain movement from now through to the end of February.

Delivery opportunities for western Canadian grain producers have increased greatly in recent days. The Canadian grain industry is now in a good position this crop year to exceed exports that were achieved in the last crop year.

• (1540)

GOODS AND SERVICES TAX

PRESENTATION OF PETITIONS ON BILL C-62

Hon. Colin Kenny: Hounourable senators, I have in my hands a petition from the Peterborough area. It is from a group of people who are upset with the goods and services tax. They refer to themselves as "IRATE Citizens". "IRATE", I am told stands for "I am rebelling against tax excess". These people are principally from the Peterborough area.

(*Names of signatories read*)

Senator Simard: Could you speed it up a little bit, please? Would that be too much to ask?

Senator Frith: Yes, it is too much to ask. Our experience has been that you are very slow learners, so Senator Kenny is trying to accommodate you.

[Senator Doody.]

Senator Kenny: I am doing my best; however, I fear I have lost my place so I should go back.

(*Names of signatories read*)

Senator Simard: I have a question for the senator. I understand Liberal senators are outside reading names of people from New Brunswick. Do we have the "B" team inside here and the "A" team outside?

Senator Kenny: This is the first team speaking. We don't hit home runs, we hit singles.

Senator Doody: You better start again, I have lost the thread.

Senator Kenny: Thank you, Senator Doody. I find it difficult to get to the top of the page but I will get there.

(*Names of signatories read*)

Senator Petten: Is that the same Peterborough where there is a bridge which goes up and down?

Senator Kenny: Honourable senators, there seems to be some uncertainty about this petition. It is from a group of people who are very unhappy with the GST. It is from the Peterborough area, where there is a boat lift that goes up and down. It is from a group of citizens who refer to themselves as IRATE. I am told that IRATE stands for "I am rebelling against tax excess."

(*Names of signatories read*)

• (1550)

Senator Simard: Would you like a pill or something to cheer you up?

Senator Kenny: I am sorry?

Senator Simard: Do you need a pill to cheer you up?

Senator Kenny: You made me lose my place again. I shall have to go back to the top of the list.

Senator Simard: We could arrange to give you a vitamin B12 or something.

Senator Kenny: I was nearing the bottom of the petition and I was very close to tabling it, but I feel obliged to start again. Where were we?

Senator Kinsella: Eva Smith, Rural Route No. 4, Lakefield, Ontario.

Senator Kenny: Who?

Senator Kinsella: She is just before Marie Fish, 17 Stewart Street, Peterborough.

Senator Kenny: You must be reading from a different petition.

Senator Kinsella: I am reading from notes I took on what you were reading.

Senator Kenny: I will read my petitions, and you can read your petitions.

Senator Frith: In fairness, let us give Senator Kinsella a few points for listening.

Senator Kenny: I am sorry.

Senator Frith: Won't you give him any points?

Senator Kenny: I have lost my place and I feel obliged to go back to the top of the list.

Senator Simard: Even Senator Robichaud is not listening.

Senator Robichaud: Sure I am, but I can do two things at the same time.

Senator Kenny: I take a certain comfort in knowing that Senator Simard is listening. I am relieved to know that he is with me and that I have him in the palm of my hand. In any event, I shall have to start again.

This is a petition from a group of citizens who are upset with the goods and services tax. They are exercising their right to petition Parliament, and they refer to themselves as IRATE Citizens and IRATE, I am told, stands for "I am rebelling against tax excess." The first name at the top of the list is:

(*Names of signatories read*)

Senator Perrault: Don't rush now.

Senator van Roggen: Not too quickly, now.

Senator Kenny: I am sorry?

Senator Doody: You have lost his place again.

Senator Kenny: I would ask honourable senators to please bear with me. It is a difficult task but someone has to do it.

Senator Doyle: You are doing very well.

Senator Kenny: Thank you, Senator Doyle. That is the first kind word you have passed my way in some time.

Honourable senators, I have here a petition from the people in the Peterborough area who are unhappy with the goods and services tax, and they are exercising their right to petition Parliament. They are members of a group called IRATE Citizens. "IRATE" stands for "I am rebelling against tax excess." The first name on the list is:

(*Names of signatories read*)

• (1600)

That completes the 27 names on this particular petition.

I have here, honourable senators, another petition containing 27 names. These are people from the Peterborough area and they are exercising their right to petition Parliament. These people are very unhappy with the proposed goods and services tax. They feel it is unjust and they would like the Senate of Canada to do what it can to stop the tax from going forward. They belong to a group called IRATE. I am told that IRATE stands for "I am rebelling against tax excess."

(*Names of signatories read*)

Senator Lewis: Could I ask a question?

Senator Kenny: Certainly.

Senator Lewis: Is the name Rushton the same as the author's name?

Senator Kenny: It could be, although the address may not be the same. I don't think the author's address is known at this time.

Senator Lewis: I am sorry to have interrupted. I did not want to put you off.

Senator Kenny: That is all right. That is the top name on the list.

Senator Kinsella: Senator Kenny, perhaps it would be helpful for the honourable senator to note that that Rushton lives in Peterborough, Ontario, and so he is obviously not the author, who is living in the United Kingdom.

Senator Frith: That author's name is Rushdie.

Senator Kenny: It is possible, since we don't know where the author is staying now, that on this particular occasion he could have been at that location. That may not have occurred to honourable senators.

Senator Frith: Perhaps we should give a Notice of Inquiry.

Senator Simard: Order, Senator Frith. Order, please. Don't filibuster your own member. Show some discipline.

Senator Frith: You think this doesn't take discipline?

Senator Petten: Well said.

Senator Kenny: It occurs to me we may have lost track of where we are. I feel obliged to remind honourable senators that we are reading petitions. I have a petition here from some citizens in the Peterborough area who are unhappy with the goods and services tax, and they are exercising their right to petition the Senate in the hope that we will stop this tax from coming forward.

(*Names of signatories read*)

• (1610)

I have the name of E. Fawm, 27 Scriven Boulevard, Port Hope. Then I have Leah Evan from Smiths Falls, Ontario.

Senator Cools: I think Senator Kenny is reading too quickly.

Senator Frith: Senator Cools says you are reading too quickly, and I say it is a long way from Port Hope to Smiths Falls. It is approximately seven stops on VIA.

Senator Kenny: It is. It is far enough to force me back to the top of the petition if we are not careful.

Senator Frith: You will not have any trouble with me.

Senator Kenny: You will have to bear with me. I am doing my best.

(*Names of signatories read*)

That concludes the 27 names on this petition.

Honourable senators, I have here a more substantial petition with 50 names on it. It is from people in the Peterborough area who are upset with the goods and services tax. They are members of a group that calls itself IRATE Citizens. I am told that IRATE stands for "I am rebelling against tax excess." These folk are also from the central part of eastern Ontario.

(*Names of signatories read*)

I have only two more names on this petition.

● (1620)

Senator Ottenheimer: That is interesting.

Senator Kenny: Well, I can start over if necessary.

(*Names of signatories read*)

I will have more petitions at a later date.

Hon. Jerahmiel S. Grafstein: Honourable senators, I have the privilege to present a petition from the City of North York, which in October endorsed a unanimous resolution requesting that the government reject the goods and services tax or defer its implementation. This resolution bears brief recitation. It is important—indeed, compelling. It states:

● (1630)

> WHEREAS the Federal Government is determined to impose its Goods and Services Tax despite the public outcry;
>
> AND WHEREAS it is widely believed that public opinion has swelled to 80% of Canadians opposed to the G.S.T.;
>
> AND WHEREAS Canadian taxpayers feel as though they are being taxed to death;
>
> AND WHEREAS North York taxpayers and the Corporation of the City of North York will be adversely impacted by the G.S.T.;
>
> AND WHEREAS the Federal Government will be spending over $260 million in 1990-91 alone for salaries and promotion to implement the G.S.T. which is an outrageous waste of our tax dollars;
>
> AND WHEREAS the Country is on the verge of a serious and deepening financial recession which will be seriously aggravated by this untimely tax;
>
> THEREFORE BE IT RESOLVED that North York Council inform the Federal Government and the Prime Minister's office that it strongly opposes the implementation of the Federal Goods and Services Tax at this time;
>
> AND BE IT FURTHER RESOLVED that the Clerk forward North York Council's Resolution to all 4,400 municipalities in Canada as quickly as possible and urge all municipal councils to endorse our Resolution and voice their concern in the strongest terms possible to the Prime Minister and Federal Members of Parliament;
>
> AND BE IT FURTHER RESOLVED that the Clerk request all the municipalities to provide North York with a copy of their Council's Resolution respecting the G.S.T. and the date on which it was sent to the Federal Government;
>
> AND BE IT FURTHER RESOLVED that the Federal Government be requested to take the necessary action, including the substantial cutting of Government programs, to eliminate the Federal deficit and thereby eliminate the need for this new and burdensome tax.

There is attached to this resolution an endorsement by the rural municipality of Kindersley, Saskatchewan, signed by Mr. Empey, the Administrator. This resolution was moved by Messrs. Lastman and Yuill, the mayor and senior councillor of the City of North York.

As honourable senators will recall, I represent metro Toronto. The City of North York is one of the great cities that compose the family which in turn makes up Metropolitan Toronto. This resolution is of importance to me and to other senators present since some senators not only represent the same region but also live in the area. I believe that Senator Stanbury resides in North York. My mother who for years lived in London, Ontario, is now living in North York. A large number of my family live in North York. All of them have said to me in the course of the past few months that we, as senators, should do all in our power to bring the wishes of these hard working citizens and taxpayers to the attention of the Senate and, hopefully, to the Government of Canada, to reject the GST.

I started my political career in North York in the riding of York Centre. At the time, Senator Stanbury was the President of the York Centre Riding Association. The candidate, who was later elected, was the late and very distinguished James Walker who became the whip of the Liberal federal caucus and who was beloved by members on all sides. North York is a place of special importance to me since, when I first got married, I resided in that area for several years. Part of my law training took place within the confines of North York.

I think it is important, honourable senators, to note that this is not a partisan resolution of the City of North York. The City of North York is composed of members of all parties—Conservatives, Liberals and the New Democratic Party. It is a telling point that members of all parties at the municipal level have combined in a unanimous fashion to plead with the federal government in light of the economic circumstances and the concern taxpayers have with the rise in taxes to suggest that this tax be deferred.

In recent days we have had some very disturbing news from metro Toronto. It is that wage rates are now higher in the greater metropolitan Toronto area for the first time than wages in equivalent communities in the United States.

In addition, the further disturbing news is that taxes, real estate, municipal or provincial, are now causing inflation. This makes it very difficult for citizens to respond to the request of the Central Bank to curb their inflationary impulses when the problem, as we currently see it in Canada which is causing the cost push, is not because of the efforts, the ambitions or greed of individual taxpayers but is due to inflation caused by taxes imposed by various levels of government.

As we consider third reading of this bill are honourable senators opposite concerned with economic policy and with introducing the appropriate economic measures that would bring economic health back to the economic body politic of Canada? Clearly, they must keep in mind the fact that the Minister of Finance and the Governor of the Bank of Canada are impressed by the notion that the GST rather than dimin-

ishing inflation will add yet another cost push to feed the monster inflation they are trying to curb.

One of the largest cities in Canada, the City of North York, is now in the throes of a serious economic recession. It is pleading with the Senate, and with the government, that the GST, a government-made measure, be deferred. I do not know how one can react in a neutral way to this resolution. I do not know how honourable senators opposite, including those recently appointed to represent the region of the province of Ontario, can stand in their place to vote for this measure when there appears to be near unanimity on the part of the populations and the public which they represent and who admonish them to defer this rather monstrous economic measure which will so undermine the economic health of the communities that have made Canada such a great place.

I should point out that the other disturbing news from Metropolitan Toronto this week which should be of concern to senators on all sides, is the dramatic increase in crime. For the first time we see figures on Metropolitan Toronto that robberies and break-ins are increasing at such an alarming rate that the municipality of Metropolitan Toronto is now being called upon to increase its police budget. Surely there is a direct connection between economic recession and civil unrest and crime in the streets.

● (1640)

We in greater Metropolitan Toronto have always been proud of the fact that our city was safe and sound and worked. Clearly this economic recession is ripping and destroying the good foundations that have made Toronto such an important engine of growth, not only for Ontario but for all of Canada. These figures represent horrible, awesome signals. They are directly related to the economic circumstances by which Canadian taxpayers have become victims of their government, and that is why they are imploring governments to reverse the trend. Surely if the government does not look at these economic factors, if the Minister of Finance, who represents an area of Metropolitan Toronto, does not understand these circumstances and if the Bank of Canada does not understand that this bill directly increases the tax load, costs and burden of Canadians, and that it will result in further civil unrest, then they are misleading themselves and they are misleading the public.

So I implore honourable senators to take this unanimous resolution of the City of North York into consideration. We in Toronto have a growing problem, and I think the same situation is reflected in other parts of the country as well. Surely we cannot leave this situation as it is without doing everything in our power to try to correct it as quickly as possible.

The GST will harm the hoped-for and anticipated economic revival of Metropolitan Toronto, Ontario and the rest of Canada. So, with all the persuasion that I can bring to bear, I would ask honourable senators, particularly those opposite, who share the same statistics as I do and, I am sure, share the same concerns, to look at these issues and the nature of this civil unrest. I am sure that honourable senators opposite will be able to divine for themselves the cost of civil unrest that inflates the budgets of the municipalities and the provinces, and that should be borne in mind as they try to increase yet another tax that will accelerate the vicious cycle of more tax, more unrest, more problems, more tax. Let us kill that cycle by rejecting the GST.

Hon. P. Derek Lewis: Honourable senators, I have the pleasure of presenting a few petitions that have been received from the good people of Newfoundland. I have one here dated November 2. The petition is to the Senate and it is calling on the Senate to do what it can to stop the Goods and Services Tax being imposed. It goes on to say:

> Whereas the implementation of this tax will constitute an unprecedented assault on the income of the Canadians, not only by forcing them to pay higher taxes, but also by confronting them with a rise in inflation, interest rates and unemployment.

(*Names of signatories read*)

Senator Bonnell: Is Marystown a shipbuilding town?

Senator Lewis: Marystown has a shipbuilding yard where they hope to do a lot of work in prepararing the ships for the Hibernia oil field.

Senator Bonnell: Is there any chance that they might build a new ferry for Prince Edward Island?

Senator Lewis: If you are in the market, I would be glad to find out to whom you should address the inquiry.

Senator Bonnell: Would you have any financing to back it up?

Senator Lewis: I might put in a dollar.

Senator Petten: I will put in another dollar.

Senator Lewis: The rest will have to come from P.E.I., but any work that we get would be very helpful to the Marystown shipyard.

Senator Bonnell: Perhaps we could contact the Department of Transport to see if they will build a new ship to run between Tormentine and Borden and Caribou and Wood Island.

Senator Lewis: That would be fine, and we would be glad to have the work. Unfortunately, Senator Bonnell has made me lose my place.

(*Names of signatories read*)

He is from Saint Lawrence where the fluorspar mine is.

Senator Petten: Is that mine still operating?

Senator Lewis: Yes.

Senator Bonnell: What kind of mine is that?

Senator Lewis: Fluorspar. I believe it is used in making steel and iron, but I suggest that you go and look it up. The fluorspar used to be shipped from Saint Lawrence to North Sydney.

(*Names of signatories read:*)

● (1650)

Honourable senators, I have another petition with 28 names on it. This is from various places in Newfoundland. It is quite

surprising that they are not all from the same area. This petition is on the subject of the proposed national goods and services tax, and although it probably should not be read in full, since it is very short I will read it:

> The undersigned, your petitioners, humbly pray and call upon the Senate to prevail on the Government of Canada to stop the introduction of the proposed goods and services tax.

(*Names of signatories read*)

Honourable senators, I have another short petition here containing 27 names. This petition is on the subject of the proposed national goods and services tax. These petitioners are calling upon the Senate to prevail on the Government of Canada to stop the introduction of the proposed goods and services tax.

(*Names of signatories read*)

● (1700)

I would ask that these three petitions be tabled. Thank you very much, honourable senators.

Hon. Lorna Marsden: Honourable senators, I have many petitions from the citizens of the province I represent in this chamber, all of whom petition the Senate to defeat what they called the Conservative goods and services tax.

(*Names of signatories read*)

I have another petition with the same message to all senators, to defeat this tax.

(*Names of signatories read*)

I have another petition with the same message to senators.

(*Names of signatories read*)

I have another petition.

(*Names of signatories read*)

● (1710)

We hope our friends opposite are listening to this. I have another petition from Toronto.

(*Names of signatories read*)

I have one last short petition on the same subject. It contains only seven names.

(*Names of signatories read*)

I would like to table these petitions, honourable senators, in the hope that our friends opposite are listening to the voices of all the Canadian people. We have hundreds more of these from people who are protesting this tax.

Hon. Stan Waters: Honourable senators, I, too, have petitions I would like to read into the record, largely from Albertans and British Columbians, but westerners generally. They contain the same cry: Please, we humbly pray and prevail upon the Senate to stop the GST. The first ones I will read are from Bow Island in Alberta.

(*Names of signatories read*)

● (1720)

The next petition is also from residents of Bow Island, as well as from residents of Saskatchewan and Medicine Hat.

[Senator Lewis.]

(*Names of signatories read*)

Again, I have another long list of names from Alberta. Virtually all of them are from Medicine Hat, Bow Island Or Pincher Creek. All of these people object to the GST and are asking the Senate to stop it.

(*Names of signatories read*)

When I see all the names of petitioners from the province I represent, I am sure that many named here voted for me in my election to the Senate. Therefore, I feel compelled to draw to honourable senators' attention the very great need to get my amendment on the floor as soon as we finish the vote on the eighth Liberal amendment. These petitioners would expect no less.

● (1730

Some Hon. Senators: Hear, hear.

(*Names of signatories read*)

It is especially important to me when I read the names of Albertans who are begging us to stop the GST, demanding to take some action to stop this iniquitous bill.

An Hon. Senator: Order.

Senator Waters: There is a chance that I may not get the floor to introduce my amendment. I want to urge the Speaker to notice where I am standing and to recognize that I will be standing here again at the conclusion of the vote. I expect to be recognized and to have an opportunity to introduce my amendment.

Some Hon. Senators: Hear, hear!

Senator Cogger: It is 5.45 p.m.

Senator Frith: Do I understand that Senator Waters is raising a question of privilege?

Some Hon. Senators: No.

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE ACT
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMEND—THIRD READING—MOTION IN AMENDMENT NEGATIVED

The Hon. the Speaker: Order please. Honourable senators, it is 5.45 p.m. Pursuant to Provisional Rule P-3.(a), the Senate shall proceed to the deferred division on Senator MacEachen's motion in amendment to Bill C-62.

Honourable senators, it is moved by the Honourable Senator Kelly, seconded by the Honourable Senator Beaudoin, that Bill C-62 be now read the third time.

In amendment, it is moved by the Honourable Senator Perrault, for the Honourable Senator MacEachen, seconded by the Honourable Senator Stanbury, that Bill C-62 be not

now read a third time but that the Bill be amended to provide for four categories of tax rates and to grant tax-free status to books, children's clothing and non-prescription drugs,

(1) on page 65, by striking out lines 43 and 44 and substituting the following:

"equal to

(a) 7 % of the value of the consideration for the supply if the supply is not set out in Schedule VIII, or

(b) such percentage of the value of a supply as is set out in Schedule VIII in respect of that supply.";

(2) on page 131, by striking out lines 30 to 32 and substituting the following:

"Canada a tax equal to

(a) 7 % of the value of the consideration of the supply if the supply is not set out in Schedule VIII, or

(b) such percentage of the value of a supply as is set out in Schedule VIII in respect of that supply.";

(3) on page 343, by adding immediately after Schedule VII the following:

"SCHEDULE VIII

1. A supply of a passenger automobile with a retail value of $40,000.00 or more but not in excess of $50,000.00 ..... 10%;
2. A supply of a passenger automobile with a retail value in excess of $50,000.00, but not in excess of $60,000.00 ..... 15%;
3. A supply of an item of clothing with a retail value in excess of $1,000.00 ..... 20%.
4. A supply of a passenger automobile with a retail value in excess of $60,000.00 ..... 20%;
5. A supply of an item of jewellery with a retail value in excess of $3,000.00 ..... 20%;"

(4) on page 342, by adding to Schedule VI, and numbering accordingly, new Headings and Parts as follows:

"BOOKS

1. A supply of books.

CHILDREN'S CLOTHING

1. a supply of clothing and shoes designed primarily for children 16 years of age and under.

NON-PRESCRIPTION DRUGS

1. A supply of non-prescription drugs."

Please call in the senators.

• (1740)

Let the doors to the chamber be locked.

Motion in amendment negatived on the following division.

YEAS

THE HONOURABLE SENATORS

Adams	Leblanc
Austin	(*Saurel*)
Bonnell	Lefebvre
Bosa	Lewis
Buckwold	Lucier
Cools	MacEachen
Corbin	Marsden
Davey	Molgat
De Bané	Neiman
Denis	Olson
Fairbairn	Perrault
Frith	Petten
Gigantès	Riel
Grafstein	Robichaud
Graham	Sparrow
Haidasz	Stanbury
Hastings	Steuart
Hays	Stewart
Hébert	Stollery
Kenny	Thériault
Kirby	Turner
Kolber	van Roggen
Lawson	Waters
LeBlanc	Watt
(*Beauséjour*)	Wood—48

NAYS

THE HONOURABLE SENATORS

Atkins	Cochrane
Balfour	Cogger
Barootes	Comeau
Beaudoin	David
Beaulieu	DeWare
Bélisle	Di Nino
Berntson	Doody
Bolduc	Doyle
Buchanan	Eyton
Carney	Forrestall
Castonguay	Grimard
Chaput-Rolland	Hatfield
Charbonneau	Johnson

NAYS

THE HONOURABLE SENATORS

Kelleher	Oliver
Kelly	Ottenheimer
Keon	Phillips
Kinsella	Poitras
Lavoie-Roux	Robertson
Lynch-Staunton	Roblin
Macdonald (*Cape Breton*)	Ross
	Rossiter
MacDonald (*Halifax*)	Simard
	Spivak
Macquarrie	Sylvain
Marshall	Teed
Meighen	Tremblay—53
Muir	
Murray	
Nurgitz	

ABSTENTIONS

THE HONOURABLE SENATORS

Nil

The Hon. the Speaker: I declare the motion in amendment negatived.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators—

Hon. Royce Frith (Deputy Leader of the Opposition): It is after 6 o'clock—

Senator Murray: —I move that the orginal—

Senator Frith: —and the Speaker must leave the Chair.

Senator Murray: —question be now put.

Hon. Gildas L. Molgat: I move that under Rule 26—

The Hon. the Speaker: The rules here say that I have to order—that the Orders of the Day shall now be called.

Hon. Raymond J. Perrault: So this is your next stunt! It's absolutely disgusting!

The Hon. the Speaker: I am calling for Orders of the Day—

Senator Perrault: You're a disgrace! What's wrong with you people? You're all a bunch of crooks!

The Hon. the Speaker: —which is what the rules say.

Senator Molgat: If he wants to call Orders of the Day, all right, call Orders of the Day, and anyone who wants to get up and speak—

• (1800)

Senator Frith: It is 6 o'clock! Rule 12 requires you to leave the Chair!

[The Hon. the Speaker.]

Some Hon. Senators: Order! Order!

Senator Frith: You cannot stay in the Chair. It is after 6 o'clock, and you cannot stay in the Chair. Come back at 8 o'clock.

THIRD READING—MOTION IN AMENDMENT

Hon. Stan Waters: Honourable senators, I move, seconded by Senator Lawson: That Bill C-62 be not now read a third time but—

Some Hon. Senators: Sit down! Order!

Senator Waters:

—that it be amended to become effective in 1992 instead of 1991 as presently provided in the Bill and, to that end, that the necessary consequential changes be made to the various clauses of the Bill, as more particularly set out hereunder:

(1) on page 2, in line 27, by striking out "1991" and substituting "1992".

Some Hon. Senators: Hear, hear!

Senator Waters:

(2) on page 3,

(a) in line 25, by striking out "1990" and substituting "1991",

(b) in line 33, by striking out "1990" and substituting "1991".

Some Hon. Senators: Order! Order!

Senator Waters:

(3) on page 4,

(a) in line 40, by striking out "1990" and substituting "1991",

(b) in line 44, by striking out "1990"—

An Hon. Senator: The sound has been cut off. I cannot hear Senator Waters.

At 9:30 p.m. the sitting of the Senate was resumed.

BUSINESS OF THE SENATE

Hon. Royce Frith (Deputy Leader of the Opposition): Honourable senators, I now make the motion to adjourn. This motion is made under Rule 46. Two rules apply. Under Rule 46:

No notice is required of the following motions:

(f) for the adjournment of the Senate, while a matter is under discussion;

I think most honourable senators will agree that the matter is very definitely under discussion.

Then, we have to turn to Rule P-3(e) which says:

In cases not provided for in these Provisional Rules any division requested pursuant to Rule 49(3) may be deferred for a period not to exceed 24 hours whereupon

> the Senator then in the Chair shall order the bells to call in the Senators to be sounded and the same shall continue until the Government and Opposition Whips have entered the Chamber and indicated to the Senator then in the Chair that they are ready to proceed to the taking of the vote, but in any case the said bells shall be sounded for not more than 30 minutes, whereupon the vote shall be taken.

Now let us just review. In the first place, of course, that question must be put right away.

Senator Doody: There is a question already on the floor.

The Hon. The Acting Speaker: Honourable senators, honourable senators, order! order!

Senator Perrault: It has not been put. No question has been put.

The Hon. The Acting Speaker: Order, order, order. As acting speaker, I rule the motion out of order because, having been in this chamber previously, I heard another motion put, that being the motion of Senator Murray.

• (2140)

Some Hon. Senators: Hear, hear!

Senator Frith: You ruled it out of order before you heard any debate at all, did you?

Senator Wood: She is out of order!

Senator Perrault: She has made a ruling without any debate! There is no debate anymore.

POINT OF ORDER

Hon. Allan J. MacEachen (Leader of the Opposition): Honourable senators, I should like to raise a point of order on what appears to be a ruling by the Chair—

The Hon. the Acting Speaker: Order!

Senator MacEachen: —which flies in face of the facts—

The Hon. the Acting Speaker: Sit down!

Senator MacEachen: —and which goes to the root of the problem that we are facing at the moment. It appears to me that what has happened since six o'clock is that the occupants of the Chair have failed to observe normal events in the Senate because the present incumbent is telling us—

An Hon. Senator: You stormed the Chair! You want mob rule!

Senator MacEachen: —that there is a motion before the Senate.

An Hon. Senator: Hear, hear!

Senator Murray: Who stormed the Chair?

An Hon. Senator: Hear, hear!

Senator MacEachen: There is no motion before the Senate.

An Hon. Senator: Sit down!

Senator MacEachen: There is no motion before the Senate.

An Hon. Senator: Yes, there is.

Senator Frith: What is it? No motion has been put.

Senator MacEachen: Let us review the sequence of events.

Senator Doyle: Sit down!

An Hon. Senator: Order!

Senator Doyle: Sit down!

An Hon. Senator: Order!

Senator MacEachen: Let us review the sequence of events that occurred in the Senate.

Senator Balfour: Follow the rules! Take your seat!

Senator MacEachen: I want to review those events, honourable senators.

Senator Simard: You sit down when the Speaker is standing. Sit down!

An Hon. Senator: Order!

An Hon. Senator: Oh, my. Look who is shouting now!

Senator MacEachen: Honourable senators, I want to review those events.

Senator Balfour: It is the great parliamentarian!

Senator MacEachen: At—

The Hon. the Acting Speaker: Sit down!

Senator Molgat: You cannot read that motion!

An Hon. Senator: You would not know a motion if it hit you in the face!

The Hon. the Acting Speaker: Sit down! Sit down!

Senator Cogger: Order!

The Hon. the Acting Speaker: Sit down!

The Hon. the Speaker resumed the Chair.

Senator Frith: Honourable senators, I have moved that the Senate do now adjourn.

An Hon. Senator: No!

Senator Murray: Sit down!

Senator Cogger: Sit down!

Senator Frith: I called the meeting—

An Hon. Senator: Sit down!

Senator Hatfield: Sit down at once. Can you not see that the Speaker is standing?

Senator Frith: The motion that the Senate do now adjourn must be put immediately.

Senator Petten: Agreed.

Senator Haidasz: Agreed.

Senator Frith: It does not matter what else is happening—

An Hon. Senator: Sit down!

Senator Frith: The senators can then—

Senator Murray: Sit down when the Speaker is standing!

Senator Hatfield: Sit down!

An Hon. Senator: Aren't they—

Senator Perrault: Why don't you listen? Listen to this!

The Hon. the Speaker: Honourable senators, having left the chamber for approximately 15 minutes—

Senator Frith: Honourable senators, the motion is that the Senate do now adjourn.

The Hon. the Speaker: Honourable senators, I should like to suspend the session for one hour—

Senator Murray: Order!

An Hon. Senator: No way!

Senator Frith: The motion must be put!

The Hon. the Speaker: —while I study the previous motion—

Senator Frith: That motion must be put no matter what!

An Hon. Senator: Order!

The Hon. the Speaker: I wish to suspend the sitting for approximately three-quarters of an hour to one hour. I have been thinking about the previous question, and the motion referred to by Senator Waters. I shall retire to think about the question and motion and will then return to the chamber to give my ruling.

Senator Frith: Well, honourable senators, the idea of—

An Hon. Senator: You can overrule them!

The Hon. the Speaker: You can overrule me; I know that. I will try to have something to—

Senator Cogger: Sit down, please, Senator Frith!

The Hon. the Speaker: Please hear me out, honourable senators—

Senator Frith: Forget it. I will not sit down!

The Hon. the Speaker: That is, unless the leaders can get together to find a solution.

Senator Frith: Yes.

The Hon. the Speaker: Is that all right?

Senator Frith: I understand what you are saying. But the fact is that what is for you to consider, or for any discussion to consider, is—

Senator Cogger: What is the difference?

Senator Frith: —the question of recognizing who is to be recognized;—

Senator Robertson: Order!

Senator Hatfield: Order. Sit down!

Senator Frith: —and the question of an alleged motion to put the previous question; and another—

An Hon. Senator: Sit down! You are not the Speaker!

Senator Perrault: You sit down!

Senator Frith: He is sitting down. Why should I sit down because you are telling me to do so? He is sitting down. I have the floor.

Senator Atkins: I am sure that he knows what he has to do respecting the matter.

The Hon. the Speaker: I wish to suspend for one hour and then I will return.

Senator Cogger: Sit down now. The Speaker is standing up. Sit down!

Senator Simard: You think that you can only apply the rules that you wish to apply?

Senator Perrault: He is explaining his position. Can't you listen to it?

The sitting of the Senate was suspended.

At 12:25 a.m., the sitting of the Senate was resumed.

PRIVILEGE

Hon. Gildas L. Molgat: Honourable senators, I rise on a point of personal privilege. I can assure honourable senators that I am not embarking upon a personal filibuster. This is a matter of personal privilege.

Honourable senators, certain things have been said this evening. I have been in politics long enough to know that in the heat of battle we say things we later wish we had not said. That I understand perfectly. But I feel that I am obliged to stand up to say now that I object to what was said. It was heard by representatives of the media. The event took place in front of the Speaker's Chair. I was accused by Senator Murray, and following certain statements, he said, " Sober up, by Jesus Christ."

Honourable senators, I said at the outset that I know that we sometimes say things in the heat of battle. I have been involved in partisan politics long enough to know that. I regret that it was said, but I am simply saying what I was told was said. The accusation was totally untrue and unfair.

Furthermore, Senator Murray said, "If you want violence, you will get violence." He said, "You pig." He said, "You Goddamned son of a bitch."

Honourable senators, I have checked with my colleagues and several of them are prepared to vouch that that was said.

Having said that, I repeat that I know we can say things in the heat of battle that we should not say. I do not want to prolong this matter any further, but I would ask that Senator Murray retract those statements and apologize forthwith.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, first of all, whatever people may have thought they heard, there was no profanity used by me.

Some Hon. Senators: Oh! Oh!

Senator Olson: That's a lie!

Senator Murray: Yes, I did say, "Sober up." As the honourable senator suggested, that was said in the heat of an exchange in front of the Speaker's Chair when I thought that the honourable senator was attempting to usurp it. We had words. I apologize for having said that. I withdraw it unequivocally. I did not threaten violence, but I did say that we were heading to violence and I did ask, "Do you want violence?" I said many weeks ago here, in the middle of a similar situation, "The next step on the downward slope that we have been on around here is violence." What else comes after the kind of mob rule that we have been experiencing here?

Senator Buckwold: Resignation.

Senator Murray: In any case, I state that I did not use profanity. I did say, "Sober up." I did make a statement about violence—not threatening violence, but a statement about leading to violence; and if, for whatever the reason, the honourable senator found personally offensive my conduct or my words, I have no hesitation whatever in withdrawing them unequivocally and apologizing to him.

Senator Molgat: I accept that and I thank the honourable senator.

The Hon. the Speaker: Honourable senators, after this long day, I suggest that we suspend the sitting until tomorrow afternoon at 2 p.m.

The sitting of the Senate was suspended until tomorrow at 2 p.m.

[*Editor's Note: For continuation of proceedings see Issue No. 113B.*]

APPENDIX

(*See p. 3912*)

FOREIGN AFFAIRS

NINTH REPORT OF STANDING SENATE COMMITTEE

Thursday, November 22, 1990

The Standing Senate Committee on Foreign Affairs has the honour to present its

NINTH REPORT

On April 5, 1989, your Committee was given direction by the Senate to monitor and report on the implementation and application in both countries of the Canada—United States Free Trade Agreement Implementation Act, as well as on any other related trade matter.

Consequently, the Committee has undertaken a series of hearings on aspects of the Agreement itself and upon related matters and has directed its staff to prepare periodic surveys of development. These meetings and the research done by the staff have attempted to track how the two governments have met their commitments under the FTA and to gather and examine evidence of the costs and benefits to Canada of the FTA. In addition, the Committee has considered the nature and impact of several other related developments in the international trading system, including the progress of the Uruguay Round of multilateral trade negotiations, Europe 1992, and the prospect for enhanced North American trade relations as presented by Mexico's trade liberalization agenda.

In March 1990, the Committee submitted its first report under this order of reference. At that time the Committee was of the view that "even though definitive conclusions about the utility of the FTA as a policy instrument, and recommendations flowing from them, will be some years in coming, enough has emerged from the work of the Committee, and from the Staff Report, after the first year under the FTA, to point to some reasonably strong conclusions on issues which demand further and continuous monitoring". To this end, the Committee made several recommendations for new or additional government action.

Since that time the Committee has continued its efforts to follow developments. This report, however, does not seek to advance any new arguments or call for any action additional to that already recommended by the Committee, but rather presents an updated report on developments prepared by the research staff. In some areas, such as dispute resolution there is much to report, while in others there is little new that can be said at this time. As well, a number of new issues are addressed. In particular, the Committee has heard from several witnesses on the problems being experienced by specific sectors of industry in Canada.

Like the earlier staff report, this report attempts to be descriptive rather than judgemental, providing a factual account of various developments. It has also tried to be as wide in scope as possible so as to provide, in one place, a compilation of the many different forces and actions at play in the international trading system. This is done, not to suggest that everything flows from or is related to the Free Trade Agreement, but to place the FTA in the context of the changing global economy. The aim is to allow the reader to assess how those other forces and developments outside the ambit of the FTA have played, and will continue to play, an important role in the process of implementation of the FTA and in the ongoing restructuring of the Canadian economy.

The Committee will continue to monitor developments and will report again as appropriate.

Respectfully submitted,

JOHN B. STEWART
Chairman

THE SENATE

Thursday, November 22, 1990

[*Editor's Note: Continuation of Proceedings from Issue No. 113A.*]

The sitting of the Senate was resumed at 3:55 p.m., Friday, November 23, 1990, the Speaker in the Chair.

BUSINESS OF THE SENATE

The Hon. the Speaker: Honourable senators, I am sorry that we have again kept you waiting. All day we have been trying to find an answer to the impasse and so far we have not been successful. In view of the time of day and the fact that senators, I presume, have to catch planes or trains, I think we should suspend the sitting until 2 o'clock on Monday afternoon.

Hon. Allan J. MacEachen (Leader of the Opposition): Honourable senators, I have no difficulty with what His Honour has said, but I wonder whether it would be better to adjourn rather than suspend, because if we do we will be able to get our *Minutes of the Proceedings of the Senate,* and so on, for yesterday. If there is no difficulty, I would prefer to see the Senate adjourn.

Hon. C. William Doody (Deputy Leader of the Government): I think that in the past the procedure on an occasion like this has been to suspend. If it is necessary to have copies of the *Minutes of the Proceedings of the Senate* and the *Debates of the Senate,* I am sure they can be made available.

Senator MacEachen: I should like to have a copy of the official record of the proceedings of yesterday so that we will have them when we meet on Monday. If we do not adjourn, we will not have that. That is the only point of my intervention. I cannot understand why we cannot adjourn.

Senator Doody: I think that can be arranged by the Table. Over the past few weeks *Hansards* have been issued in sections when the day's proceedings have lasted three, four or five calendar days. As a matter of fact, they are pretty well up to date now.

Senator MacEachen: If the Deputy Leader of the Government is giving the assurance that we will have the *Minutes of the Proceedings of the Senate* for November 22 on Monday, I do not mind.

Senator Doody: Can that be done?

A Clerk at the Table: Unofficially, yes.

Senator Doody: Yes.

Hon. H. A. Olson: The Clerk said that it could only be done "unofficially." I am not sure if that satisfies the question Senator MacEachen asked.

Senator Doody: I have asked the Table if it is possible to get the record that Senator MacEachen is asking for, and that it be made available to the Senate on Monday. I have been told, "yes."

Senator Olson: "Unofficially" was the answer.

Senator Doody: I do not know how much more official it can be. The Table is in charge of the printing process. They manage it. I do not control the printing press personally, although perhaps I should. I have given the assurance insofar as I can.

Senator MacEachen: I have difficulty in accepting the assurance that whatever document is produced to recount the events of yesterday will be regarded as an authentic record.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): *Hansard* is out already.

Hon. Royce Frith (Deputy Leader of the Opposition): Yes, but I do not know why the *Minutes* are not.

The Hon. the Speaker: The sitting is suspended until 2 o'clock on Monday.

The sitting of the Senate was suspended until Monday, November 26, 1990, at 2 p.m.

[*Editor's Note: For continuation of proceedings see Issue No. 113C.*]

THE SENATE

Thursday, November 22, 1990

[*Editor's Note: Continuation of Proceedings from Issue No. 113B.*]

The sitting of the Senate was resumed at 5:55 p.m., Monday, November 26, 1990, the Speaker in the Chair.

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE ACT
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMEND—THIRD READING—SPECIAL ORDER

The Hon. the Speaker: Honourable senators, I want to apologize for the delay that we have experienced. I have held meetings with the leaders of both parties and with Senators Lawson and Waters in order to find a resolution to the problems that faced us. I believe we now have an agreement and I thank honourable senators for their patience.

I believe that Senator Doody may propose a Special Order to the house.

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, the agreement that His Honour the Speaker will put before the house was an agreement reached through the good offices of the Speaker with the parties mentioned.

I would be only too pleased to add my name as a mover, if that would please Your Honour, but Your Honour should tell us what is in the Special Order.

The Hon. the Speaker: I shall read the document:

SPECIAL ORDER

WITH LEAVE OF THE SENATE, with respect to Bill C-62, An Act to amend the Excise Tax Act, the Criminal Code, the Customs Act, the Customs Tariff, the Excise Act, the Income Tax Act, the Statistics Act and the Tax Court of Canada Act, it is ordered:

THAT the Honourable Senator Murray's motion "that the original question be now put" be temporarily set aside until two amendments have been disposed of by the Senate as moved by the Honourable Senator Waters and the Honourable Senator Lawson;

THAT at eight o'clock this evening the Honourable Senator Waters shall resume the debate on the motion for the third reading of the Bill, and, after not more than six hours of debate on the third reading motion, he shall move his amendment, and the question thereon shall be put after not more than six hours of debate on the amendment;

After the vote on Senator Waters' amendment has been completed, Senator Lawson shall then resume the debate on the motion for the third reading of the Bill, and, after not more than six hours of debate on the third reading motion, he shall move his amendment, and the question thereon shall be put after not more than six hours of debate on the amendment; and

THAT divisions on each of the said amendments, if required, shall be pursuant to provisional rule P-3.(a).

Hon. Royce Frith (Deputy Leader of the Opposition): Honourable senators, if we are going to proceed, we should note that it is six o'clock and, if we are proceeding past six o'clock, that we are doing so with unanimous consent.

The Hon. the Speaker: Is it agreed?

Some Hon. Senators: Agreed.

Senator Doody: Honourable senators, I assume that the Speaker will ask for the motion to be accepted by the house as a house order; we shall then proceed, as the Speaker has outlined, at 8 p.m.. Is that correct?

The Hon. the Speaker: That is correct.

Senator Frith: Whose motion is it?

Senator Doody: The motion will be put in my name and Senator Kelly is prepared to second it.

The Hon. the Speaker: It is moved by Senator Doody, seconded by Senator Kelly, that the Special Order be adopted. Is it your pleasure, honourable senators, to adopt the motion?

Hon. Allan J. MacEachen (Leader of the Opposition): Honourable senators, I have a few comments to make about the Special Order which has been moved by Senator Doody and seconded by Senator Kelly. It is an order which basically affects the rights of independent members and I am pleased that is it now possible to have amendments moved by Senator Waters and Senator Lawson. The Special Order provides for the conditions under which the amendments and the debate will take place.

The expression "agreement has been reached" ought to be interpreted as a series of arrangements that provide the opportunity for the independents in that sense, and not an agreement between the Government and the Opposition in the same sense as the earlier Special Order, which was negotiated directly between the two parties. If an analogy could be drawn,

this would be more of an agreement between the Government or the Speaker and the independents, supported by the Opposition. My concern throughout was to ensure that the rights of the independents were respected without removing any of the normal rights of the Official Opposition.

I believe that I must make a comment so that, in future, there will be no doubt as to my understanding of the expression in the first sentence, namely, "THAT the Honourable Senator Murray's motion 'that the original question be now put' be temporarily set aside".

The procedural status of that motion is, in my view, highly dubious. One can agree that those words were uttered by Senator Murray and that he did rise and say them. However, on examining the *Votes and Proceedings*, which is the official record of the Senate for that day, there is no evidence that that motion was put to the Senate. There is no evidence in *Hansard* that that motion was put to the Senate. There is evidence, in fact, that Senator Murray uttered those words after Senator Frith had called six o'clock, and that he uttered them before the Orders of the Day were called.

Honourable senators, I am making those comments not to challenge the passage of this order—not at all—but to put on the record the view which I hold about the events which occurred last Friday, which can be verified or otherwise by honourable senators who wish to refer either to the *Debates* or to the official *Minutes* of the Senate.

I conclude by saying that, in one sense, we have moved beyond the events of Friday into what I hope will be a phase which will provide the further opportunity for members of the Senate to debate the GST.

Senator Doody: Honourable senators, I simply want to say that we on this side are also pleased that the independent senators have been given this opportunity to present their amendments.

Some Hon. Senators: Oh, oh!

Senator Doody: Honourable senators have very short memories. It was Senator Phillips and Senator Kelly who first approached our friends with a view to finding a way to accommodate them, since they had been left out of the original agreement.

Senator Steuart: And who killed it? Your seatmate there and Harvie Andre. Don't try to rewrite history.

Senator Doody: We are trying to get this place back on an even keel and if you can keep your cool until January we will all succeed.

Senator Murray: Senator Steuart retires in January.

Senator Doody: I believe all honourable senators agree that the motion is indeed in order, and I believe it is quite well recorded that it has been received and has been so printed in the *Minutes* and in *Hansard*.

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

Hon. Senators: Agreed.

The Hon. the Speaker: Honourable senators, I shall suspend the sitting until eight o'clock.

The sitting of the Senate was suspended until 8 p.m.

At 8 p.m. the sitting was resumed.

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE ACT
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMEND—THIRD READING—MOTION IN AMENDMENT

On the Order:

Resuming the debate on the motion of the Honourable Senator Kelly, seconded by the Honourable Senator Beaudoin, for the third reading of the Bill C-62, an Act to amend the Excise Tax Act, the Criminal Code, the Customs Act, the Customs Tariff, the Excise Act, the Income Tax Act, the Statistics Act and the Tax Court of Canada Act.

Hon. Stan Waters: Honourable senators, before I move my amendment to Bill C-62, which amendment is seconded by Senator Lawson, I thought that many of you might be interested in this piece of paper that was issued at about 6 p.m. today. It does not look like very much. However, I did a little statistical work on it. It represents 90 hours of work—and some 200 words. That works out to about 27 minutes per word. I thought that would be of some interest to honourable senators. At that speed it would take us a long time to get through the type of amendment I am going to move tonight.

I move, seconded by Senator Lawson:

That Bill C-62 be not now read a third time but that it be amended to become effective in 1992 instead of 1991 as presently provided in the Bill and, to that end, that the necessary consequential changes be made to the various clauses of the Bill, as more particularly set out hereunder:

(1) on page 2, in line 27, by striking out "1991" and substituting "1992".

(2) on page 3,

(a) in line 25, by striking out "1990" and substituting "1991",

(b) in line 33, by striking out "1990" and substituting "1991".

(3) on page 4,

(a) in line 40, by striking out "1990" and substituting "1991",

(b) in line 44, by striking out "1990" and substituting "1991",

(c) in line 48, by striking out "1990" and substituting "1991".

(4) on page 5,

(a) in line 36, by striking out "1990" and substituting "1991",

(b) in line 40, by striking out "1990" and substituting "1991".

(5) on page 6,

(a) in line 3, by striking out "1990" and substituting "1991",

(b) in line 15, by striking out "1991" and substituting "1992",

(c) in line 20, by striking out "1991" and substituting "1992",

(d) in line 38, by striking out "1991" and substituting "1992".

(6) on page 7,

(a) in line 17, by striking out "1990" and substituting "1991",

(b) in line 26, by striking out "1991" and substituting "1992",

(c) in line 27, by striking out "1991" and substituting "1992",

(d) in line 29, by striking out "1991" and substituting "1992",

(e) in line 31, by striking out "1991" and substituting "1992",

(f) in line 34, by striking out "1991" and substituting "1992",

(g) in line 39, by striking out "1991" and substituting "1992",

(h) in line 42, by striking out "1991" and substituting "1992".

(7) on page 8,

(a) in line 17, by striking out "1991" and substituting "1992",

(b) in line 41, by striking out "1991" and substituting "1992".

(8) on page 9,

(a) in line 12, by striking out "1991" and substituting "1992",

(b) in line 13, by striking out "1990" and substituting "1991",

(c) in line 14, by striking out "1990" and substituting "1991",

(d) in line 19, by striking out "1990" and substituting "1991",

(e) in line 20, by striking out "1991" and substituting "1992",

(f) in line 21, by striking out "1990" and substituting "1991",

(g) in line 27, by striking out "1990" and substituting "1991",

(h) in line 31, by striking out "1991" and substituting "1992",

(i) in line 34, by striking out "1991" and substituting "1992",

(j) in line 39, by striking out "1991" and substituting "1992",

(k) in line 42, by striking out "1991" and substituting "1992".

(9) on page 10,

(a) in line 1, by striking out "1991" and substituting "1992",

(b) in line 6, by striking out "1990" wherever it occurs and substituting "1991",

(c) in line 9, by striking out "1990" and substituting "1991",

(d) in line 11, by striking out "1991" and substituting "1992",

• (2010)

(e) in line 18, by striking out "1989" and substituting "1990",

(f) in line 26, by striking out "1990" and substituting "1991",

(g) in line 28, by striking out "1991" and substituting "1992",

(h) in line 29, by striking out "1990" and substituting "1991",

(i) in line 38, by striking out "1989" and substituting "1990",

(j) in line 40, by striking out "1991" and substituting "1992",

(k) in line 44, by striking out "1990" and substituting "1991",

(l) in line 46, by striking out "1991" and substituting "1992",

(m) in line 47, by striking out "1990" and substituting "1991".

(10) on page 11,

(a) in line 4, by striking out "1989" and substituting "1990",

(b) in line 11, by striking out "1991" and substituting "1992",

(c) in line 14, by striking out "1990" and substituting "1991",

(d) in line 18, by striking out "1990" and substituting "1991",

(e) in line 20, by striking out "1990" and substituting "1991",

(f) in line 24, by striking out "1989" and substituting "1990",

(g) in line 28,

(i) by striking out "1989" and substituting "1990", and

(ii) by striking out "1991" and substituting "1992",

(h) in line 42, by striking out "1990" and substituting "1991",

(i) in line 46, by striking out "1990" and substituting "1991".

(11) on page 12,

(a) in line 2, by striking out "1990" and substituting "1991",

(b) in line 6, by striking out "1990" and substituting "1991".

(12) on page 13,

(a) in line 2, by striking out "1991" and substituting "1992",

(b) in line 7, by striking out "1991" and substituting "1992",

(c) in line 25, by striking out "1991" and substituting "1992",

(d) in line 28, by striking out "1991" and substituting "1992",

(e) in line 30, by striking out "1991" and substituting "1992".

(13) on page 14,

(a) in line 2, by striking out "1991" and substituting "1992",

(b) in line 16, by striking out "1991" and substituting "1992",

(c) in line 17, by striking out "1991" and substituting "1992",

(d) in line 20, by striking out "1991" and substituting "1992",

(e) in line 21, by striking out "1991" and substituting "1992",

(f) in line 22, by striking out "1991" and substituting "1992",

(g) in line 25, by striking out "1991" and substituting "1992",

(h) in line 29, by striking out "1991" and substituting "1992",

(i) in line 34, by striking out "1991" and substituting "1992".

(14) on page 15,

(a) in line 3, by striking out "1991" and substituting "1992",

(b) in line 13, by striking out "1992" and substituting "1993",

(c) in line 35, by striking out "1991" and substituting "1992",

(d) in line 38, by striking out "1991" and substituting "1992",

(e) in line 43, by striking out "1991" and substituting "1992".

(15) on page 16,

(a) in line 1, by striking out "1991" and substituting "1992",

(b) in line 6, by striking out "1991" and substituting "1992",

(c) in line 10, by striking out "1991" and substituting "1992",

(d) in line 27,

(i) by striking out "1990" and substituting "1991", and

(ii) by striking out "1991" and substituting "1992",

(e) in line 30, by striking out "1991" and substituting "1992",

(g) in line 40, by striking out "1991" and substituting "1992",

(h) in line 45, by striking out "1991" and substituting "1992".

(16) on page 17,

(a) in line 4, by striking out "1991" and substituting "1992",

(b) in line 21, by striking out "1991" and substituting "1992",

(c) in line 26, by striking out "1991" and substituting "1992",

(d) in line 37, by striking out "1991" and substituting "1992",

(e) in line 43, by striking out "1991" and substituting "1992".

(17) on page 18,

(a) in line 4, by striking out "1995" and substituting "1996",

(b) in line 7, by striking out "1991" and substituting "1992".

Hon. John Lynch-Staunton: Would the honourable senator permit a question?

Senator Waters: Absolutely.

Senator Lynch-Staunton: Is it his intention to read the entire amendment? Since we now have an indication of what it contains, could it be deposited as written so that we could get on to the explanation of it? That is only a suggestion.

Senator Waters: The honourable senator has caught on quickly to the format I was following. I admire that quickness, but I thought that, for the benefit of some of the slower senators, I would read the whole of the amendment. Senators will have the marvellous opportunity of hearing it yet again when the Speaker goes through it. I think they will enjoy that, as well.

The motion in amendment continues:

(18) on page 81,

(a) in line 10, by striking out "1993" and substituting "1994",

• (2020)

(b) in line 18, by striking out "1994" and substituting "1995",

(c) in line 34, by striking out "1994" and substituting "1995".

(19) on page 101, in line 16, by striking out "1991" and substituting "1992".

(20) on page 148, in line 6, by striking out "1990" and substituting "1991".

(21) on page 149, in line 8, by striking out "1992" and substituting "1993".

(22) on page 190,

(a) in line 40, by striking out "1991" and substituting "1992",

(b) in line 44, by striking out "1990" and substituting "1991".

(23) on page 191,

(a) in line 11, by striking out "1990" and substituting "1991",

(b) in line 13, by striking out "1990" and substituting "1991",

(c) in line 21, by striking out "1991" and substituting "1992".

(24) on page 260,

(a) in line 25, by striking out "1991" and substituting "1992",

(b) in line 32, by striking out "1989" and substituting "1990",

(c) in line 37, by striking out "1991" and substituting "1992",

(d) in line 40, by striking out "1990" and substituting "1991".

(25) on page 261,

(a) in line 15, by striking out "1991" and substituting "1992",

(b) in line 19, by striking out "1991" and substituting "1992",

(c) in line 24, by striking out "1991" and substituting "1992",

(d) in line 29, by striking out "1991" and substituting "1992",

(e) in line 39, by striking out "1989" and substituting "1990",

(f) in line 43, by striking out "1991" and substituting "1992",

(g) in line 46, by striking out "1990" and substituting "1991".

(26) on page 262,

(a) in line 17, by striking out "1989" and substituting "1990",

(b) in line 22, by striking out "1991" and substituting "1992",

(c) in line 23, by striking out "1990" and substituting "1991".

(27) on page 263,

(a) in line 7, by striking out "1991" and substituting "1992",

(b) in line 9, by striking out "1991" and substituting "1992",

(c) in line 12, by striking out "1991" and substituting "1992",

(d) in line 22, by striking out "1991" and substituting "1992",

(e) in line 26, by striking out "1991" and substituting "1992",

(f) in line 37, by striking out "1991" and substituting "1992",

(g) in line 38, by striking out "1991" and substituting "1992".

(28) on page 264,

(a) in line 2, by striking out "1991" and substituting "1992",

(b) in line 10, by striking out "1990" and substituting "1991",

(c) in line 11, by striking out "1991" and substituting "1992",

(d) in line 14, by striking out "1991" and substituting "1992",

(e) in line 15, by striking out "1991" and substituting "1992",

(f) in line 16, by striking out "1991" and substituting "1992",

(g) in line 27, by striking out "1989" and substituting "1990",

(h) in line 28, by striking out "1990" and substituting "1991",

(i) in line 31, by striking out "1991" and substituting "1992",

(j) in line 32, by striking out "1991" and substituting "1992",

(k) in line 35, by striking out "1991" and substituting "1992",

(l) in line 46, by striking out "1990" and substituting "1991",

(m) in line 48, by striking out "1990" and substituting "1991".

(29) on page 265,

(a) in line 9, by striking out "1990" and substituting "1991",

(b) in line 17, by striking out "1991" and substituting "1992",

(c) in line 21, by striking out "1991" and substituting "1992",

(d) in line 28, by striking out "1991" and substituting "1992",

(e) in line 38, by striking out "1990" and substituting "1991",

(f) in line 45, by striking out "1991" and substituting "1992",

(g) in line 46, by striking out "1990" and substituting "1991".

(30) on page 266,

(a) in line 23, by striking out "1991" and substituting "1992",

(b) in line 24, by striking out "1991" and substituting "1992",

(c) in line 34, by striking out "1991" and substituting "1992",

(d) in line 44,

(i) by striking out "1991" and substituting "1992",

(ii) by striking out "1990" and substituting "1991",

(e) in line 48, by striking out "1992" and substituting "1993".

(31) on page 267,

(a) in line 13, by striking out "1990" and substituting "1991",

• (2030)

(b) in line 15, by striking out "1990" and substituting "1991".

(32) on page 268,

(a) in line, 10, by striking out "1989" and substituting "1990",

(b) in line 11, by striking out "1991" and substituting "1992",

(c) in line 14, by striking out "1991" and substituting "1992",

(d) in line 15, by striking out "1991" and substituting "1992",

(e) in line 20, by striking out "1991" and substituting "1992",

(f) in line 27, by striking out "1990" and substituting "1991",

(g) in line 31, by striking out "1990" and substituting "1991",

(h) in line 37, by striking out "1990" and substituting "1991".

(i) in line 38,

(i) by striking out "1991" and substituting "1992", and

(ii) by striking out "1990" and substituting "1991",

(j) in line 39, by striking out "1991" and substituting "1992",

(k) in line 42, by striking out "1990" and substituting "1991",

(l) in line 43, by striking out "1991" and substituting "1992",

(m) in line 44, by striking out "1991" and substituting "1992".

(33) on page 269

(a) in line 8,

(i) by striking out "1989" and substituting "1990",

(ii) by striking out "1990" and substituting "1991",

(b) in line 9 by striking out "1989" and substituting "1990",

(c) in line 10, by striking out "1990" and substituting "1991",

(d) in line 12, by striking out "1990" and substituting "1991",

(e) in line 15, by striking out "1991" and substituting "1992",

(f) in line 21, by striking out "1994" and substituting "1995",

(g) in line 23, by striking out "1991" and substituting "1992",

(h) in line 34, by striking out "1991" and substituting "1992",

(i) in line 37, by striking out "1994" and substituting "1995",

(j) in line 46, by striking out "1991" and wherever it occurs and substituting "1992".

(34) on page 270

(a) in line 29, by striking out "1991 and substituting "1992",

(b) in line 34, by striking out "1991" and substituting "1992",

(c) in line 39, by striking out "1991" and substituting "1992",

(d) in line 42, by striking out "1991" and substituting "1992",

(e) in line 45, by striking out "1991" and substituting "1992".

(35) on page 271

(a) in line 3,

(i) by striking out "1990" and substituting "1991", and

(ii) by striking out "1991" and substituting "1992",

(b) in line 5, by striking out "1991" and substituting "1992",

(c) in line 6, by striking out "1991" and substituting "1992"'

(d) in line 39, by striking out "1991" and substituting "1992",

(e) in line 40, by striking out "1991" and substituting "1992",

(f) in line 45, by striking out "1991" and substituting "1992",

(g) in line 46, by striking out "1991" and substituting "1992",

(h) in line 47,

(i) by striking out "1990" and substituting "1991", and

(ii) by striking out "1991" and substituting "1992",

(i) in line 48,

(i) by striking out "1990" and substituting "1991", and

(ii) by striking out "1991" and substituting "1992".

(36) on page 272,

(a) in line 5, by striking out "1991" and substituting "1992",

(b) in line 6, by striking out "1991 and substituting "1992",

(c) in line 11, by striking out "1991 and substituting "1992",

(d) in line 12, by striking out "1991" and substituting "1992",

(e) in line 16, by striking out "1990 and substituting 1991",

(f) in line 17,

(i) by striking out "1991" and substituting "1992", and

(ii) by striking out "1990" and substituting "1991",

(g) in line 18, by striking out "1991" and substituting "1992",

(h) in line 29 by striking out "1990" and substituting "1991"

(i) in line 32, by striking out "1991" and substituting "1992",

(j) in line 33, by striking out "1991" and substituting "1992",

(k) in line 38, by striking out "1991" and substituting "1992".

(l) in line 42, by striking out "1991" and substituting "1992".

(37) on page 273

(a) in line 5, by striking out "1991 and substituting "1992,

(b) in line 8, by striking out "1990" and substituting "1991"

(c) in line 9, by striking out "1991" and substituting "1992",

(d) in line 11, by striking out "1991" and substituting "1992",

(e) in line 12, by striking out "1991" and substituting "1992",

• (2040)

(f) in line 28, by striking out "1990" and substituting "1991",

(g) in line 32, by striking out "1990" and substituting "1991",

(h) in line 38, by striking out "1990" and substituting "1991".

(38) on page 274,

(a) in line 5, by striking out "1990" and substituting "1991",

(b) in line 6, by striking out "1991" and substituting "1992",

(c) in line 10, by striking out "1991" and substituting "1992",

(d) in line 11, by striking out "1991" and substituting "1992",

(e) in line 15, by striking out "1991" and substituting "1992",

(f) in line 38, by striking out "1990" and substituting "1991",

(g) in line 45, by striking out "1991" and substituting "1992".

(39) on page 275,

(a) in line 11,

(i) by striking out "1989" and substituting "1990", and

(ii) by striking out "1991" and substituting "1992",

(b) in line 20, by striking out "1990" and substituting "1991",

(c) in line 27, by striking out "1990" and substituting "1991",

(d) in line 39, by striking out "1990" and substituting "1991",

(e) in line 40, by striking out "1991" and substituting "1992";

(f) in line 43, by striking out "1990" and substituting "1991",

(g) in line 44, by striking out "1991" and substituting "1992".

(40) on page 276,

(a) in line 5, by striking out "1991" and substituting "1992",

(b) in line 7, by striking out "1990" and substituting "1991",

(c) in line 12, by striking out "1990" and substituting "1991",

(d) in line 15, by striking out "1990" and substituting "1991",

(e) in line 23, by striking out "1990" and substituting "1991",

(f) in line 31, by striking out "1991" and substituting "1992".

(41) on page 277,

(a) in line 3, by striking out "1991" and substituting "1992",

(b) in line 16, by striking out "1991" and substituting "1992",

(c) in line 30, by striking out "1991" and substituting "1992",

(42) on page 279,

(a) in line 18, by striking out "1991" and substituting "1992",

(b) in line 29, by striking out "1991" and substituting "1992",

(c) in line 40, by striking out "1991" and substituting "1992".

(43) on page 280,

(a) in line 15, by striking out "1991" and substituting "1992",

(b) in line 29, by striking out "1991" and substituting "1992".

(44) on page 281,

(a) in line 8, by striking out "1991" and substituting "1992",

(b) in line 24, by striking out "1991" and substituting "1992",

(c) in line 35, by striking out "1991" and substituting "1992".

(45) on page 282,

(a) in line 5, by striking out "1991" and substituting "1992",

(b) in line 28, by striking out "1991" and substituting "1992".

(46) on page 283,

(a) in line 6, by striking out "1991" and substituting "1992",

(b) in line 20, by striking out "1991" and substituting "1992",

(c) in line 35, by striking out "1991" and substituting "1992".

(47) on page 284, in line 12, by striking out "1991" and substituting "1992".

(48) on page 285, in line 20, by striking out "1991" and substituting "1992".

(49) on page 287,

(a) in line 18, by striking out "1991" and substituting "1992",

(b) in line 30, by striking out "1991" and substituting "1992".

(50) on page 289,

(a) in line 30, by striking out "1990" and substituting "1991",

(b) in line 36, by striking out "1990" and substituting "1991".

(51) on page 290, in line 27, by striking out "1990" and substituting "1991".

(52) on page 291,

(a) in line 30, by striking out "1990" and substituting "1991",

(b) in line 32, by striking out "1990" and substituting "1991",

(c) in line 35, by striking out "1990" and substituting "1991".

(53) on page 292,

(a) in line 7, by striking out "1990" and substituting "1991",

(b) in line 23, by striking out "1990" and substituting "1991",

(c) in line 39, by striking out "1990" and substituting "1991".

(54) on page 293,

(a) in line 33, by striking out "1990" and substituting "1991",

(b) in line 48, by striking out "1990" and substituting "1991".

(55) on page 294,

(a) in line 7, by striking out "1991" and substituting "1992".

(b) in line 11, by striking out "1991" and substituting "1992".

• (2050)

(56) on page 298,

(a) in line 11, by striking out "1989" and substituting "1990",

(b) in line 13, by striking out "1989" and substituting "1990",

(c) in line 17, by striking out "1989" and substituting "1990",

(d) in line 18,

(i) by striking out "1990" and substituting "1991"; and

(ii) by striking out "1991" and substituting "1992",

(e) in line 20,

(i) by striking out "1989" and substituting "1990", and

(ii) by striking out "1990" and substituting "1991".

(57) on page 299,

(a) in line 2, by striking out "1989" and substituting "1990",

(b) in line 3,

(i) by striking out "1989" and substituting "1990", and

(ii) by striking out "1990" and substituting "1991",

(c) in line 33, by striking out "1989" and substituting "1990",

(d) in line 35, by striking out "1991" and substituting "1992".

(58) on page 300,

(a) in line 16, by striking out "1991" and substituting "1992",

(b) in line 18, by striking out "1989" and substituting "1990".

(59) on page 301, in line 14, by striking out "1989" and substituting "1990".

(60) on page 303, in line 11, by striking out "1990" and substituting "1991".

(61) on page 314, last line, by striking out "1991" and substituting "1992".

[*Translation*]

The Hon. the Speaker: Moved by Senator Waters, seconded by Senator Lawson, that Bill C-62 be not now read a third time but that it be amended to become effective in 1992 instead of 1991 as presently provided in the Bill and, to that end, that the necessary consequential changes be made to the various clauses of the Bill, as more particularly set out hereunder:

(1) on page 2, in line 27, by striking out "1991" and substituting "1992".

Hon. Jean-Maurice Simard: Dispense!

Hon. Philippe D. Gigantès: No, no, honourable Senators.

(2) on page 3,

(a) in line 25, by striking out "1990" and substituting "1991",

(b) in line 33, by striking out "1990" and substituting "1991".

(3) on page 4,

(a) in line 40, by striking out "1990" and substituting "1991",

(b) in line 44, by striking out "1990" and substituting "1991",

(c) in line 48, by striking out "1990" and substituting "1991".

(4) on page 5,

(a) in line 36, by striking out "1990" and substituting "1991",

(b) in line 40, by striking out "1990" and substituting "1991".

(5) on page 6,

(a) in line 3, by striking out "1990" and substituting "1991",

(b) in line 15, by striking out "1991" and substituting "1992",

(c) in line 20, by striking out "1991" and substituting "1992",

(d) in line 38, by striking out "1991" and substituting "1992".

(6) on page 7,

(a) in line 17, by striking out "1990" and substituting "1991",

(b) in line 26, by striking out "1991" and substituting "1992",

(c) in line 27, by striking out "1991" and substituting "1992",

(d) in line 29, by striking out "1991" and substituting "1992",

(e) in line 31, by striking out "1991" and substituting "1992",

(f) in line 34, by striking out "1991" and substituting "1992",

(g) in line 39, by striking out "1991" and substituting "1992",

(h) in line 42, by striking out "1991" and substituting "1992".

(7) on page 8,

(a) in line 17, by striking out "1991" and substituting "1992",

(b) in line 41, by striking out "1991" and substituting "1992".

(8) on page 9,

(a) in line 12, by striking out "1991" and substituting "1992",

(b) in line 13, by striking out "1990" and substituting "1991",

(c) in line 14, by striking out "1990" and substituting "1991",

(d) in line 19, by striking out "1990" and substituting "1991",

(e) in line 20, by striking out "1991" and substituting "1992",

(f) in line 21, by striking out "1990" and substituting "1991",

(g) in line 27, by striking out "1990" and substituting "1991",

(h) in line 31, by striking out "1991" and substituting "1992",

(i) in line 34, by striking out "1991" and substituting "1992",

(j) in line 39, by striking out "1991" and substituting "1992",

(k) in line 42, by striking out "1991" and substituting "1992".

(9) on page 10,

(a) in line 1, by striking out "1991" and substituting "1992",

(b) in line 6, by striking out "1990" wherever it occus and substituting "1991",

(c) in line 9, by striking out "1990" and substituting "1991",

(d) in line 11, by striking out "1991" and subsituting "1992",

(e) in line 18, by striking out "1989" and substituting "1990",

(f) in line 26, by striking out "1990" and substituting "1991",

(g) in line 28, by striking out "1991" and substituting "1992"

(h) in line 29, by strikig out "1990" and substituting "1991",

(i) in line 38, by striking out "1989" and substituting "1990",

(j) in line 40, by striking out "1991" and substituting "1992",

(k) in line 44, by striking out "1990" and substituting "1991",

(l) in line 46, by striking out "1991" and substituting "1992",

(m) in line 47, by striking out "1990" and substituting "1991".

(10) on page 11,

(a) in line 4, by striking out "1989" and substituting "1990",

(b) in line 11, by striking out "1991" and substituting "1992",

(c) in line 14, by striking out "1990" and substituting "1991",

(d) in line 18, by striking out "1990" and substituting "1991",

(e) in line 20, by striking out "1990" and substituting "1991",

(f) in line 24, by striking out "1989" and substituting "1990",

(g) in line 28,

(i) by striking out "1989" and substituting "1990", and

(ii) by striking out "1991" and substituting "1992",

(h) in line 42, by striking out "1990" and substituting "1991",

(i) in line 46, by striking out "1990" and substituting "1991".

(11) on page 12,

(a) in line 2, by striking out '1990" and substituting "1991".

(b) in line 6, by striking out "1990" and substituting "1991".

(12) on page 13,

(a) in line 2, by striking out "1991", and substituting "1992",

(b) in line 7, by striking out "1991" and substituting "1992",

(c) in line 25, by striking out '1991" and substituting "1992",

(d) in line 28, by striking out "1991" and substituting "1992",

(e) in line 30, by striking out "1991" and substituting "1992".

(13) on page 14,

(a) in line 2, by striking out "1991" and substituting "1992",

(b) in line 16, by striking out "1991" and substituting "1992",

(c) in line 17, by striking out "1991" and substituting "1992",

(d) in line 20, by striking out '1991" and substituting "1992",

(e) in line 21, by striking out "1991" and substituting "1992",

(f) in line 22, by striking out "1991" and substituting "1992",

• (2100)

[*English*]

Senator Waters, I did not quite understand the correction you wanted at page 15 of the French version of the bill. I have reached that page now. Would you please clarify that? I did not quite understand what you had in mind.

Senator Waters: At page 15, the last line, the last date. At page 314 of the bill, this amendment replaces 1991 with 1992. That is the only change in the French version.

The Hon. the Speaker: I am sorry, senator, but is that at page 15 of the French version?

Senator Waters: Page 15 of the amendments to the French version that I have refers to paragraph 61, page 314 of the bill.

The Hon. the Speaker: All right, I will get to that, thank you.

[*Translation*]

(14) on page 15,

(a) in line 3, by striking out "1991" and substituting "1992",

(b) in line 13, by striking out "1992" and substituting "1993",

(c) in line 35, by striking out "1991" and substituting "1992",

(d) in line 38, by striking out "1991" and substituting "1992",

(e) in line 43, by striking out "1991" and substituting "1992",

(15) on page 16,

(a) in line 1, by striking out "1991" and substituting "1992",

(b) in line 6, by striking out "1991" and substituting "1992",

(c) in line 10, by striking out "1991" and substituting "1992",

(d) in line 27,

(i) by striking out "1990" and substituting "1991", and

(ii) by striking out "1991" and substituting "1992",

(e) in line 30, by striking out "1991" and substituting "1992",

(g) in line 40, by striking out "1991" and substituting "1992",

(h) in line 45, by striking out "1991" and substituting "1992",

(16) on page 17,

(a) in line 4, by striking out "1991" and substituting "1992",

(b) in line 21, by striking out "1991" and substituting "1992",

(c) in line 26, by striking out "1991" and substituting "1992",

(d) in line 37, by striking out "1991" and substituting "1992",

(e) in line 43, by striking out "1991" and substituting "1992",

(17) on page 18,

(a) in line 4, by striking out "1995" and substituting "1996",

(b) in line 7, by striking out "1991" and substituting "1992",

(18) on page 81,

(a) in line 10, by striking out "1993" and substituting "1994",

(b) in line 18, by striking out "1994" and substituting "1995",

(c) in line 34, by striking out "1994" and substituting "1995".

(19) on page 101, in line 16, by striking out "1991" and substituting "1992".

(20) on page 148, in line 6, by striking out "1990" and substituting "1991".

(21) on page 149, in line 8, by striking out "1992" and substituting "1993".

(22) on page 190,

(a) in line 40, by striking out "1991" and substituting "1992",

(b) in line 44, by striking out "1990" and substituting "1991".

(23) on page 191,

(a) in line 11, by striking out "1990" and substituting "1991",

(b) in line 13, by striking out "1990" and substituting "1991",

(c) in line 21, by striking out "1991" and substituting "1992".

(24) on page 260,

(a) in line 25, by striking out "1991" and substituting "1992",

(b) in line 32, by striking out "1989" and substituting "1990",

(c) in line 37, by striking out "1991" and substituting "1992",

(d) in line 40, by striking out "1990" and substituting "1991".

(25) on page 261,

(a) in line 15, by striking out "1991" and substituting "1992",

(b) in line 19, by striking out "1991" and substituting "1992",

(c) in line 24, by striking out "1991" and substituting "1992",

(d) in line 29, by striking out "1991" and substituting "1992",

(e) in line 39, by striking out "1989" and substituting "1990",

(f) in line 43, by striking out "1991" and substituting "1992",

(g) in line 46, by striking out "1990" and substituting "1991".

(26) on page 262,

(a) in line 17, by striking out "1989" and substituting "1990",

(b) in line 22, by striking out "1991" and substituting "1992",

(c) in line 23, by striking out "1990" and substituting "1991".

(27) on page 263,

(a) in line 7, by striking out "1991" and substituting "1992",

(b) in line 9, by striking out "1991" and substituting "1992",

(c) in line 12, by striking out "1991" and substituting "1992",

(d) in line 22, by striking out "1991" and substituting "1992",

(e) in line 26, by striking out "1991" and substituting "1992",

(f) in line 37, by striking out "1991" and substituting "1992",

(g) in line 38, by striking out "1991" and substituting "1992".

(28) on page 264,

(a) in line 2, by striking out "1991" and substituting "1992",

(b) in line 10, by striking out "1990" and substituting "1991",

(c) in line 11, by striking out "1991" and substituting "1992",

(d) in line 14, by striking out "1991" and substituting "1992",

(e) in line 15, by striking out "1991" and substituting "1992",

(f) in line 16, by striking out "1991" and substituting "1992",

(g) in line 27, by striking out "1989" and substituting "1990",

(h) in line 28, by striking out "1990" and substituting "1991",

(i) in line 31, by striking out "1991" and substituting "1992",

(j) in line 32, by striking out "1991" and substituting "1992",

(k) in line 35, by striking out "1991" and substituting "1992",

(l) in line 46, by striking out "1990" and substituting "1991",

(m) in line 48, by striking out "1990" and substituting "1991".

(29) on page 265,

(a) in line 9, by striking out "1990" and substituting "1991",

(b) in line 17, by striking out "1991" and substituting "1992",

(c) in line 21, by striking out "1991" and substituting "1992",

(d) in line 28, by striking out "1991" and substituting "1992",

(e) in line 38, by striking out "1990" and substituting "1991",

(f) in line 45, by striking out "1991" and substituting "1992',,

(g) in line 46, by striking out "1990" and substituting "1991".

(30) on page 266,

(a) in line 23, by striking out "1991" and substituting "1992",

(b) in line 24, by striking out "1991" and substituting "1992",

(c) in line 34, by striking out "1991" and substituting "1992",

(d) in line 44,

(i) by striking out "1991" and substituting "1992",

(ii) by striking out "1990" and substituting "1991",

(e) in line 48, by striking out "1992" and substituting "1993".

(31) on page 267,

(a) in line 13, by striking out "1990" and substituting "1991",

(b) in line 15, by striking out "1990" and substituting "1991",

(32) on page 268,

(a) in line 10, by striking out "1989" and substituting "1990",

(b) in line 11, by striking out "1991" and substituting "1992",

(c) in line 14, by striking out "1991" and substituting "1992",

(d) in line 15, by striking out "1991" and substituting "1992",

(e) in line 20, by striking out "1991" and substituting "1992",

(f) in line 27, by striking out "1990" and substituting "1991",

(g) in line 31, by striking out "1990" and substituting "1991",

(h) in line 37, by striking out "1990" and substituting "1991",

(i) in line 38,

(i) by striking out "1991" and substituting "1992", and

(ii) by striking out "1990" and substituting "1991",

(j) in line 39, by striking out "1991" and substituting "1992",

(k) in line 42, by striking out "1990" and substituting "1991",

(l) in line 43, by striking out "1991" and substituting "1992",

(m) in line 44, by striking out "1991" and substituting "1992",

(33) on page 269,

(a) in line 8,

(i) by striking out "1989" and substituting "1990",

(ii) by striking out "1990" and substituting "1991",

(b) in line 9, by striking out "1989" and substituting "1990",

(c) in line 10, by striking out "1990" and substituting "1991",

(d) in line 12, by striking out "1990" and substituting "1991",

(e) in line 15, by striking out "1991" and substituting "1992",

(f) in line 21, by striking out "1994" and substituting "1995",

(g) in line 23, by striking out "1991" and substituting "1992",

(h) in line 34, by striking out "1991" and substituting "1992",

(i) in line 37, by striking out "1994" and substituting "1995",

(j) in line 46, by striking out "1991" wherever it occurs and substituting "1992",

(34) on page 270,

(a) in line 29, by striking out "1991" and substituting "1992",

(b) in line 34, by striking out "1991" and substituting "1992",

(c) in line 39, by striking out "1991" and substituting "1992",

(d) in line 42, by striking out "1991" and substituting "1992",

(e) in line 45, by striking out "1991" and substituting "1992",

• (2110)

(35) on page 271,

(a) in line 3,

(i) by striking out "1990" and substituting "1991", and

(ii) by striking out "1991" and substituting "1992",

(b) in line 5, by striking out "1991" and substituting "1992",

(c) in line 6, by striking out "1991" and substituting "1992",

(d) in line 39, by striking out "1991" where it occurs and substituting "1992",

(e) in line 40, by striking out "1991" and substituting "1992",

(f) in line 45, by striking out "1991" and substituting "1992",

(g) in line 46, by striking out "1991" and substituting "1992",

(h) in line 47,

(i) by striking out "1990" and substituting "1991", and

(ii) by striking out "1991" and substituting "1992",

(i) in line 48,

(i) by striking out "1990" and substituting "1991", and

(ii) by striking out "1991" and substituting "1992".

(36) on page 272,

(a) in line 5, by striking out "1991" and substituting "1992",

(b) in line 6, by striking out "1991" and substituting "1992",

(c) in line 11, by striking out "1991" and substituting "1992",

(d) in line 12, by striking out "1991" and substituting "1992",

(e) in line 16, by striking out "1990" and substituting "1991",

(f) in line 17,

(i) by striking out "1991" and substituting "1992", and

(ii) by striking out "1990" and substituting "1991",

(g) in line 18, by striking out "1991" and substituting "1992",

(h) in line 29, by striking out "1990" and substituting "1991",

(i) in line 32, by striking out "1991" and substituting "1992",

(j) in line 33, by striking out "1991" and substituting "1992",

(k) in line 38, by striking out "1991" and substituting "1992",

(l) in line 44, by striking out "1991" and substituting "1992",

(37) on page 273,

(a) in line 5, by striking out "1991" and substituting "1992",

(b) in line 8, by striking out "1990" and substituting "1991",

(c) in line 9, by striking out "1991" and substituting "1992",

(d) in line 11, by striking out "1991" and substituting "1992",

(e) in line 12, by striking out "1991" and substituting "1992",

(f) in line 28, by striking out "1990' and substituting "1991",

(g) in line 32, by striking out "1990" and substituting "1991",

(h) in line 38, by striking out "1990" and substituting "1991".

(38) on page 274,

(a) in line 5, by striking out "1990" and substituting "1991",

(b) in line 6, by striking out "1991" and substituting "1992",

(c) in line 10, by striking out "1991" and substituting "1992",

(d) in line 11, by striking out "1991" and substituting "1992",

(e) in line 15, by striking out "1991" and substituting "1992",

(f) in line 38, by striking out "1990" and substituting "1991",

(g) in line 45, by striking out "1991" and substituting "1992".

(39) on page 275,

(a) in line 11,

(i) by striking out "1989" and substituting "1990", and

(ii) by striking out "1991" and substituting "1992",

(b) in line 20, by striking out "1990" and substituting "1991",

(c) in line 27, by striking out "1990" and substituting "1991",

(d) in line 39, by striking out "1990" and substituting "1991",

(e) in line 40, by striking out "1991" and substituting "1992",

(f) in line 43, by striking out "1990" and substituting "1991",

(g) in line 44, by striking out "1991" and substituting "1992".

(40) on page 276,

(a) in line 5, by striking out "1991" and substituting "1992",

(b) in line 7, by striking out "1990" and substituting "1991",

(c) in line 12, by striking out "1990" and substituting "1991",

(d) in line 15, by striking out "1990" and substituting "1991",

(e) in line 23, by striking out "1990" and substituting "1991",

(f) in line 31, by striking out "1990" and substituting "1992".

(41) on page 277,

(a) in line 3, by striking out "1991" and substituting "1992",

(b) in line 16, by striking out "1990" and substituting "1992",

(c) in line 30, by striking out "1991" and substituting "1992",

(42) on page 279,

(a) in line 18, by striking out "1991" and substituting "1992",

(b) in line 29, by striking out "1991" and substituting "1992",

(c) in line 40, by striking out "1991" and substituting "1992".

(43) on page 280,

(a) in line 15, by striking out "1991" and substituting "1992",

(b) in line 29, by striking out "1991" and substituting "1992".

(44) on page 281,

(a) in line 8, by striking out "1991" and substituting "1992",

(b) in line 24, by striking out "1991" and substituting "1992",

(c) in line 35, by striking out "1991" and substituting "1992".

(45) on page 282,

(a) in line 5, by striking out "1991" and substituting "1992",

(b) in line 28, by striking out "1991" and substituting "1992",

(46) on page 283,

(a) in line 6, by striking out "1991" and substituting "1992",

(b) in line 20, by striking out "1991" and substituting "1992",

(c) in line 35, by striking out "1991" and substituting "1992".

(47) on page 284, in line 20, by striking out "1991" and substituting "1992".

(48) on page 285, in line 20, by striking out "1991" and substituting "1992".

(49) on page 287,

(a) in line 18, by striking out "1991" and substituting "1992",

(b) in line 30, by striking out "1991" and substituting "1992".

(50) on page 289,

(a) in line 30, by striking out "1990" and substituting "1991",

(b) in line 36, by striking out "1990" and substituting "1991",

(51) on page 290, in line 27, by striking out "1990" and substituting "1991".

(52) on page 291,

(a) in line 30, by striking out "1990" and substituting "1991",

(b) in line 32, by striking out "1990" and substituting "1991",

(c) in line 35, by striking out "1990" and substituting "1991".

(53) on page 292,

(a) in line 7, by striking out "1990" and substituting "1991",

(b) in line 23, by striking out "1990" and substituting "1991",

(c) in line 39, by striking out "1990" and substituting "1991".

(54) on page 293,

(a) in line 33, by striking out "1990" and substituting "1991",

(b) in line 48, by striking out "1990" and substituting "1991",

(55) on page 294,

(a) in line 7, by striking out "1991" and substituting "1992",

(b) in line 11, by striking out "1991" and substituting "1992",

(56) on page 298,

(a) in line 11, by striking out "1989" and substituting "1990",

(b) in line 13, by striking out "1989" and substituting "1990",

(c) in line 17, by striking out "1989" and substituting "1990",

(d) in line 18,

(i) by striking out "1990" and substituting "1991"; and

(ii) by striking out "1991" and substituting "1992",

(e) in line 20,

(i) by striking out "1989" and substituting "1990", and

(ii) by striking out "1990" and substituting "1991".

(57) on page 299,

(a) in line 2, by striking out "1989" and substituting "1990",

(b) in line 3,

(i) by striking out "1989" and substituting "1990", and

(ii) by striking out "1990" and substituting "1991",

(c) in line 33, by striking out "1989" and substituting "1990",

(d) in line 35, by striking out "1991" and substituting "1992".

(58) on page 300,

(a) in line 16, by striking out "1991" and substituting "1992",

(b) in line 18, by striking out "1989" and substituting "1990".

(59) on page 301, in line 14, by striking out "1989" and substituting "1990".

(60) on page 303, in line 11, by striking out "1990" and substituting "1991".

(61) on page 314, last line, by striking out "1991" and substituting "1992".

• (2120)

[*English*]

Some Hon. Senators: Hear, hear!

Senator Waters: Honourable senators, I rise to speak to my amendment. Before doing so, I would like to thank the Leader of the Government and the Leader of the Opposition for their diligence and co-operation in finally agreeing to prepare the special order which allowed both myself and Senator Lawson the opportunity to make amendments to Bill C-62.

For the record, I would also like to direct a comment, to Senator Kelly, who I notice is not present, who was offended by a word I used in describing the efforts he had made during my press conference. Senator Kelly, I withdraw that word. It is a four letter word which is not "chaos", "debt" or "doubt" — "doubt" is a five letter word. I withdraw it, Senator Kelly, if it is upsetting you.

I would like to begin with an examination, which I believe we have not done in this chamber, concerning what the federal sales tax is about.

It is very important that we all understand exactly what the FST has done for Canada for 65 years. The FST has been included, in part and in whole, for 65 years, and raises about $20 billion a year, which is roughly 18 per cent of all federal revenues. It is the second largest source of government revenue.

What honourable senators may not understand, as we have not pressed this very hard, the federal sales tax is levied at four different rates on four different areas. It is frequently and erroneously compared as being analogous to the manufacturers sales tax, and that is not true. The Federal Sales Tax is essentially 19 per cent on all alcohol and tobacco products; it is 11 per cent on all telecommunications; it is 9 per cent on all building materials; and it is 13.5 per cent as a manufacturers sales tax. Those are the four components which make up the federal sales tax which is being replaced by the goods and services tax.

The government claims—in my opinion with some justification—that the FST is a bad tax and has been condemned for about 50 years, going right back to the Rowell-Sirois Commission in 1914, the Carter Commission, and many other studies. It is a hidden, complex tax that is charged on a very narrow base, which is also subject to many avoidance measures, and it places Canadian-made products at a disadvantage against imported goods. Therefore, there are a number of measures against it.

The key question to ask, perhaps, is simply this: If the FST is such an iniquitous tax and must be replaced, what are the real options? The bottom line on that question is to find the simplest, fairest and most effective way of funding roughly $20 billion of revenue that would be lost by removing the FST. It makes no sense to replace the bad FST with a worse tax model. There is much serious evidence to suggest that, as now written, the proposed GST would be a worse tax. The recent eight Liberal amendments—and there could have been 20 or 50—highlighted the kind of changes that should be made to improve the GST, if—and it is a very big "if"—a consumption tax is the way to go. That is not our only choice in Canada, and it would certainly not be the only choice that Mr. Wilson had.

The Standing Senate Committee on Banking, Trade and Commerce, in its report, identified at least ten alternatives and discussed very briefly the advantages and disadvantages of each. What the committee did not examine, nor was it in its mandate, was the need for expenditure reductions in federal spending which could have reduced or eliminated in part the need for either an FST or GST. That is not to say that the Senate Committee's Report was not an excellent one, and I, along with many other senators, congratulated Senator Buckwold on the report. We thought it was excellent. However, it was not the only choice.

This option, which I am going to discuss for a moment, was not in the committee's mandate. It is interesting that in this downturn business, virtually every major corporation in Canada—Imperial Oil, Domtar, Stelco, Petro-Can, Air Canada, and many others—when faced by deficits caused by shortfalls and revenues to meet expenditures, takes immediate action to correct the imbalance. What kind of immediate action do they take? They cut costs. They do not have the same choice as the government. By cutting costs they avoid insolvency and bankruptcy.

As I will point out later, the government today is very close to being an insolvent government. It seems that the government has no fat to trim, or that is what it has claimed; yet only two weeks ago the Prime Minister stated that to raise the money necessary for a military force in Iraq he would have to cut some fat from federal spending. That is a move well overdue, in my opinion, since I believe there is a lot of fat in federal spending.

One of the great mysteries in Ottawa is the fate of the Nielsen Task Force Report on government spending. That was a monumental report of some 20 volumes, prepared by a distinguished blue-ribbon committee of senior businessmen, bureaucrats and politicians, and chaired by the then Deputy Prime Minister, Eric Nielsen. The report followed the most exhaustive study of federal government spending ever attempted. The report covers 20 volumes dealing with different areas of government activity, and there is a summary volume which is volume 21. The report is available through the Queen's Printer for $475. It is heavy-going in part, but it is a most exhaustive examination of a most important subject, which is: Where is the money going; where are these vast sums of tax dollars being spent? The Nielsen Task Force committee identified hundreds of areas for remedial action with a view to achieving greater effectiveness and efficiency in government operations at lower cost. Whatever happened to that report? Why was not more action taken flowing from that report? The report was completed at the right time, and it was done for the right motives, but no real action that I can find was taken to implement the recommendations of that report. Let me turn now to a quote of James Gillies, a former Deputy Minister of Finance who is now Dean of York University. In a recent article, Mr. Gillies said the following:—

• (2130)

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): With the greatest respect, Senator, I think that our friend, Jim Gillies, was never Deputy Minister of Finance or, to the best of my knowledge and recollection, ever in that department.

Senator Waters: I stand corrected. When he left the government, he partnered in a consulting business with Simon Reisman, a former Deputy Minister of Finance.

Senator Murray: He is a distinguished former member of Parliament.

Senator Waters: Distinguished former member of Parliament; he partnered with former Deputy Minister of Finance, Simon Reisman, in a consulting firm, when they both left. I stand corrected.

Senator Hastings: And adviser to the former Prime Minister.

Senator Waters: He is now dean of York University. In any case, he wrote this article and I am quoting from some of the comments he made in this article which I think are germane to our discussion on the GST. I am quoting James Gillies:

> By any standard, whether business having to use resources simply to find out how government operates, or by the number of over-lapping decision-making bodies in place, Canada is wildly over-governed. And because it is over-governed, it is poorly governed. How else is it possible to explain that a country spared the ravages of war or

revolution within its boundaries and so richly blessed in resources, has managed.

1. To accumulate one of the largest per capita domestic debts of any nation,

2. To build the largest per capita international debt in the world,

3. To have among the highest personal income taxes anywhere,

4. To fail to move, in a hundred years, from an underdeveloped to a developed country and

5. To be racked with constitutional difficulties which may yet result in the breaking up of the country.

No single political party, no matter how bad, could achieve all these negative things on its own. But clearly the political decision making system of the nation has. They didn't all happen by chance.

In the last analysis the political leaders have to take the blame for these failures because none have been willing to face up to the basic task of restructuring the political process so that the country can be governed effectively and efficiently.

Anyone who has more than casual dealings with Ottawa can confirm that this is a fact.

In October of 1990, the Fraser Institute in Vancouver, a prestigious economic think-tank with which most of you are familiar, has taken the initiative to form a new and important national committee entitled the National Tax Limitation Committee. This committee is under the chairmanship of Mr. Dick Currie, who is president of Loblaws. The task of this committee is to explore the legislative and constitutional means for limiting the growth of both taxes and expenditures.

Why is James Gillies so concerned? Why is Michael Walker, who is the Executive Director of the Fraser Institute, founding a national tax limitation committee? I think it is because the fiscal crisis facing the federal government is at disaster levels. We are facing the greatest financial crisis in the one hundred and twenty-four year history of this great nation.

Let me just review some of the facts. The Tories deserve full credit for the efforts they have made in getting the operating balance, which is the difference between the budgetary revenues and the program spending, down in 1989-1990 to a positive 9 billion dollars from a negative 15 billion dollars in 1984-1985. Commendable progress, which is a remarkable turn around that was obtained only because tax revenues increased sharply by 43 billion dollars in the same period while expenditures declined much more slowly by 18 billion dollars. Nevertheless, it was the right trend but it is far too slow.

Moreover, since the Tories came into office in 1984, the 32 tax increases, which have created the much higher revenue stream, have also reached the level where taxpayer resistance and resentment are at record high levels. What you are seeing in this GST tax revolt is just one manifestation of that anger. Those of you who have been out speaking to Canadian political and business audiences have felt that anger in the country.

Senator Perrault: Hear, hear!

Senator Waters: We are now one of the highest taxed nations in the world, and this is having a negative effect on our individuals, corporations, investment and job creation. I think by far the most serious fiscal problem is the exploding size of the national debt, up from 160 billion dollars in 1984 to 380 billion dollars in 1990. To service the interest on this staggering debt takes nearly 40 cents out of every tax dollar of revenue raised. It has placed the government in a 60-cent-on-the-dollar strait-jacket, and that strait-jacket will continue to tighten. This seriously impairs the government's ability to maintain the current programs and policies, let alone introduce any new ones. That is the crisis in Canada.

Hartland MacDougall, chairman of Royal Trust, made a very interesting comment the other day, and I quote:

> Our gross public debt is now around 380 billion dollars. Imagine this: if Canada had saved 1/2 million dollars every single day since the birth of Christ, we would not have saved enough to pay off our public debt.

It is another measure of the magnitude, of the staggering size of this debt.

In that sweeping mandate in 1984, when the Honourable Michael Wilson became Minister of Finance, he made his first economic statement in the House of Commons on the 8th of November, 1984. He said the following and I quote:

> The mandate of the 4th of September, 1984, reflects as well a sombre judgment about the recent past. When Canadians looked back, they saw an unprecedented decade of soaring government deficits and rising unemployment, of expansive intrusive government and sluggish uncertain economic growth. For too long, the government of Canada has responded to these serious problems in our economy by dealing with the symptoms of those problems and ignoring the causes. For too long, the government has tried to substitute the judgments of politicians and regulators for the judgments of those in the marketplace through excessive regulation and by trying to buy its way, with borrowed money, out of each new problem that arises. We have suffered for too long from the growing gap between the rhetoric of reliance on the private sector and the reality of increasing government intervention.

I loved to hear those words when I was a Tory. I thought that was the right way to start. He went on to say:

> Our immediate goal is to reduce the deficit through expenditure reductions and not through major tax increases.

Honourable Senators, he has not done that.

Senator Gigantès: You believed him.

Senator Waters: I might comment that the average annual deficit from 1984-85 to 1989-90 remained at about 30 billion dollars per year and is presently forecast to be in that range for fiscal 1990-91. Granted, higher interest rates than forecast are part of the problem. A finance minister must deal with both fiscal policy and monetary policy plus economic reality.

To go back to Mr. Wilson for that quote he made in November of 1984:

> At a time when Canadians are being asked to accept reductions in government programs and services, it is appropriate that Cabinet and Parliament also contribute. Ministerial pay of the Prime Minister and Cabinet mem-

bers will be reduced by 15 per cent and 10 per cent respectively for the year beginning 1 January 1985. Parliament will also be asked to reduce its expenditures.

In retrospect, I sometimes feel that this was the high point in the Tory mandate. Whatever happened to this commendable commitment to austerity? At the risk of oversimplification, let me try to summarize the salient highlights of the fiscal crisis facing the federal government and, indeed, all Canadians.

• (2140)

Despite 32 tax increases in six years, the deficit has remained on average, roughly the same every year, at about $30 billion. The public debt, which was about $160 billion in 1984, has more than doubled to $380 billion. Servicing the interest only on the public debt—something like having a mortgage on one's future and ones country—is draining about 40 cents of each tax dollar of revenue raised.

Despite many highly publicized statements concerning spending controls, expenditures are up over that same six-year period by 30 per cent. To give it credit, the government has got the operating balance to a positive $9 billion, but only through sharply increased taxation.

Let me quote from an October 11, 1990, joint statement—the first I have ever seen—on the national economy prepared by the Business Council on National Issues, the Canadian Manufacturers' Association and the Canadian Chamber of Commerce. They are all prestigious organizations, and liberally laced with Tories. I think these are absolutely shocking statistics, and one measure of the fiscal crisis that we face.

The first point in their joint statement is that the combined federal-provincial government debt now stands at a staggering $450 billion. That tells us that the provinces of this country have a $70 billion debt. The fastest growing debt in the provinces was in the Province of Ontario.

They also point out that among the seven leading industrial nations Canada has the second largest government debt burden, equivalent to more than 70 per cent of our gross national product. Only in Italy is the burden of government debt higher. Despite seven consecutive years of positive economic growth, Ottawa's budget deficit was still close to $30 billion in 1989-90, which is equivalent to 4.7 per cent of the gross domestic product—far too high given the current state of the business cycle, which is in a downturn.

The government spends $95 million every day in interest costs alone. It is something to contemplate what one could do with $95 million a day if the government were debt free.

Increasing taxes is not a realistic solution to the deficit debt problem. The average Canadian family already spends 50 cents of every dollar of cash income on various kinds of taxes: income taxes, sales and excise taxes, school taxes and property taxes. The three levels of government in Canada—and we are vastly over governed—fail to recognize that there is only one taxpayer who funds every level of government. The burden is excessive. The burden is crushing. The burden will bring Canada to its knees. We should not forget that we are not immune to the inexorable law of economics. The burden is becoming too great to bear. Most of us probably forget that the average family now pays more in taxes than it does on food, clothing and shelter combined. In the old days of economics a family worried about providing food, clothing and shelter. Now, the greatest burden on any family is the tax burden. This is one of the reasons that the GST is getting such a hostile reception across the country.

My final point from the joint statement is a serious one. It is that Canada is borrowing more and more from foreigners, in large part because of our government's insatiable appetite for debt. Net foreign indebtedness has jumped from $137 billion in 1983 to $230 billion last year. Canada and the U.S. are now the world's two biggest debtor nations.

I have taken considerable time to highlight what I consider to be the major components in the fiscal crisis facing Canada as a backdrop for a more specific examination of this brand new consumption tax. The federal government has claimed that the elimination of the FST, and its four components which I mentioned earlier, and its replacement by the GST, is a fundamental part of a new economic strategy. It is an extension of its master plan for tax reform. The government claims, among other things, that the GST is a fairer tax, that it is more visible, revenue neutral, administratively and technically simple, progressive and non-inflationary. The Senate committee found little evidence to support these extravagant claims and, frankly, nor have I.

On the contrary, the more one looks at Bill C-62 and the more one listens to the concerns of hundreds and hundreds of Canadians and hundreds and hundreds of organizations in Canada, the more convinced one becomes that this is a bad tax being imposed upon us at a bad time.

I attended one of the hearings of the Senate committee in Edmonton. I found the views expressed there illustrative of the attitude of most Canadians. The people who testified before the committee were angry. I believe there was only one person who appeared before the committee in Edmonton who supported the GST—and he was a member of the current government. The sad thing is that it is very hard to find supporters of the GST. If you want to hear the other side of the argument, it is very difficult to find someone to express it. As the majority of the members of the Senate committee became more and more convinced that the bill was seriously flawed and that it would not fulfil either the government's promises or its expectations, it became clear that, despite the overwhelming evidence which was persuading the majority of the Senate committee that this was a bad bill, those on the committee who support the government were not in agreement. They could not be deaf. They are intelligent, dedicated Canadians who heard the same arguments. They were not listening. They, of course, were then not in agreement with the concluding recommendation that Bill C-62 should not be passed but should be proceeded with further in the Senate.

As a personal observation, I found it a great pity and very sad that such an important review, and one which is a secular change in Canadian taxation policy as significant as the introduction of income tax in 1917, should have split the committee largely on political party lines and not on the merits of a consumption tax versus those who argued against it.

• (2150)

Moreover, I think it is extremely important to note the growing opposition to the GST by Canadians from all parties and all walks of life, despite the fact that the federal government has spent nearly $40 million to inform the public and to try to sell it on the merits of the GST. This monumental and expensive effort has failed.

Some Hon. Senators: Hear, hear!

Senator Waters: Over 80 per cent of Canadians are rejecting the GST. Why does the government not listen?

Honourable senators, we are part of this nation. We have an important role to play as a part of this nation. Why are we not listening in the Senate? Many honourable senators recognize the serious flaws in the GST and the unprecedented public opposition. Some rationalize their positions in support of the GST by claiming that a rejection of this money bill in the Senate would be the kiss of death to an elected and responsible Parliament. I do not share this view.

The rejection of this bad tax legislation would not be an abrogation of the rights of the House of Commons but, rather, a reaffirmation of the constitutional responsibility of the Senate.

Some Hon. Senators: Hear, hear!

Senator Waters: In a real sense, in light of the current extremely high level of opposition to the GST, the Senate has become the last democratic hope for millions of Canadians. We have laughed in this chamber together while petitions have been presented, but anyone who has ever tried to go around and get a petition signed will know that it involves a lot of work. I did not see any that were tear stained, but they could have been. Over two million, some estimate as many as three million, Canadians have taken the trouble to write senators objecting to the GST. This cannot be taken lightly. This can only be taken seriously. Many of the names have been read into the record during those painful reading periods. I do not think we should fail these Canadians, who are turning to us as their last hope to stop the GST.

Some Hon. Senators: Hear, hear!

Senator Waters: As a final consideration, since the government introduced Bill C-62, which passed in the House of Commons back in April of 1990, the economic health of Canada has suffered serious setbacks. We are now in the midst of a full-fledged recession, with soaring bankruptcies, growing unemployment, continued high interest rates, an abnormally high Canadian dollar and increased inflation, all of which are contributing to great economic uncertainty, placing pressure on and creating an atmosphere of fear for the average family as it looks for security in this very unstable economic environment.

A delay in the introduction of the GST can be clearly justified on many grounds, not the least of which is that business is not yet ready. In my judgment, the government is not yet ready. We heard the debate on that point the other day. Anyone can pick up the phone to call one of these hotlines and ask a question about the GST and see what he gets. And the complex transitional costs of the tax are so high that it is almost unbelievable. The only people who are really going to profit from this are tax accountants and tax lawyers, in the short term, and most of us, whom I consider bo be reasonably intelligent men and women, will find that in the literature being issued by the Government of Canada to explain how to operate a drug store or a grocery store under the new tax regime, the instructions are extremely complicated.

I would simply like to conclude by repeating the thrust of my amendment, which moves that the GST be delayed by 12 months. I hide not my ulterior motive. My ultimate objective, of course, would be to use the one-year delay to convince the federal government to reconsider its decision to go ahead with the GST. Honourable senators, this is a bad tax replacing a bad tax. It should be stopped, and stopped here in the Senate.

Finally, honourable senators, I repeat my usual admonition: The Senate must be reformed.

Hon. Joyce Fairbairn: Honourable senators, it is with a sense of relief that I take the opportunity to speak on the amendment of Senator Waters to delay the implementation of the goods and services tax until January of 1992. I say it is with relief because once again this house teetered on the brink of dissolving into chaos as the Speaker and the government last Thursday put aside our rules for the purpose of pushing through a measure which has produced a visceral anger in the people of Canada.

Some Hon. Senators: Hear, hear!

Senator Fairbairn: The people see it as yet another piece of evidence of the personal will of a Prime Minister who has forgotten those who put him in his job and those whom he is supposed to serve with some basic sense of fairness and decency.

Last Thursday night, with almost a grim determination, the Speaker of this chamber chose to ignore the rights of Senator Waters to move his amendment and, indeed, recognized the Leader of the Government—

Some Hon. Senators: Shame!

Senator Fairbairn: —Senator Murray, in his effort to facilitate the final passage of the GST, in spite of very open, loud and clear notice from Senator Waters and, indeed, from Senator Lawson, that they intended to move amendments as soon as those presented by the Liberals on this side of the house had been voted upon.

Senator Waters was very loud and clear in giving his notice. He is a military man and he tends to be very loud and clear. There was no doubt in the minds of anyone in this house that he would be up and running in order to move his amendment last Thursday night. However, after four days of what I suspect was rather fundamental pressure, the Speaker and the government have reconsidered and have decided to recognize the rights of Senator Waters and his Independent seat-mate, Senator Lawson, in this house. I think it did not escape the notice of senators on this side that there was a certain reluctance this afternoon on the part of Senator Doody and Senator Murray to admit the parenthood of this motion for a house order to cover the amendments. In fact, so reluctant were they that Senator Doody suggested that this house order had indeed

been born within the chamber of His Honour, the Speaker, and encouraged him to take responsibility for it.

At any rate, honourable senators, these have once again been black days for the Senate. More than that, last Thursday was really a black day for the democratic process in this country as the rules of our parliamentary law in this house were given another swift kick by the government. Senators on this side and I, too, will probably have more to say about that at a later date, but for the moment I would like to consider Senator Waters's amendment.

I should make it clear that the proposition of postponing the GST for a year is certainly not my goal, any more than it really is the goal of Senator Waters. We want this tax killed now. It is wrong, it is hurtful and it is unfair, particularly to Canadians and to regions that are least able to protect themselves from its bite. One of the reasons that Senator Waters's amendment, however, is critical at this point is that it does represent a last-ditch effort to get the Prime Minister and his government to step back and take a long, hard look at the stress they are about to impose on the workers, the businesses and the individuals in this country who are already under extreme economic pressure.

• (2200)

The statistics that have been rolling out of the government and private sector sources tell us not just that Canada is in a recession—I believe we all know that. Only those locked in the isolation of the four walls of government, such as Finance Minister Michael Wilson and the Prime Minister, have just found out that hard times have been upon us for many months and Canadians in the real world have been trying to cope with that every day. The statistics tell us how deep our troubles really are. I would like to add a few statistics to the record tonight to fill out that picture.

The latest statistics on the gross domestic product of Canada, which is the value of all goods and services produced, fell by 0.5 per cent in August. This was the largest monthly decline since March of 1986.

There is more bad news. The price of raw materials reflecting the rise in world oil prices soared by 10.3 per cent in August, which is the largest monthly increase since the index was introduced in 1977. In a separate report produced at approximately the same time, the Department of Energy and Natural Resources reported that national gasoline prices had risen by almost one cent a litre, leaving them six cents a litre higher than they had been prior to the Persian Gulf crisis.

Money traders were reported as saying that, because the threat of higher consumer prices meant it was unlikely that interest rates would fall in any demonstrable way, they would expect only a marginal decline in the Bank of Canada rate.

Following this, the Department of Consumer and Corporate Affairs released the bankruptcy figures. They reported that 5,922 consumers and businesses declared bankruptcy last month, which was up by almost 61 per cent from October of 1989. The figures also showed a sharp increase in bankruptcies in the month of September. In the first ten months of 1990, 33,938 consumers and 9,407 businesses went bankrupt in Canada, which is a 40 per cent rise over the figures for the same period of 1989.

Another indicator from Statistics Canada said that factory shipments fell. They were 0.8 per cent in September, and the new orders which generate future shipments fell by 1.6 per cent from August. It was the third consecutive month of decline for the two key indicators of how the manufacturing sector is faring.

Further to that, Statistics Canada released a report saying that the high negative levels of opinion in the manufacturing industry in Canada were similar to those in January of 1982, which was the last time Canada moved into a very tough and deep recession. Another area that we have to be concerned about is pay hikes in our labour force. It was reported in the *Financial Post* earlier this month that employers who were surveyed by that newspaper indicated they would only increase their workers' salary by up to an additional one per cent in the coming year, which would fall short of demands generated by the GST.

The statistics tell us that this recession is going to be longer and tougher than had been anticipated. One reason for this, which could have not have been anticipated a year ago, is the threat of war in the Persian Gulf. That has not only forced up the price of oil and gasoline in Canada, but also has initiated heavy military expenditures to try to enforce a blockade and sanctions against Iraq. That kind of pressure is something that every government in the so-called coalition is having to face and deal with under similar and tough circumstances in their own economies.

Another reason for the fears and anxieties of Canadians in the months ahead is the effects of the GST. Honourable senators, that could have been anticipated. The government could have understood that, as economic clouds were gathering over virtually every sector of our economy, this was not the time for a goods and services tax that would eat into every individual's pocketbook each day of the year. To put it mildly, it was and is the wrong tax at the wrong time. Everyone in Canada knows that except the Prime Minister and his government.

Canadians do not need this extra hardship. Honourable senators, government ministers are insulting in their constant claims that everybody but them is living beyond their means and must tighten their belts. Canadians have been tightening their belts. Certainly the people I talk with in southern Alberta have been tightening their belts for years through droughts and other man-made disasters such as the grain subsidy war, which has threatened the trade talks at GATT and may bring those talks to their knees. These Canadians are prepared to tighten their belts and their budgets in the face of a worldwide recession. They are responsible people in terms of their own personal lives and their contribution to our country. However, they are asking for some sense of reality from their government. They are saying, "For God's sake, rethink this tax."

Some Hon. Senators: Hear, hear!

Senator Fairbairn: As Senators Waters has so clearly set out, there are other ways of raising money without penalizing every single Canadian who was already contributing to the

national cause through taxation at every level of our complex political system.

I should like to turn to my hometown newspaper, *The Lethbridge Herald*, which told us in headlines earlier this month that the GST will add $200,000 to city costs. That caused shudders to go through the city. This is an area which has been under severe stress because of the situation in the farm community. They had not been anticipating this kind of additional expense. As well as the other demands that are being made in the city of Lethbridge, now they have the GST in the amount of $200,000 on their budget.

In addition to the daily costs, the GST will add what many are estimating as high as 2.5 per cent to the inflation rate in the next year, which automatically keeps interest rates high. The government has said that the increase in inflation will be only 1.5 per cent, but no one believes that estimate. That estimate was quickly rejected by economic forecasters who live in the real world and outside the Department of Finance.

• (2210)

The government also noted that the GST would be revenue neutral, but nobody believes that either. I will use, as Senator Hastings did earlier in this debate, some very interesting comments, and refer to the comments made by our colleague Senator Finlay MacDonald, when the Senate Committee on Banking, Trade and Commerce was travelling this summer in Whitehorse, on August 3, 1990. I presume there had been some bantering back and forth in the committee—if "bantering" is the word I should use—Senator Buckwold raised this question of revenue neutral.

Senator Frith: That is the way the sportscasters describe it when there is a "dust-up" in the NHL. "The lads are mixing it up a bit."

Senator Fairbairn: Senator MacDonald said this, and I quote:

> I do not think we should be conning the witnesses or the people who are here to hear us. It was said a second ago that it has been admitted that this tax is not intended to reduce the deficit.
>
> I admit it. I admit it as one member of this committee. With all due respect to my leader, I admit that this is the most screwed-up thing that the Government of Canada, my government, has done.

Senator Frith: And they have done a lot, so that is something.

Senator Fairbairn: Senator Hastings is recorded here as saying, "Hear, hear!"

Senator MacDonald went on to say:

> The government has come out with revenue neutrality and they try to explain what it is. They do so after talking about laying this big burden on our grandchildren. They go through all of this performance. Then they say it is revenue neutral. They say it will help reduce the deficit. Well, how in the name of God can it help reduce the deficit if it is to be revenue neutral?

Senator Buckwold: That was an honest member of the committee.

Senator Fairbairn: He continued:

> I said yesterday that I did not think this was misrepresentation on the part of the government. It was just a dumb mistake in communications. They didn't know what on earth they were doing . . . Everyone knows that this tax will be a windfall, and that it is intended to get at the deficit. Therefore let us be done with these gags between ourselves about "revenue neutral" and such things as that.

Senator Frith: Let us hear it for Finlay MacDonald!

Senator Fairbairn: Now the Prime Minister indicates that he will reduce the tax once it is in place. Maybe he will take it off the books.

Senator Frith: And there is a cheque in the mail.

Senator Fairbairn: There are no promises on that. Perhaps that excess revenue, or windfall, as Senator MacDonald mentioned, will be used in fact to reduce the deficit. There is no real undertaking there either.

Senator Frith: "I am from the government and I am here to help you."

Senator Fairbairn: Perhaps all that revenue will result in a lower tax rate. Well do not bet the farm on that type of false seduction.

Everywhere the value added tax has been levied it has increased dramatically, and there is nothing in the history of this government's taxation record to even suggest anything different.

I believe there is another problem with this tax, which is that there is no confidence among the people that the government itself knows how the tax will work. That is almost understandable because the more you dig into it the less sense it makes.

I quote from one of the business columnists in the *Lethbridge Herald* who had attended a seminar at which an accountant, who had been trained to talk about the GST, had attempted to take this explanation to seminars in our city:

> Take sweetened baked goods. If you buy less than six doughnuts, you pay GST. Six or over; you don't pay. The reasoning is that you can't eat six doughnuts at once. Understandably, this is known as The Pig Rule. Sellers of the world famous bucket of chicken will be thrilled when people buy the cold bucket GST-free and mike it at home.
>
> Another question to consider: Are your cattle in the food chain? If you sell your cattle to a feedlot and they're fed as the lot's own cattle, they're still food products. But if you board them at a feedlot, the service of feeding them is taxable.
>
> Farm-grade machinery is zero-rated. Irrigation equipment, thus far, is not. As Hall-Buckland understates, a centre pivot is extremely expensive.
>
> Landlords are not allowed to collect GST. But they're required to pay it on their costs. You know what that means.
>
> Non-profit day cares will not be charged GST. For-profit ones will.

On and on it goes. It is little wonder that when the hot-lines cannot easily explain these anomalies to Canadians who call in, this in itself erodes the confidence that the people of this country have in the government's ability to administer the tax. That confidence, I am sure, took a rather severe drop a few days ago when we learned that the cost of administering the tax and distributing the material is estimated up over $400 million.

Senator Waters is asking this house to force postponement of the tax for a year, in the clear hope that an alternative will be developed. Over the last three weeks our Liberal opposition has offered other suggestions which would have provided a fairness to those who cannot manage the extra burden. I realize that some of these amendments struck a positive chord in some of the senators on the government side, even though they were not in a position to vote affirmatively.

Briefly, I would just like to remind the senators what the amendments called for. The first one called for a zero rate of tax on reading material. This was an amendment to ensure that all reading material, including books, magazines, newspapers, and Bibles, be subject to a zero rate of tax, similar to the treatment of basic groceries. In fact, these materials have never been taxed in Canada.

The next amendment dealt with electricity and home-heating fuel, such as oil and natural gas, in that they would not be subject to the proposed GST.

The next amendment dealt with discrimination against the cooperative movement across Canada.

The next amendment sought full inflation indexation of GST credits for low-income families in this country.

The next amendment dealt with Canadian consumers and an effort to help them benefit from fairer transitional relief measures to industry.

The next amendment would have broadened the tax-exempt status for health care and educational services.

• (2220)

The next amendment, and this was perhaps one of the best debates in the Senate during consideration of this bill, was to have the north become a GST free zone. Finally, the last amendment last Thursday called for a higher rate of tax on luxury goods. Tonight, the ninth amendment by Senator Waters is asking for a one year delay in the implementation of the tax.

Honourable Senators, I am delighted that Senator Waters has had a full opportunity to participate with his amendment, and I hope it passes. In spite of government attempts to derail the independents or to curtail their debating time,—

Senator Simard: Deliberately agreed to curtail, is better.

Senator Fairbairn: —we recognize that they have equal rights in this house and each of us has a responsibility to protect those rights.

Honourable Senators, I would like to conclude my remarks tonight with a slight digression. Senator Waters is considered by some to be an independent because he sits over there with the other independents. Honourable Senators, the fact is that Senator Waters is not at all an independent.

Senator Simard: No?

Senator Fairbairn: He is a member of the Reform Party of Canada. In the national polls, the Reform Party has been coming uncomfortably close to the same percentage of voter support as the governing party.

Hon. Senator: Thirty per cent in Alberta.

Senator Lynch-Staunton: Are you being seduced?

Senator Fairbairn: The Reform Party is a national party that initially was borne out of the mess in which the Conservatives found themselves in western Canada.

Like Senator Hastings, Senator Olson, Senator Hays, Senator Twinn, and myself, Senator Waters represents the views of Albertans in this house.

Senator Simard: You will have to do better than that to get Senator Frith's job.

Senator Frith: You do not have to do anything to get it. Just sign a letter requesting it and it will be fine.

Senator Simard: You will have to do much better than that.

Senator Frith: In fact, do not even bother with a letter; just ask.

Senator Fairbairn: Among them are tens of thousands who have signed up to join the Reform Party.

An Hon. Senator: Resign and run; resign and run.

Senator Fairbairn: Like all of us, Senator Waters was appointed to the Senate by a Prime Minister. In his case, the combination of himself and Brian Mulroney can only be described as the odd couple, but Senator Waters came to that appointment by a route that was as unique as it was historic.

In case any one in this chamber has forgotten, I would like to remind you of how Senator Waters came to be here.

An Hon. Senator: Oh, my God!

Senator Fairbairn: That is right. Honourable senators will recall an event that occurred in the province of Alberta over a year ago which really focused the attention of Canadians on this chamber in a way unlike any other time in the past.

On October 16th, 1989, under the provisions of the Senatorial Selection Act of the Province of Alberta, a candidate was chosen to fill a Senate vacancy in that province. That had never before happened anywhere in the country and, indeed, election has never figured as an element in the appointment of a Canadian Senator. It was seen by many people in western Canada as a potentially important influence in forcing a serious effort at constitutional reform of the Senate.

Now, because of the unprecedented nature of this political development, I want to give honourable senators a little of the background of the process as it progressed through Alberta leading to the election of Senator Waters.

Senator Hastings: Would the three stooges over there listen for awhile.

Senator Fairbairn: Senate reform has for some time been a major issue in the political life of my province and, indeed, it may be the only issue which generates political agreement in Alberta. It goes back to 1985, specifically when a special committee of the Alberta legislature put forward a report entitled, "Strengthening Canada: Reform of Canada's Senate", which recommended a new form of Senate that would be elected and would contain an equal number of Senators totalling 64, sic representing each province and two representing each territory. The Senate would have substantial powers to provide an effective regional balance in our federal Parliament.

There were many other interesting proposals but those three were at the core of the report, which was adopted unanimously by the Alberta legislature in May 1985. It flushed out the slogan, "Triple E", which has been heard a great deal across the country and in this house during the last three years, and which slogan the government of Alberta, and many people in the province, have promoted ever since.

As Senator Hastings will know, before Meech Lake was even a twinkle in the eye of Canada's first ministers, Nick Taylor, the former leader of the Liberal Party in Alberta, proposed that future Alberta senators should be elected. Indeed, it will interest honourable senators opposite to know that Mr. Taylor, who was and is always an outspoken public figure in our province, has encouraged all of us from Alberta to resign on the spot and run.

Some Hon. Senators: Hear, hear.

Senator Frith: Who said "Hear, hear"?

Senator Fairbairn: To set an example. As discussions on constitutional changes began again in 1986, through the introduction of Quebec's five-point agenda to facilitate its signature on the Constitution, the profile of Senate reform began to take on a sharper edge in Alberta. Bit by bit an awareness of concern about the Senate spread through the west and into other parts of the country with varying degrees of interest.

Then came Meech Lake and its commitment to place Senate reform at the top of future constitutional agendas and to change the method of appointment of Senators until reform was achieved.

Senator Simard: Which you people killed.

Senator Fairbairn: The Alberta Minister of Federal and Intergovernmental Affairs, Jim Horsman, was encouraged by the government and by Senator Murray to discuss proposals for Senate reform with provincial counterparts across the country.

At the same time, in May of 1987, Lloyd Axworthy, one of our Liberal members of Parliament, put forward another proposal, that from now on Senators filling vacancies should be elected by a public electoral process by each party in each province. This was followed up by a number of people. One person who did not accept that view was—

Senator Frith: Can we make that retroactive to the section 26(8), and do you so move?

Senator Fairbairn: It is interesting to note that one person who did not support that idea, in May of 1987, was none other than Premier Don Getty, who publicly said that the idea of electing nominees was an ad hoc suggestion that simply did not stand up.

At any rate, in Alberta the issue received a specific focus with the resignation of the late Senator Donald Cameron in September of 1987. That vacancy provided a clear target. Premier Don Getty then changed his mind and decided to test the new appointment system as agreed at Meech Lake.

Back in Alberta, after Meech Lake, there was considerable consternation that Premier Getty had let down the side by agreeing to the proposals and putting Senate reform on the back burner for a very long time.

There was one rather lilting column at the time written by Don Braid, who is a columnist for the *Edmonton Journal*. He wrote:

• (2230)

> Alberta Premier Don Getty is the Vanna White of Canadian politics—amiable and not bad looking, but the more we see of him the more we wonder why anybody takes him seriously.
>
> Getty went into the April 30 constitutional talks vowing to fight for Senate reform, then agreed to an astonishing deal that set Alberta and the West back 20 years.

At any rate, Premier Getty definitely had some work to do to restore his own credibility. Instead of sending the Prime Minister a routine list of candidates, something which had been done by two of his fellow premiers, he gave the process a new twist and proposed a province-wide election. A bill providing for that election was placed before the legislature in February of 1989. It was not passed because there was a provincial election. The Conservative government was returned to power. It reintroduced the bill after the election and passed it in August of 1989.

Premier Getty opted for a provision in the bill that would allow the Senate selection process to take place along with a municipal election province-wide. Thus, on October 16, 1989, along with mayors, councillors, school boards, hospital boards, fluoridation, Sunday shopping, and heaven only knows what else, Albertans also chose a senatorial candidate.

Senator Lynch-Staunton: What was the percentage turnout?

Senator Fairbairn: I am just getting to that.

The winner selected by the province was Stanley Waters. He was one in a field of six candidates, five men and one woman. Three of the candidates represented the political parties: the Reform Party, the Liberal Party and the Conservative Party. Three were independent. Each person seeking nomination was required to produce no fewer than 1,500 names of electors, each witnessed by another elector who was required to sign an affidavit. Each person seeking nomination was also required to deposit $4,000. So these were not trivial undertakings for those who wished to be a candidate.

Some 40 per cent of Alberta's eligible voters, totalling more than 614,000 persons, cast their ballots. Senator Waters was chosen by 259,570 Albertans. That was about 42 per cent of the total Senate vote. He was substantially ahead of his nearest rival, another outstanding person who happened to be the Liberal candidate, William Code.

Senator Steuart: Where did the Tories place?

Senator Fairbairn: They ran third.

Senator Stanbury: In Alberta?

Senator Fairbairn: Yes. The signs were out then.

Senator Buckwold: How far behind were they?

Senator Fairbairn: I do not want to get into that, it is too painful.

Senator Steuart: Poor Getty.

Senator Fairbairn: Exactly. After the initial shock of seeing the Conservative candidate come in third, Premier Getty rallied behind the winner. He provided the Prime Minister with the list of six senatorial candidates with the number of votes they had received and clearly recommended the appointment of Mr. Waters as the winner under the Selection Act. His letter arrived in Ottawa and promptly sank to the bottom of the Prime Minister's "in" basket.

Yet, I want Senator Waters to know that his cause was fought here in the Senate. He was elected in Alberta on October 16, 1989, and the questioning began on October 17 here in this house. I asked Senator Murray a simple question. At that point he was able to say that it was a hypothetical question since no letter had been received from Premier Getty. The next opportunity to ask a question was the next day on October 18. At that point in time, I believe Senator Waters was coming to Ottawa to take a look at the place. As I understand it, he did not meet with Senator Murray at that time.

The questioning continued on October 25. By this time the letter to the Prime Minister had arrived in Ottawa. Apparently, the Prime Minister was out of the country at the time, so he did not have time to send a response. By October 31 the Prime Minister had returned. We were told that the letter was in his hands and that he was giving it earnest consideration and would be announcing a decision in due course.

The questioning continued on November 7 and 8, December 12, 20 and 21. This is when the matter became very interesting in that Senator Murray indicated to us at that time that the federal government all along had considered the process in Alberta to be unconstitutional and, indeed, had a legal opinion to that effect. This had been communicated to the Government of Alberta. There had been discussions back and forth. Letters had been written and the suggestion had been made that the two governments have a reference to the Supreme Court of Canada to clear up the confusion or the disagreement. That did not go anywhere. The answer, in fact, was Premier Getty's decision to call an election. All through this period when people were getting ready to put up money to run as candidates and get their organizations going, no one knew that this process was being considered unconstitutional by the federal government.

At any rate, the questioning continued in January. It then became quite clear that nothing was going to happen until the run up to Meech Lake was concluded one way or another. That is exactly what happened.

Honourable senators, it is not surprising that the rights and the well-being of Senator Waters were not uppermost in the minds of Senator Murray and the government. The government did not believe in the manner by which he was chosen by the people of Alberta. The Prime Minister clearly did not want to appoint him, but did so on June 16 as a favour to Premier Getty for his strong support throughout the Meech Lake process. Tonight is a bit of history in the making since this was Senator Waters' first speech since he entered this chamber on June 19.

I have to say that I was honoured to help escort him into this chamber along with Senator Doody. I am glad that he is here. I hope that in the future he and others who enter this place either as individuals or as Independents will be able to join fully and freely in Senate proceedings without the kind of disruption that has been a feature of our proceedings in the last few days.

Some Hon. Senators: Hear, hear!

• (2240)

Hon. Orville H. Phillips: Honourable senators, I should like to participate in this debate.

Senator Buckwold: That should be better than a sleeping pill!

Senator Phillips: I should begin by commenting on Senator Waters's remarks. I will tell him what my wife always tells me about my speeches. She says: "When you go on too long, you lose your audience." And she is perfectly right. I sometimes lose my audience before I have begun, especially when I speak at this late hour, but I would suggest to Senator Waters that although some of his remarks were interesting, insisting on having the amendment read by the Speaker again was really an insult to the system.

Some Hon. Senators: Hear, hear!

Senator Phillips: I should like to refer to a part of the speech in which Senator Fairbairn seemed to be very interested. The honourable lady is an expert political contortionist and distortionist, and she really excelled this evening trying to create the idea that it was the Grits who had given the Independents an opportunity to speak.

Let us go back to the anarchy and rioting that took place in this chamber before the house order was negotiated. Who were the negotiators? They were the Leader of the Opposition and the Deputy Leader of the Opposition. And who came out as entitled to move amendments? The Leader of the Opposition and the Deputy Leader of the Opposition were entitled to move eight amendments. No one else was mentioned. These two honourable senators, acting as Independents, allowed unanimous consent for the house order. They voted for it. The record of the Senate shows that the motion was carried with

unanimous agreement. The record also shows that both honourable senators were present on that day. The two Independent senators agreed with the Grits, as they had been doing all along, and they agreed to exclude themselves. That may have been naiveté on their part—in fact, it must have been rather naive, because they trusted Senator Frith, and anybody who would do that is really naive.

Some Hon. Senators: Hear, hear!

Senator Phillips: The house order adopted today is almost identical to the offer made by Senator Murray in Question Period last Thursday, in which he indicated clearly that he was prepared to accept two amendments from the Independent senators. That offer was made prior to the riot of last Thursday. That offer was repeated again Thursday night, Friday and again today. The hold up was the Leader of the Opposition, so don't give me all of this hypocrisy about wanting to hear from the Independents. Senators opposite tried to avoid that and came very close to succeeding. I must give them credit for that.

Senator Buckwold: It took you four days to get out of the mess you were in!

Senator Hastings: And you had to get the Government Leader up there to get you out of it!

Senator Phillips: Would my honourable friend contain himself now? He should take his report back to the bathroom, or do anything, but I would ask him please not to interrupt me.

I should now like to turn to the amendment proposed by the Honourable Senator Waters. It is an amendment in line with the Reform Party policy, I have to give him credit for that. Preston Manning in Alberta says that he believes in visible taxation, in people seeing the taxes they are paying. I agree with that, but here is the problem: Senator Waters does not agree with it because repeatedly in this chamber he has voted to retain the federal sales tax, which is an invisible tax.

I wish my honourable friend would discuss this with his leader. I wish they would get together. It is sort of confusing for those of us from the east coast to see his leader in Alberta saying one thing while he votes another way here. Perhaps Deborah Grey has a better way. She does not say anything, and that would probably be much better here.

The honourable senator's amendment does very little except defer the tax. Instead of coming into effect January 1 of next year, it will come into effect January 1 a year from now. Honourable senators, what is going to happen in that year? I can just see Senator Waters campaigning in the foothills, telling the people there, "Look, we have changed our minds. Now we think it is a good tax, but we have to have a year to explain our change of minds." Senator Waters could have started this evening to explain his change of mind. Why waste two hours of time in the chamber this evening when he is going to change his mind a year from now?

Honourable senators, the Reform Party has not yet even developed its manifesto, but already Senator Waters is watering it down. Now, Maritimers have a habit, sometimes, of watering down drinks if you don't watch them, but we do not water down our political platforms. I hope the honourable senator will adopt that policy throughout the debate.

Honourable senators opposite have complained that the tax is regressive, that it is going to destroy the economy. Let us just have a look at a few statistics, if I may present them, honourable senators. The economy of the province of Newfoundland will expand by $150 million in today's dollars. Clyde Wells would not accept Meech Lake, but I am certain that he would accept an expansion of $150 million in the provincial economy.

Senator Simard: I don't think he will.

Senator Phillips: You do not? I am quite sure of that. My colleague seated to my left has been telling me that for some time.

The economies of the provinces of Nova Scotia and New Brunswick will each experience an expansion of $200 million. I like to give credit to a premier where credit is due. Despite what honourable senators opposite say, the provinces have caught on to the fact that welfare recipients are going to receive more income under the GST than they presently do. The first premier to say that he would not cut back on the incomes of welfare recipients because of the GST rebate was Premier McKenna of New Brunswick. Five other premiers, while admitting that welfare recipients will be better off under the proposed GST than they are under the present federal sales tax, have yet to decide whether they will reduce the welfare cheques.

The economy of the province of Quebec will expand by $1.6 billion. The economy of Ontario will expand by $3 billion. The new socialist premier of Ontario was not able to come up with any expansion like that, yet honourable senators from that province complained that this tax will destroy the economy.

As a matter of interest, let us just turn to the economy of Alberta. It is estimated that that economy will expand by $2 billion.

• (2250)

Senator Hastings: That is why Alberta is taking you to court. They really want to expand.

Senator Phillips: You must have influenced the provincial government.

Senator Hastings: I do not influence Tory governments.

Senator Phillips: I am sure if they understood the benefits they would support this.

The province of British Columbia will expand their economy by $1 billion.

Senator Hastings: That is why they are going to court.

Senator Phillips: These are rather interesting figures, honourable senators. The province of Alberta gets 22 per cent of the expansion. If you combine Alberta and B.C., that is $3 billion out of the anticipated $9 billion expansion. Yet, honourable senators opposite say that this Mulroney government neglects the west.

Senator Hastings: What does the premier of Alberta say?

Senator Buckwold: What does the government of British Columbia say?

Senator Phillips: One-third of the proposed benefits of this tax goes to the two western provinces. I am sorry my honourable friend objects to that amount going to the west. Perhaps he would rather it go somewhere else.

Senator Buckwold: This is all conjecture. These are the same kind of figures we heard with free trade.

Senator Phillips: My honourable friends opposite have to admit that this tax is fair to the western provinces.

Senator Waters pictures himself as a twentieth century Cato. Cato was asking in his speeches that Carthage be destroyed. We, on this side, have a few discussions of a political nature with those opposite, and we have come to think of you people as Carthaginians. I would like to point out to Senator Waters that Cato did not desert to Carthage. He remained loyal to Rome.

Here in this chamber, the Alberta Cato—the reformed Cato—has deserted to the Grits. This did not begin this evening. This began with the desk-thumping and bell-ringing episode. At that time I looked around and there was our honourable friend red-faced and embarrassed, but stupidly pounding his desk with the rest of you opposite. That is when he joined the Carthaginians. However, he has been very successful since joining the Carthaginians. The first convert was Senator Fairbairn. You saw evidence of that tonight.

Senator Fairbairn arranged an afternoon tea party in her office and invited Senator MacEachen and Senator Waters. It was a miniature Mad Hatter's tea party. That is when the amendment was drafted, and they worked on it for an hour and a half. Senator Waters came out of the meeting smiling and saying that he had won. He did win and I will tell you why. Tomorrow night's vote is going to be very interesting. The Liberals have wrapped themselves like boa constrictors around Senator Waters ever since he came here. Tomorrow night they will have to decide who swallows whom. Are my friends opposite going to swallow Senator Waters or is he going to swallow them? That is the point that has to be decided tomorrow night.

My friends opposite have been saying that the GST will never pass. Tomorrow night they will either have to hang Senator Waters out to dry or vote with him. I would like to know what many of them are going to do.

Senator Hastings: I am not going to vote with you. Never!

Senator Phillips: We now know that Senator Hastings is going to swallow himself and vote with Senator Waters.

The other day I was impressed when Senator Watt, a long-time resident of Montreal, brought a large group from the North into the chamber. Both galleries were filled. Honourable senators, it was interesting to watch senators opposite speak. When they said the letter "G" they looked up at the north gallery; when they said the letter "S" they looked down at their notes; when they said the letter "T" they looked up at the south gallery.

Senator Watt, are you going to tell the people in the North that you have changed your mind, that this tax is perfectly acceptable provided it is implemented on January 1, 1992? Are you going to swallow yourself tomorrow night? Tomorrow evening there will be an awful lot of Pepto Bismol used in this chamber. There will be a lot of indigestion when people vote tomorrow night.

Honourable senators opposite complained viciously when the Canadian dollar went from 82 cents to 86 cents. It went up to 86 cents because of the good financial management of this government. They were saying that we are destroying the economy because the exporters are losing the advantage of 4 cents on the dollar. However, honourable senators opposite insist on retaining 13 cents on the dollar. Honourable senators opposite have been paying too much attention to the economic theories of Senator Gigantès. Be realistic and do not believe that nonsense any more. Remove the federal sales tax and give our exporters an opportunity.

I would like to turn to the real reasons for much of the determined opposition that honourable senators opposite are expressing at this time of the year. What disturbs honourable senators opposite is that 8 million low-income families are going to receive rebates. Senator Waters was asking tonight for many cuts in federal expenditures. I believe there are a number of people in Canada and in this chamber who would agree with that. I would ask Senator Waters if he would eliminate the expenditure to the 601,000 Albertans who are going to receive $51.6 million four times a year? Is that one of the expenditures that Senator Waters would like eliminated? He wants that postponed and he does not want the economy of Alberta to expand by $2 billion.

Senator Lynch-Staunton: That is called reform.

Senator Phillips: That is the political reform of Senator Waters, Preston Manning and Deborah Grey. There is an awful lot to come out yet. Wait until that manifesto is published and then we will really discuss the Reform Party.

Honourable senators, I was in Alberta this summer with the GST Committee. I stayed there to visit two children and five grandsons. While I was there I talked to many people. I will not mislead you and say that the GST is popular in Alberta. It is not, but the attitude I found was that many people recognize it is necessary to change the tax system in order to give our exporters a chance. They said, "If need be we will pay that tax, but we want the national debt—the deficit—reduced."

Senator Hastings: It is revenue neutral.

Senator Phillips: Honourable senators, I am passing the message on to the Minister of Finance tonight that the Albertans said they would pay that tax but they do not want it used for financing new spending programs.

• (2300)

Senator Sparrow: Would the honourable senator permit a question?

Senator Phillips: If I could just finish my remarks, then I can think about it. Somehow or other I do not find your questions very interesting at this time of the night. Ask me tomorrow.

Senator Sparrow: All right.

Senator Phillips: I would just like to close. I will not be like Senator Fairbairn who took twenty minutes to close. I will just make a very brief plea to the honourable senators opposite to be sensible, get on with the debate, finish the vote, and let businesses out there know what is going to happen. We have firms with catalogues published. They bought the equipment necessary for collecting this tax. What is more important, is the fact that many of them have already given quotes on large orders in which they were able to reduce their price by thirteen and one half per cent.

Now let us not fool around in this chamber. Let us not charge the Speaker's chair and create anarchy. There are people out there waiting to take advantage of this opportunity. Let us give them that opportunity, honourable senators.

Some Hon. Senators: Hear, hear!

Hon. Royce Frith (Deputy Leader of the Opposition): Honourable senators, as Senator Phillips, speaking on behalf of the government, has tried to slither their way back into a position of champions of the right of the Independents to make amendments, and rather than prolong a debate on that question, it seems to me that the best answer for us, and for anyone looking at the record trying to understand what really did happen, we should leave that to the Independents to describe who it was that stood up for them and their right to propose amendments. I hope we will hear from them on that subject. They surely should be the judge of that question, rather than Senator Phillips.

Senator Murray: Senator Lawson is already noted on the record on that matter.

Senator Frith: I am sure he will get on the record.

Hon. Sidney L. Buckwold: Honourable Senators, you will be relieved to know that I am not going to make a speech. However I promised Senator Murray that I would give him some statistics that were correct, issued by the Department of Finance, during our trip as a committee, on the impact of sales tax reform by province, in millions of dollars.

I believe it is time we ensured that this record is straight. I think Senator Phillips, it might be wise if you sat and listened to some of the facts, rather than the kind of information that you have been passing on. I might say to you, Senator Phillips, that you should organize not a reform party, but a new one for you personally, called "The Chloroform Party", because that is the way you affect us with some of your speeches.

May I just give you the figures?

Senator Murray: Excuse me, what is the honourable senator placing on the record?

Senator Buckwold: The impact of the sales tax by reform, by provinces, 1991, millions of dollars. A document issued by the Department of Finance.

An Hon. Senator: Why do you not dispense and table it?

Senator Buckwold: You do not want to hear it, but it is the opposite of everything that we have heard both from Senator Murray and other senators, and of course from our friend, Senator Phillips, who went on at some length about the great economic advantages to the various provinces. I am only wishing to put this on the record, as I promised to Senator Murray.

Senator Murray: I appreciate that. I just would like to know whether the honourable senator is placing on the record the projected impact on the provincial economies or on the provincial government treasuries or what exactly—

Senator Buckwold: The impact on the individual citizens of the country on what they presently pay out in goods and services under the GST, as against the FST. In other words, under the federal sales tax they pay so much and—

Senator Frith: This is the impact on the people, they are not interested in that.

Senator Buckwold:— under the goods and services tax, they pay so much. I might indicate that there are some provinces that gain and some provinces that lose. This includes the impact of sales tax reform on the indexation of transfer payments, and the income tax systems, as well as the changes to the refundable sales tax credit, large corporation tax, high income surtax, and the specific levies on alcoholic beverages and tobacco products.

This was given to us by the Department when it suited their case, as it did in a few provinces. Let me read them out so you have them on the record. Then we will not have to go through this nonsense all the time, hearing about the great advantages. You will see why some provinces are taking the government to court.

Senator Simard: What are you talking about?

Senator Frith: You already asked him what he said, and he already answered you. Read it again, Syd.

Senator Buckwold: Starting at the other end of the country, the people of British Columbia will pay $30 million more in the GST than they did under the FST.

Senator Simard: One billion dollars lower in production though.

Senator Buckwold: We are not talking of production, we are talking about tax.

Senator Frith: We are talking about tax on the people, which you are not interested in.

Senator Buckwold: Do not talk about the production. This is the actual tax.

Senator Frith: You do not want to hear their petitions or anything about them.

Senator Buckwold: The British Columbia citizens will pay out $30 million more —

An Hon. Senator: Let us adjourn this debate in view of the nonsense.

Senator Buckwold: The Province of Alberta will pay out $30 million.

Saskatchewan will pay out $50 million more. That is the residents of poor Saskatchewan, a province which I think is as

bankrupt under Tory administration as any province in the country.

Senator Frith: Do not say "province", it is the citizens.

Senator Buckwold: It is the people who are going to be paying. This is not what the economy is going to gain because of some Department of Finance increase in production. This is out of their pockets.

On the other hand, Manitoba will gain $15 million. The people will be paying less tax than they did under the federal sales tax. Fifteen million dollars they gain in Manitoba.

The interesting thing is that in Ontario—this is one of the reasons they are so against it—the residents of Ontario will pay out $130 million more.

Quebec, and this is perhaps one of the reasons that they are a little more receptive, will gain $115 million, more than all the rest of the provinces put together. Interesting. New Brunswick will in fact—

Senator Frith: The New Brunswick citizens, you mean.

Senator Buckwold: The New Brunswick citizens will gain $20 million.

Nova Scotia will gain $10 million. Small gains in those areas. I am giving you all of the facts so that it is on the record and we do not have to go through this again.

Poor Prince Edward Island breaks even.

Newfoundland has a gain of $35 million.

When you add all of those up —

Senator Simard: What is the figure for Newfoundland?

Senator Buckwold: Would you mind letting me finish?

Senator Simard: What is the gain for Newfoundland?

Senator Buckwold: Sit down. Sit down. After I am finished you can ask me any stupid question you want to ask me.

All I am saying to you, honourable senators, is that this is how the government comes up with the "revenue neutral."

• (2310)

Honourable Senators, all I am saying is, this is how the government gets the revenue neutral. If you add up all the gains that are made and all the losses that are paid by the citizens of each province, the answer ends up zero.

Senator Simard: That is what revenue neutral is all about.

Senator Buckwold: Oh, so that is what it was!

Senator Frith: Tell that to Senator Finlay MacDonald.

Senator Buckwold: The government ends up saying —

Senator Simard: You finally got it right.

Senator Frith: Explain that to Senator Finlay MacDonald.

Senator Buckwold: Senator Phillips just said that the objective of the tax is to have a deficit reduction. We just heard that two minutes ago. This is how the government gets their zero rating.

Senator Frith: Tell Senator Finlay MacDonald and Senator Phillips.

Senator Buckwold: This is how the government gets to "revenue neutral." I just want to get it on the books so that you have it there. These are the figures supplied by the Department of Finance. I want to let you know, so that we do not hear the nonsense again that we get perpetually by the other side.

An Hon. Senator: We will, we will.

Senator Waters: Honourable Senators, I found it faintly amusing but highly inaccurate—

Senator Doody: Senator, are you asking a question?

Senator Waters: I am rising on a question of privilege.

Senator Doody: Senator, you have already spoken once in the debate.

The Hon. the Acting Speaker: The Chair reminds Senator Waters that if he speaks here, he will have the effect of closing—

Senator Frith: No. I think he is rising on a question of privilege on a question raised by Senator Phillips.

Senator Doody: Maybe he wants to ask Senator Phillips a question.

An Hon. Senator: He is not rising to close the debate.

Senator Frith: The debate is closed only on a substantive motion or a second reading. This is not a substantive motion; it is an incidental motion. He is entitled to rise on this question of privilege as a result of something that Senator Phillips said.

Senator Cogger: You can stand because he says so.

Senator Frith: He yielded to me; he was up.

Senator Waters: Honourable senators—

Senator Frith: Oh, come on. You do it yourself all the time.

Senator Waters: May I rise on a question of privilege to respond to Senator Phillips. He had warned me some days ago that he was going to take advantage of whatever opportunity arose to attack me and the Reform Party—

Senator Simard: As he should.

Senator Waters: —on the rather successful policies we have adopted which have made the federal Tories a fringe party in Alberta.

Senator Frith: Hear, hear!

Senator Waters: I thought, perhaps I do not share in the same love of lobsters, although I do eat them; I do not get the same glamour or hallucinations out of them that Senator Phillips does, because he has raised points that are palpably false. The reason I was puzzled is this: Why do we, one hundred or fifteen senators, think we are so clever and ten million Canadians are so dumb when they oppose the GST.

Senator Fairbairn: Hear, hear

Senator Waters: There are more Canadians opposing this legislation than any legislation in the history of this country. Honourable Senators—

Senator Simard: Order, order.

Senator Waters: —Senator Phillips is kind of pooh-poohing that and saying, well, does that really matter? Of course it matters, and it is one of the reasons that parties like the Reform Party are capturing your Tories, whom you once cherished and of which I am one. The point of my question of privilege is that you are making statements that are inaccurate. I am not anti—

Senator Frith: Keep going; pay no attention.

Senator Waters: Honourable Senators, Senator Phillips was suggesting that what I have done is to torpedo the leader of the Reform Party by contradicting his policy—

Senator Simard: Order, order.

Senator Waters: —in opposing the FST. What I did say in my remarks, which I thought I did with unmistakeable clarity was that the FST is a lousy tax and the GST is worse. It is Hobson's choice. A Phillips' choice, perhaps.

What we are suggesting to correct these inaccuracies, and the rather unfortunate remarks, is that there are, in fact, ten or eleven other options. What I am really stressing is that all of those options were not explored to the fullest. The question of privilege I am raising is that I believe you have inaccurately and unfairly maligned me.

An Hon. Senator: Let us debate.

Senator Waters: Well, do you mind if I finish my speech, Senator? Then you can get up and speak. You are a great talker sitting on your butt.

Some Hon. Senators: Order, order.

Senator Waters: And you are the same Senator who was trying to cut me off before with a kleenex.

Senator Frith: Yes, hear, hear; that is the man.

Senator Waters: I find that an unfortunate attitude, highly immature and irresponsible. If you are playing that game, you are playing the wrong game with me. Senator Phillips, I would like to close by saying—

Senator Simard: Follow the rules.

Senator Waters: —that I found it faintly amusing but grossly distorted. Just look at the figures. The Reform Party is growing and your party is dying.

Senator Hastings: It is dead; it is dead.

Hon. Orville H. Phillips: I would like to say, as a long time Conservative, and one who still is—

An Hon. Senator: One of the few.

Senator Phillips: —that I remember similar figures on the free trade issue. I do not know what the honourable senator's views were on the free trade issue, or even if he had any views on the matter. I rather anticipate that shortly there will be a change in the polls. That is why I am anxious, Senator Waters, for you people to bring out your manifesto and let us have a look at it. Let us see what you stand for, where you are going to make your cuts. You have not supported any cuts that the government has made here to date. Why? Is it because you would have to desert your Carthaginian friends if you did? Do not pat yourself on the back that you have been accurate. Honourable Senators—

An Hon. Senator: Is this the late show, the late night comedy act?

Senator Phillips: Senator Waters has been anything but accurate and he has been false in raising a false question of privilege.

The Hon. the Acting Speaker: Honourable Senators, is it your pleasure to adopt the motion in amendment.

Some Hon. Senators: Yea.

Some Hon. Senators: Nay.

The Hon. the Acting Speaker: Will those honourable senators in favour of the motion please say "Yea"?

Some Hon. Senators: Yea.

The Hon. the Acting Speaker: Will those honourable senators who are against the motion please say "Nay"?

Some Hon. Senators: Nay.

The Hon. the Acting Speaker: In my opinion the "nays" have it.

And two honourable senators having risen:

Hon. William J. Petten: Honourable senators, pursuant to Provisional Rule P-3.(a), I request that the division be deferred until 5:45 o'clock p.m. on the next sitting day.

The Hon. the Acting Speaker: Is it agreed?

Hon. Senators: Agreed.

BUSINESS OF THE SENATE

Hon. C. William Doody: Honourable Senators, I move that all remaining orders, inquiries and motions stand.

The Hon. the Acting Speaker: It is agreed, Honourable Senators?

Hon. Senators: Agreed.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Tuesday, November 27, 1990

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

[*Translation*]

NORTHWEST TERRITORIES ACT

BILL TO AMEND—FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-92, An act to amend the Northwest Territories Act.

Bill read first time.

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

On motion of Senator Doody, bill placed on the Orders of the Day for second reading on Thursday, November 29, 1990.

[*English*]

GOODS AND SERVICES TAX

PRESENTATION OF PETITIONS ON BILL C-62

Hon. Lorna Marsden: Honourable senators, I have the honour to present petitions from the citizens of the province of Ontario, who are calling on the Senate to prevail upon the Government of Canada to stop the introduction of the proposed goods and services tax.

(*Names of signatories read*)

I have a second petition also protesting the introduction of this tax, organized by the "IRATE" citizens of Peterborough.

(*Names of signatories read*)

• (1410)

Honourable senators, I have another petition here with 22 names, as follows:

(*Names of signatories read*)

• (1420)

I have another petition. This one was not organized by the "IRATE" citizens of Peterborough. It was organized by Mr. Dan Heap, MP, House of Commons, Ottawa. It also calls on the Senate to defeat the tax. It is signed by the following:

(*Names of signatories read*)

I have another petition. This one only has two signatures on it.

(*Names of signatories read*)

I have another petition. All of these are from streets in Mr. Heap's riding.

(*Names of signatories read*)

All of those Canadians are protesting the introduction of the goods and services tax.

• (1430)

I have another petition which is signed by the following:

(*Names of signatories read*)

I have a very short petition signed by the following persons:

(*Names of signatories read*)

All of these petitioners call upon the government to withdraw the tax and ask us to defeat this bill.

(*Translation*)

Senator Jacques Hébert: Honourable senators, I have a petition fresh out of yesterday's mail from the Canadian Paperworkers Union, Local 3067, 282-First Avenue, Office B, Amos, Abitibi. There are 340 names. These people humbly pray and call upon the Senate to prevent implementation of the Goods and Services Tax proposed by the Government of Canada.

Since they are all from Amos and I have any number of petitions to table, I will just read the names and forget about the addresses. These are all people from Amos, all members of this union.

(*Names of signatories read*)

Senator Hébert: Of course you get used to hearing petitions read in this Chamber. However, I don't know whether we all realize that everyone of these sheets was probably first given to a member of the union on a nice Saturday or Sunday afternoon, and they had to go from door to door to canvass for the signatures and addresses of residents who object to the GST. I am not saying they had a lot of trouble convincing these people. It must have been very easy. However, it does take a certain amount of physical effort and conviction to go from door to door for hours, sometimes days, to canvass for hundreds of signatures. That is why everyone of these names should make us stop and think about what people are asking us to do.

(*Names of signatories read*)

That was the list of 340 members of the Canadian Paperworkers Union in Amos, Quebec. They made it clear, in no uncertain terms, that they were against the GST and they ask the Senate to prevent this bill from being enacted.

Honourable senators, I have another petition signed by 1,200 residents of the Montreal area, who ask the Senate to reject the GST bill.

(*Names of signatories read*)

This a Latin American neighbourhood.

(*Names of signatories read*)

She was visiting Montreal, probably her son-in-law on 14th Avenue. In any case, it didn't take her two seconds to sign this petition against the GST.

(*Names of signatories read*)

This is in Montreal, in Saint-Michel. You can tell by the numbers. I can just see the volunteers going from door to door, up the steps to 7714, going up and down the stairs and so forth—

(*Names of signatories read*)

—probably of Asian origin—

(*Names of signatories read*)

That was the group from Montreal. Excuse me, there are also some people from Sutton. Let's hear it for them! They are against the GST, which is all right with us. There hasn't been anyone in favour of the GST from that area.

(*Names of signatories read*)

● (1440)

Now back to Saint-Michel. We can understand that this man was a volunteer walking up and down the streets in Saint-Michel, then came the weekend. He went for a short drive to Sutton where he did not want to waste his time so he got a few more signatures. He went back to Saint-Michel and continued his door-to-door canvassing.

(*Names of signatories read*)

Senator Hébert: Now we are in Saint-Georges-de-Beauce. This man is always on the road! He left Saint-Michel for a short trip to Saint-Georges-de-Beauce. He got the signature of Rita Roy, 625, 13th Avenue, Saint-George-de-Beauce, then came back to Saint-Michel and canvassed some more.

(*Names of signatories read*)

Senator Hébert: Now on to Saint-Urbain. A new municipality altogether.

(*Names of signatories read*)

Senator Hébert: I am sure that all senators—at least on this side—are glad to hear the names of all these brave people who support us and are fighting right along with us.

Hon. Stanley Haidasz: Go on, Senator Hébert.

Senator Hébert: Yes, do not worry, Senator Haidasz, I will continue.

(*Names of signatories read*)

Senator Hébert: Musset Street residents are really serious in their fight against the GST. I think I must have walked Musset Street in Montreal from one end to the other.

(*Names of signatories read*)

● (1450)

[*English*]

Senator Buckwold, I hope it is of comfort to you to hear all these names from the citizens of the city of Montreal who are encouraging us to continue our battle against the GST.

Senator Buckwold: It is a great privilege to hear them.

Senator Hébert: Well, I will continue with the names:

[Senator Hébert.]

(*Names of signatories read*)

● (1500)

(*Translation*)

Senator Hébert: Louis Dupire, Montreal, Quebec. Louis Dupire is a former editor's secretary at *Le Devoir*. He organized a campaign for the development of the Montreal Botanical Garden in the eastern part of the city.

(*Name of the signatories read*)

Mario Tonipiazzali, 5621, Henri-Bourassa, Montréal. Obviously, those were Italian friends. They are not all from the same place.

(*Name of signatories read*)

Senator Hébert: Senator Wood will present petitions while I open my mail and get more petitions.

[*English*]

● (1510)

RESOLUTION FROM TOWN OF MOUNT ROYAL TABLED

Hon. Dalia Wood: Honourable senators, before tabling my petitions, I have the honour, to table a resolution from the Town of Mount Royal, Office of the Town Clerk. I should like to read it. The object is the federal goods and services tax. It is a resolution adopted by the Council of the Town of Mount Royal at its general sitting of 1990, at which were present Vera Danyluk, Pierre Brisebois, Neil Jones, Sidney Margles, Harry Schwartz and Gil St-Cyr. The resolution reads:

> being a quorum of Council
>
> RESOLUTION NO. 90-1016
>
> THE FEDERAL GOODS AND SERVICES TAX
>
> It was moved by Councillor St-Cyr, seconded by Councillor Schwartz and unanimously resolved:
>
> THAT the Council of Town of Mount Royal endorses the Resolution dated 1990-10-03 from the City of North York;
>
> THAT the Council of Town of Mount Royal strongly urges the Prime Minister and Members of Parliament to take the necessary action, including the substantial cutting of Government programs, to eliminate the Federal deficit and also eliminate the need for the burdensome Goods and Services Tax proposed for 1991; and
>
> THAT copies of this Resolution be forwarded to Prime Minister Brian Mulroney, Federal Finance Minister Michael Wilson, Senator Dalia Wood, Mount Royal MP Sheila Finestone, the Federation of Canadian Municipalities and the City of North York.

It was signed by Josée Katz, Town Clerk. I will now table that resolution.

PRESENTATION OF PETITIONS ON BILL C-62

Hon. Dalia Wood: Honourable senators, I have the honour to present petitions on behalf of 64 citizens in Sutton, Quebec.

I should like to read into the record what they state. The petition reads:

TO THE HONOURABLE THE SENATE OF CANADA,
IN PARLIAMENT ASSEMBLED

The petition of the undersigned residents of Canada who now avail themselves of their ancient right and undoubted right thus to present a grievance common to your Petitioners in the certain assurance that your honourable Senate will therefor provide a remedy,

HUMBLY SHEWETH

WHEREAS, the new universal 7% federal Goods and Services Tax adopted by the Conservative government will create serious, unjust and inhuman difficulties to Canadians;

WHEREAS the implementation of this tax will constitute an unprecedented assault on the income of the Canadians, not only by forcing them to pay higher taxes, but also by confronting them with a rise in inflation, interest rates and unemployment.

WHEREFORE, the undersigned, your Petitioners, humbly pray and call upon the Senate to reject this new Goods and Services Tax.

I shall now read their names.

(*Names of signatories read*)

The next petition comes from Sutton in the federal constituency of Brome-Missisquois. It has a small population of 1,200 people, half of whom are anglophone Canadians and the other half are franco Canadians. That is interesting, because 50 per cent voted Liberal and 50 per cent voted Conservative in the last election. I now table that petition.

I have another petition containing 60 names. This petition comes from Victoriaville, part of the riding of Lotbinière. Maurice Tremblay was the last Conservative MP in that riding. There were 21,000 people in that area. Half of them voted Conservative; half of them voted for the Liberals. I do not know what will happen in the next election.

(*Names of signatories read*)

● (1520)

I have a petition from the region of Melbourne, Quebec, which is part of the federal constituency of Drummond, with the representative by the name of Jean-Guy Gilbault. The petitioners are as follows:

(*Names of signatories read*)

The region of Melbourne is comprised of several small towns which are all in the same constituency of Drummond. Melbourne has a population of 151; St. Adrien, 126; Richmond, 1,039; Danville, 336; and Asbestos, 3,000. I will table the petition.

I have another petition from the region of Lévis-Lauzon.

(*Names of signatories read*)

● (1530)

That petition involves the small towns of St. Etienne de Lauzon, Lévis-Lauzon, and Charny, which is the one I could not read before. I presented the three petitions.

I have a petition from St. Théodore d'Acton and Actonvale, two small communities in the St. Hyacinthe area.

(*Names of signatories read*)

These are 56 people from IRATE. I will also table these.

● (1540)

I have a petition containing 181 names again from the region of Rouyn-Noranda. I will read you their names.

(*Names of signatories read*)

● (1550)

I have one more petition that I would like to present today, and then I will allow another colleague to proceed. This petition represents a number of small towns, such as Saint-Bruno, Saint-Luc, Longueuil, and so on. The petitions are from my area. Perhaps I should have read them first.

(*Names of signatories read*)

● (1600)

(*Names of signatories read*)

Honourable senators, I would now table these petitions.

Hon. Gildas L. Molgat: Honourable senators, I have a number of petitions signed by 2,873 different persons. The petitions have come to me from Mr. Robert D. Nault, the MP for Kenora-Rainy River. Those who are familiar with western-northern Ontario will realize that Kenora-Rainy River is almost a part of Manitoba. We Manitobans certainly feel a particular connection with that region. For a long time that region was represented in this house by a distinguished senator, the Honourable William Benedickson, who, unfortunately, is no longer with us. I am sure honourable senators will remember him well. There is now no representative from that region in this chamber, so the MP for the constituency has sent me these petitions.

I realize, honourable senators, that our rules do not provide for the printing of the names, but I would like to have recorded the names of the various towns from which the petitions come, so that the residents in those areas who have gone to the trouble of expressing their objections to the GST will know that their petitions have been presented here in the Senate and that, hopefully, they will have some effect on senators opposite when we come to the final vote.

Hon. Eymard G. Corbin: May I interrupt? Senator Molgat said that these petitioners were petitioning against the GST. Are they petitioning against the totality of the GST or some aspects of it, such as delaying the implementation of the GST or the tax on books? What is their specific concern?

Senator Molgat: As a matter of fact, there are two sets of petitions. Two thousand, three hundred and seventy-three petitioners are generally objecting to the GST. This part of

northern Ontario is, in many ways, isolated. A number of these settlements have connections only by air. In many instances, people have to travel long distances to schools and for medical purposes. They do have substantial travel problems. The first group is objecting generally to the GST.

However, another group of petitioners is objecting particularly to the GST being applied to electricity and, generally, heating costs. Because of the long, hard winters, people, by necessity, must use a great deal more of these products that will be taxed. In my view, there will be a specific discrimination against these people, through no fault of their own, because they live in that particular geographical area.

I have tried to break these petitions down to the various areas which I have listed alphabetically. I will name the towns involved. I have a list which may be of assistance to the reporters.

The first two town names are Atikokan and Barwick. The town of Cambridge, which is the third town listed, is not in that area. I believe it is in western Ontario. Then the list continues with names of towns in that constituency. I have Devlin, Dinorwic, Dryden, Dunnville—and I cannot guarantee that that town is in this constituency—Eagle River, Ear Falls, Emo and Fort Frances. The next two towns, Georgetown and Hamilton, I believe, are not in the constituency. Coming back again to the Kenora-Rainy River constituency, I have listed Hudson, Ignace, Kakabeka Falls, Keene, Keewatin, Kee-way-win, Kenora, Minaki, Mine Centre and Minnitaki. I see another town here which is not in the region, namely Mount Forest; but the next town, Oxdrift, is in the constituency. Then I have another town, Peterborough, which is not in the constituency. The next towns are in the constituency and I am sure that some honourable senators will recognize them from the weather forecasts which we hear through the course of the year. A number of these areas are isolated and they provide a good deal of the weather information which we receive. I am speaking of places like Pickle Lake, Pikangikum, Pinewood, Rainy River, Redditt, Sandy Lake, Savant Lake, Shoal Lake, Sioux Lookout, Sleeman and Stratton. I then have on my list Thunder Bay, which is not in the constituency but in the same general geographical area.

Senator Corbin: May I ask a question? Is it not a fact that that area relies, to some extent, on the tourist trade, in particular, hunting and fishing, and that, quite probably, some of the people from areas you have named, such as Thunder Bay and other points south and east, could well be vacationing sports people and tourists who happened to be there at the time the petition was passed around? Would that not be a correct assumption?

Senator Molgat: Yes, I think your assumption is probably absolutely on target. It is, indeed, a major tourist area. I would think the main employment in the region is still forestry but, next to that, tourism would be very important. Places like Minaki and Kenora are known throughout the country as major tourist areas.

Senator Corbin: The GST is going to devastate tourism.

[Senator Molgat.]

Senator Molgat: It is going to be particularly hard on the tourism industry, because many of the people who use the tourist facilities in that region come from the United States. That is the main source and, of course, this will be an entirely new tax that has not existed before on the tourism industry. Yes, Senator Barootes?

• (1610)

Senator Barootes: In respect to that last statement, that it will be such a hardship on Americans and other tourists, is there not some arrangement for recompense and refunding of the GST for those who are visiting from foreign areas, both available at ports of entry and ports of exit, as well as, by means of forms, almost immediate refund?

Senator Molgat: That may be, Senator Barootes, but it is the same old problem of having to fill out forms and go through all the mechanical things that people do not like to do and which the businessmen who are operating these tourist facilities now do not have to do. It is simply another complication in their lives.

Senator Corbin: Senator Molgat, I hope you do not mind my interrupting you again.

Senator Molgat: No, no. I am delighted to see that there is that much interest in petitions from this area of Ontario which is really considered isolated by many Canadians.

Senator Corbin: Well, that area of Ontario, from the description, happens to be similar to my area, and one of the problems in this country is that some people always put policies across in terms of Toronto, Montreal and the Quebec/Windsor corridor, and maybe a few big cities out west or one big city down east. I think that Senator Barootes has missed the point as to how this tax will affect the tourist trade. In many cases, if one is an American looking at a tourist destination, a fishing destination, or a hunting destination, the fact that he would know there is an extra cost in the form of a goods and services tax would be sufficient for him to say, "Oh no, I will go somewhere else this year, and next year and the year after. I will not set foot in Canada again."

The administrative accommodation to which Senator Barootes refers is more a nuisance. Many tourists, even if they do come to Canada, knowing there is that tax, will not even bother applying for it. They will just say, "To hell with it. I am not coming back here next year." It has a detrimental impact on choices even before those choices are determined; and that is the negative aspect of the GST. What do you think?

Senator Molgat: Yes, I share your concern. There is also the problem insofar as Canadian tourists are concerned. Let us take, for example, the case of Senator Barootes who might, under normal circumstances, want to fish in the Kenora or Minaki area. As a Canadian he will, of course, have to pay the GST. But, if he goes across the line into Minnesota or northern Wisconsin, which has the same type of terrain, the same lakes and forests, he will not have to pay the GST. So there will be an incentive for Canadians to go to tourist areas other than Canada—

Senator Barootes: Compare that to going to England at 15 per cent.

Senator Molgat: —particularly when one considers that transportation will be taxed within Canada, but not outside of Canada.

So, to complete my list of these delightful spots—

Hon. Philippe Deane Gigantès: Senator Barootes, England has an added advantage nowadays.

Senator Barootes: You do not have the floor. Senator Molgat has the floor.

Senator Gigantès: He gave me the floor, did you not, Senator?

Senator Corbin: Yes.

Senator Gigantès: He has given me the floor.

Senator Frith: Will you guys try to get along.

Senator Gigantès: Do you not realize that there is an added advantage to going to England these days to hear Thatcherites bemoaning at what happened to her? That is a great pleasure for those of us who are not Thatcherites. It makes us dream.

Senator Barootes: I didn't get the question.

Senator Molgat: To continue my list of these delightful towns in this part of western Canada, and for those honourable senators who have not been in that region, I strongly encourage them to do so. It is indeed a pleasant area of Canada.

Some Hon. Senators: Hear, hear!

Senator Molgat: To continue, I have Vermillon Bay, Wabigoon, Waldhof and Whitedog. It now turns out—and this follows what Senator Corbin was saying, that obviously some of those who signed these petitions are tourists, because some of them gave addresses in other areas. I have some from Brandon, Manitoba; Creston, B.C.; and Flin Flon, Manitoba. Here is one from Glasgow, Scotland. The others are Canadian. They are from Melville and Regina, Saskatchewan.

Senator Barootes: That would invalidate that petition, would it not?

Senator Molgat: No, I do not believe it would. I think it is probably someone who has suffered under the VAT in the U.K. and who recognizes what we are now imposing on Canadians and wants to help us protect ourselves against that.

Senator Frith: Let it be known that Senator Barootes wants to invalidate the whole petition, wipe it out.

Senator Molgat: He would like to invalidate the presentation of these people?

Senator Frith: Yes.

Senator Molgat: Carrying on to other points—and please note, Senator Barootes—there is a Regina, Saskatchewan signature in here also.

Senator Barootes: Lost in the woods.

Senator Molgat: There are petitioners from Roland, Manitoba; Silver Ridge, Manitoba; Smeaton, Saskatchewan; Victoria, B.C., and Winnipeg, Manitoba. That is a total of 54 different localities; but while I mention these other towns—and there may be one or two signatures from those—the bulk of those 2,873 signatures are directly from this region of Ontario.

I repeat that these people have a very specific and particular problem, and if they feel there is discrimination in this tax, they know why, because it will weigh much more heavily upon them from every aspect. In many cases they are unable to obtain services in that region; they have to go outside the region for the services, and they are then faced with extra transportation costs. Even the services that they can obtain are generally more expensive than they are in the big centres, because the individuals who provide services have the same old problem: high transportation costs, and not the same availability of services as elsewhere. So they are petitioning the Senate and asking honourable senators to do what they can to stop this tax.

I hope that my friends opposite will start paying attention to what it is that Canadians are saying. There is another poll out today showing that 75 per cent of Canadians do not want this tax. Why are my friends opposite not prepared to listen? Why are they not prepared to proceed and accept the amendment on which we will be voting in a little more than an hour from now—an amendment that would postpone this tax for a year, while our preference obviously would be to cancel the tax completely. At least if it were postponed for a year, as the amendment proposes, it would give Canadians and the government a chance to revise the tax or to kill it completely and find a new one, recognizing that if we are going to get away from the manufacturers' sales tax, we have to substitute it with something else, and if not to completely cancel it, at the very least to amend it so that it will not be unfair to regions like the one represented by Robert Nault, MP, who has sent me these petitions. I hope that honourable senators on the far side will listen to the plea of Canadians.

Senator Corbin: Senator Molgat, before you sit down, you gave us the total count of names of petitioners. Have you done a breakdown on the basis of localities, towns, and what have you?

Senator Molgat: No, I am sorry, Senator Corbin, I have not had the time to tell you how many there are from each town. I did go through the list and selected towns to show how widespread is the feeling in the constituency. I know the vast majority of these towns, and I know that they are representative of the whole of the Kenora-Rainy River constituency. A am sorry, I cannot tell you specifically how many petitioners are from each town.

Senator Corbin: Senator Molgat, do you have any objection to reading the names of one of the petitions selected at random from the very thick pile you have there, so that we could have an idea of the source of these signatures in terms of towns. I am sure that they are not all from Dryden and Kenora. Take

any list of names at random so that we can have a good sampling of the widespread discontent with the GST.

• (1620)

Senator Molgat: The first sheet that I have here lists names from Kenora, which happens to be the closest town to where I presently live in Winnipeg. It is 110 miles away.

(*Names of signatories read*)

On the next page I find signatories from Hawk's Drift, Ontario, and quite a few names from Dryden.

(*Names of signatories read*)

To mention other locations, there are some names from Dinerwic, Ontario.

(*Names of signatories read*)

There are also some names from Vermilion Bay and Wabigoon.

(*Names of signatories read*)

We are back to the Kenora region for the other names on this petition. Honourable senators will know that Kenora and Dryden are two of the larger centres in this far-flung constituency.

There are quite a series of names from Pikangikum. There are several pages from Pik.

(*Names of signatories read*)

The areas are quite widespread.

Senator Corbin: Thank you very much.

QUESTION PERIOD

PERSIAN GULF

UNITED NATIONS RESOLUTION ON USE OF FORCE—CANADIAN COMMITMENT—GOVERNMENT POSITION

Hon. Allan J. MacEachen (Leader of the Opposition): Honourable senators, I should like to ask a number of questions about the proposed resolution that is to be dealt with on Thursday at the Security Council of the United Nations, and which has been talked about by the Secretary of State for External Affairs. The draft resolution that has been circulated, if accepted, will authorize member states to adopt "all necessary means"—I think that was the expression—to implement a previous resolution of the UN that requested the Iraqis to move out of Kuwait.

I should like to know what is the attitude of the Government of Canada to the resolution and what meaning it attaches to the expression "all necessary means".

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, first, I should state that the Right Honourable the Secretary of State for External Affairs is on his way back to Canada, having visited a number of countries in Europe and the Middle East. I expect that he will report to the House of Commons tomorrow. On Thursday he will attend the meeting of the United Nations Security Council in New York.

The draft is still circulating. It is quite possible that changes will be made to it. Canada believes that it is important to demonstrate the resolve and seriousness of the international community's effort to convince Iraq of the need to withdraw peacefully from Kuwait.

It appears that there is sufficient support for the draft to be adopted and that that support will be broad. But final positions, including our own final position, will only be taken on the final text.

Senator MacEachen: I understand that the text is virtually agreed upon, with the exception of differences between the Soviet Union and the United States on a date—that is, whether it is to be January 1 or January 15 for possible action to be taken.

I doubt whether the Government of Canada's formulation of views is so tentative that it does not have any position on whether or not it will support that part of the resolution referring to "all necessary means."

To make the question more pointed, what meaning does Canada attach to that expression? If Canada supports that resolution, will it mean that the Government of Canada is committing itself at a certain point to a defensive action in the Gulf; or is that a decision will be taken later and that support of the resolution at this point does not necessarily commit Canada to offensive action?

Senator Murray: The honourable senator talks about "offensive" action. The rules of an engagement for our forces relate to a defensive posture for Canadian forces in the Gulf.

• (1630)

The statement of the government with regard to the resolution and the dates that have been suggested for withdrawal—the dates the deadlines that have been suggested for the resolution—is that we think that the United Nations, having already demanded in one of its earlier resolutions the immediate withdrawal of Iraqi forces from Kuwait, providing now what the Soviets, I think it is the Soviets, call a "goodwill pause" of four to six weeks, is indeed making quite a magnanimous gesture, and it has proved that the international community is taking every possible effort to secure a peaceful resolution to the problem.

So far as military action is concerned, our position is that adoption of the draft resolution would not necessarily mean that the Iraqis would be engaged militarily, but the international community, acting through the U.N., will have recognized and implicitly endorsed that possibility, if it becomes necessary.

Senator MacEachen: At one point I understood that Canada would not, by supporting this resolution, commit itself to any future offensive action, that that would require a separate decision depending upon events or circumstances at that time. I believe the sense of the debate in this chamber last week was to the effect that Canada should be very cautious about committing itself to offensive action at this stage and

that considerable patience should be exercised. I hope that the government will take that into account, so that by endorsing the resolution, which in itself could have a very positive effect, it would not be seen to be taking an offensive military posture. However, we can return to that at a future time.

Another question I want to ask, which is in a sense directly related to any decision on military action, has to do with the sanctions. Can we find out whether these sanctions are working? And if they are working, of course, it puts military action in a different light. I understand that Senator Sam Nunn in Washington today expressed the opinion that the sanctions were working, but we don't know. Can we find out? Let us hope we will find out before we are asked to go any further with respect to commitments in the Persian Gulf.

Senator Murray: With regard to the sanctions, they are working in the sense they have very, very broad support, but they have not, obviously, had the desired effect. I do not know what more I can add to that. That probably would take somewhat more time.

I can only tell the honourable senator that with regard to any offensive action, as I indicated, the rules of engagement the Canadian Forces have there deal exclusively with self-defence and with the enforcement of the U.N. sanctions. We are not going to become automatically involved in war initiated by other countries.

Senator MacEachen: Well, that is even more elusive. I forgive the Honourable Leader of the Government his tentative replies because I know it is a sensitive matter and the Secretary of State for Foreign Affairs is not in the country, but I would hope that later in the week we would have clear-cut answers to clear-cut questions, and I would draw to his attention his own statement that sanctions are working. Well, that is very encouraging, and if they are working, it means that the economy of Iraq is being damaged very seriously and that patience may produce the results without following the American timetable.

However, I want to ask the Leader of the Government in the Senate whether the Government of Canada will give consideration to having included in the draft resolution, which is now being circulated, a request to the Secretary General of the United Nations that a report go to the Security Council on or before January 15, 1991, and the purpose of that request would be to have at that time an assessment by the Secretary General of, first of all, the question of sanctions and, second, the diplomatic situation in the Persian Gulf. If at that time, based upon investigations, a report was available, it might be much easier to determine what action should be taken.

I would like the Leader of the Government to give some thought to that suggestion as a positive one which might be included in the draft resolution which is now being circulated.

Senator Murray: Honourable senators, I will certainly see that the honourable senator's comments are drawn to the attention of my colleague, Mr. Clark.

GOODS AND SERVICES TAX

ESTIMATE OF REVENUE GAINS—REQUEST FOR ANSWER

Hon. Allan J. MacEachen (Leader of the Opposition): Honourable senators, I have another question on another matter and maybe I should finish off now instead of coming back. I asked several days ago whether the government could provide me with its estimates of revenue to be derived from certain sectors of the economy as a result of the imposition of the Goods and Services Tax. I had in mind reading materials, cooperatives and heating costs in certain parts of Canada.

I wonder, if that information is not available now, if it could be made available at an early date, and any other sector revenues that could be identified?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, Senator Doody has a number of delayed answers to table today. I regret this is not one of them. I shall make enquiries and see what information can be made available at an early date.

GENERAL AGREEMENT ON TARIFFS AND TRADE

URUGUAY ROUND—PROGRESS OF DISCUSSIONS

Hon. H.A. Olson: Honourable senators, I wonder if I could ask the Leader of the Government if he has an answer today, or if he is prepared to give any indication of what may happen with respect to the Uruquay Round of trade discussions that are going on now? He will realize that there is less than two weeks left, even though the discussions have been going on for, I believe, four years. Apparently a whole group of matters were going to be discussed—I think they said there were fifteen categories of trade matters under discussion—and apparently they are all going to fail now because they are unable to get an agreement on the agriculture sector.

● (1640)

The other day I asked the honourable senator if there was some hope, substantially more hope I might say, than the Honourable John Crosbie has indicated in recent weeks. He seems to be very pessimistic about reaching a satisfactory conclusion.

I believe I also asked the Leader of the Government about whether or not the government of Canada was involved in any other discussions that might result in some relief from these severely depressed prices, particularly with regard to the international grain market, in the event that these talks break down, which Mr. Crosbie seems to think is inevitable.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I do not have any further information today. We had a discussion on this topic some days ago during Question Period. I can only repeat that agriculture is the main stumbling block at the moment to a successful Uruguay Round. I do not think that it should necessarily be taken for granted

that the problems we are facing in the agriculture negotiations will result in the failure of the entire negotiations.

With regard to the other matters—that is to say, what Canada is doing elsewhere—I tried to give some indication the other day of the efforts that we have been making through the Cairns Group, through the group of seven industrialized nations and so forth. An inquiry has gone forward, and if there is further information on this matter I shall certainly bring it in.

Senator Olson: Honourable senators, I did ask if some other action was being taken, or at least contemplated. I know that there have been reports that the focus of the talks has been on agriculture and that there are some logjams in some of the other fourteen areas under negotiation. Some of these logjams involve Asian countries with which we share some pretty important trading considerations such as access to markets in Japan, Korea, and so on. Can the minister not give us any hope at all that some other action is being taken, so that the collapse of these talks will not mean that nothing is being done to provide some relief to a terribly depressed international grain market?

Senator Murray: Honourable senators, Mr. Crosbie will be attending the meetings next week in Geneva, and we may have something to report at that time. As for efforts that are being taken outside GATT negotiations, I shall inquire as to whether there is anything new to report and, if so, I shall do so.

AGRICULTURE

GRAIN SUBSIDIES—DISCUSSIONS BETWEEN FEDERAL GOVERNMENT AND PROVINCES—REQUEST FOR INFORMATION

Hon. H. A. Olson: There have been some discussions between the two levels of government in Canada to find some way of giving some reasonable relief to some of the grain producers in various parts of the country. I understand that, indeed, one or two agreements have been reached. I believe that it was announced yesterday that an agreement was reached between Canada and the Government of Quebec on some $30 million in subsidies. I realize, of course, that the grain sector in Quebec is somewhat smaller, relatively speaking, than it is, for example, in Saskatchewan or Alberta. Are any discussions under way between the federal government and the provinces to find some relief for this severely depressed sector in the event that we cannot hope for any relief in the international market?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, discussions have been going on for some considerable time between my colleague, the Deputy Prime Minister, and the Minister of Agriculture and the provinces concerning what might be called the safety net for farmers both in the long term and with the short term problems that we face. I do not have a report from Mr. Mazankowski on that matter today, but I shall ask him for one and bring it in at an early date.

[Senator Murray.]

Senator Olson: Honourable senators, the safety net is one thing, and we have known about that for some time. The safely net, as it is now being discussed, requires contributions to the funding from the federal government, provincial governments and producers. Does the government believe that that safety net will be sufficient to meet the situation that we face today? For example, is nothing to be done to relieve the problem farmers face with regard to debt service charges, which is the real killer that is dragging these people deeper into a morass of debt that they simply cannot handle? I am tempted to go into that area of questioning about whether the government intends to do anything through its monetary policy and consequent high interest rates, but I shall not. Specifically with regard to the agriculture sector, are we to assume from the minister's reply that the only thing that producers can look forward to is some kind of agreement on a so-called safety net, from which, under the present proposals, the benefits could not possibly be made available for several years? They need it now.

Senator Murray: As I have indicated, I shall obtain a report from Mr. Mazankowski and bring it in at an early date.

GOODS AND SERVICES TAX

APPLICABILITY TO INDIAN RESERVES—REQUEST FOR ANSWER

Hon. Gildas L. Molgat: Honourable senators, my question is a follow up to a question I asked the minister on November 20. It is with regard to whether or not the GST will apply on Indian reserves. If it is in the delayed answers, I am prepared to wait.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, there are two delayed answers to questions asked by the honourable senator, one asked on November 6 with regard to the GST and one on November 8 on another matter that is not related to the GST.

Senator Molgat: I asked the Leader of the Government on November 20 whether the GST would apply to goods sold on Indian reserves. I pointed out that in my province the rule with the provincial tax is that if the store is on the reserve no tax is charged to a reserve resident, and that if a resident buys goods outside the reserve, he or she must pay the tax and apply for a rebate. I had been asked this question by someone who is in business on a reserve. The minister replied, "That is exactly the kind of question that I would want to obtain a prepared reply on, and I will do so immediately." I wonder if the honourable senator has that reply.

Senator Murray: Honourable senators, I recall the exchange very well, and it is the type of question to which it should be possible to obtain an answer without delay. I shall attempt to do so.

THE ENVIROMENT

RAFFERTY-ALAMEDA DAMS PROJECT—REIMBURSEMENT OF GOVERNMENT FUNDS—GOVERNMENT POSITION—REQUEST FOR ANSWER

Hon Gildas L. Molgat: Honourable senators, another matter on which I have been awaiting an answer is with regard to the $10 million that the federal government had advanced to the Province of Saskatchewan in order that the province would not proceed with the Rafferty-Alameda Dams. Since the province has now gone ahead, will the federal government be getting the $10 million back?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I have no information on that matter today.

INTERNATIONAL RELATIONS

SOVIET UNION—REQUEST FOR SUPPLIES—GOVERNMENT POSITION

Hon. Jerahmiel S. Grafstein: Honourable senators, I have a question for the Leader of the Government in the Senate respecting the Soviet Union's request of Canada for food and necessities. I gather from press reports that President Gorbachev met with Prime Minister Mulroney in Paris and that further discussions have taken place with officials of the Soviet Union and Canada respecting the Soviet Union's need for immediate help in foodstuffs, medical supplies and other necessities. What is the position of the Government of Canada on this matter, what quantity of supplies are being considered, and when would they be shipped?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I do not have that kind of information. All I can tell the honourable senator today is that following the meeting between the Prime Minister and President Gorbachev the government has been urgently determining the availability of the goods requested; that is, a range of food commodities. I can tell the honourable senator that President Gorbachev made it clear during the meeting that the Soviets are seeking a commercial transaction with Canada, not aid, and that Canada is prepared to respond to the Soviet request in a positive manner. As for the rest of the question with respect to the precise financing conditions on the quantities of goods, these are now being negotiated with the Soviet authorities.

● (1650)

GOODS AND SERVICES TAX

QUALIFICATIONS OF RECIPIENTS OF REBATE—ORIGIN OF FUND FOR REBATE—GOVERNMENT POSITION

Hon. Louis-J. Robichaud: Honourable senators, I have a question for the Honourable Leader of the Government in the Senate. A short while ago the Minister of Finance made a statement, which I will quote in part:

> Seven million poor and moderate-income Canadians will not get their GST rebate cheques until the Senate passes the tax legislation, Finance Minister Michael Wilson warned Wednesday.
>
> But by the same token, Wilson admitted that he won't be able to collect the tax until it is passed, though he added "we're going to get this thing through."
>
> "If the current partisan obstruction in the Senate is allowed to go on too long, the Liberal senators will jeopardize the first payment of $600 million to seven million low- and moderate-income Canadians who have qualified for the refundable GST credit", Wilson said in a speech to chartered accountants.

According to this, it seems that people have qualified for a credit on a fund that is non-existent. First, what are the qualifications of the recipients of the rebate; and, second, where is the money coming from to pay those people who have qualified, or who have certain qualifications, on which I put a question mark?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): The qualifications relate to the income situation of those people. They qualified by filling in a form, which, as I recall, was sent out with the last personal income tax returns. Mr. Wilson is correct that the legislation would have to be passed. It is a GST tax credit for lower income Canadians, and, of course, the first of those cheques would go out in December; but the bill would have had to have been passed by the Senate and have received Royal Assent before that could be done.

Senator Robichaud: I have a supplementary question. How can they qualify to collect money or to receive money from a fund that does not exist? Of course the GST is not law. How can they qualify to collect money from a fund that is non-existent, unless the government goes into the consolidated revenue fund and uses money from other funds?

Senator Buckwold: They just ask for supplementary funds.

Senator Robichaud: The law does not exist.

Senator Murray: Honourable senators, the fund as such is not provided for in the legislation, as I recall. That is done through the appropriations procedure of Parliament. The cheques would be sent out, but the authorization for spending the money is contained in Bill C-62, which would have to be passed and receive Royal Assent before the cheques could go out.

THE ENVIRONMENT

OIL POLLUTION IN THE GULF OF ST. LAWRENCE—SOURCE OF POLLUTION—DEATH OF SEABIRDS ON PRINCE EDWARD ISLAND BEACHES—GOVERNMENT POSITION

Hon. M. Lorne Bonnell: Honourable senators, over the last weekend on Prince Edward Island 90 seabirds died on the beaches of the north shore of the island. Apparently there has been a heavy oil spill in the Gulf of St. Lawrence. Could the minister inform me if the department feels that this oil is

coming from the *Irving Whale*, which sAnk on September 7, 1970? Is that where the oil is coming from that is killing the birds?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I have no information on that matter today. I shall have to make inquiries.

CONDITION OF SUNKEN VESSEL *IRVING WHALE*—PROVISION OF MOST RECENT STUDY—GOVERNMENT POSITION

Hon. M. Lorne Bonnell: Could the Leader of the Government provide information as to the last study that has taken place on the *Irving Whale*? I would like to know the condition the vessel is in, how much oil is leaking from it, at what rate, and if the oil they are finding on the shores of Prince Edward Island is the same type of oil? I would like to know where this oil is coming from.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, at the same time as I make inquiries with respect to Senator Bonnell's first question, I shall send those questions forward as well.

GREEN PLAN—REMOVAL OF WATER PROTECTION—GOVERNMENT POSITION

Hon. M. Lorne Bonnell: Honourable senators, I notice that in the green plan, which the government is supposed to release soon, a chapter protecting Canada's lakes, rivers, oceans and groundwater has been gutted and other measures in the plan have been weakened. Is that correct? Has there been a big cut in the green plan, which protects the environment?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, the green plan will be announced in due course by my colleague the Minister of the Environment, and I hope it will be found to be to the entire satisfaction of honourable senators and others who are interested in federal policy. It is intended to maintain and sustain a healthy environment in this country.

[*Translation*]

GOODS AND SERVICES TAX

CONSEQUENCES OF THE LIBERAL FILIBUSTER

Hon. Jean-Maurice Simard: Honourable senators, I have a question for the Leader of the Government in the Senate. In view of the fact that these past few months, the Liberal Opposition in the Senate has been telling us that 85 per cent of Canadians are against the GST, that the Montreal Gazette and the *La Presse* daily published this morning the results of a recent Crop and Environics poll which indicate that the opposition to the GST is now down to 72 per cent, that even 53 per cent of Liberal voters think that Jean Chrétien would keep the GST if ever he came to power and that only 35 per cent believe that he would scrap the GST as he promised, does the Leader of the Government expect to see clear indication within the next few hours or days that the filibuster conducted in the Senate over the past few months will finally come to an end. As I said, 53 per cent of Canadian Liberals believe that if Jean Chrétien came to power he would not scrap the GST as he said he would. Are you confident, Senator Murray, that once the independent senators have had an opportunity to rise and move their motions in amendment—as it has always been our policy and intention on this side of the house—that the former Liberal majority, now reduced to a minority, will now come to its senses and allow the government to implement the GST in such a way that Canadian businessmen and others will not suffer untold harm because they are ready for its implementation on January 1, 1991?

[Senator Bonnell.]

That is my question to Senator Murray. I may have another question for him later on.

Hon. Lowell Murray (Leader of the Government in the Senate and Minister of State for Federal-Provincial Relations): Of course, honourable senators, I fully share the sentiments which Senator Simard has just expressed. I will only repeat that the Rules of the Senate allow him to raise such a question concerning the Business of the Senate. You are entitled to direct this question to the Honourable Leader of the Opposition in the Senate.

Senator Simard: I have also the right to expect a reply from the Leader of the Government. Perhaps Senator Frith could give me his reply or his view, or even the Leader of the Opposition, Senator MacEachen, or even Senator Fairbairn.

So, Senator Murray, you are confident that the people opposite could indicate to Canadians that the time for this foolishness is over.

● (1700)

[*English*]

Perhaps Senator MacEachen would like to answer that question, keeping in mind that 53 per cent of Liberal Canadians feel that Mr. Chrétien would keep the GST in place if Liberals ever formed the government—God forbid!

Senator Frith: You'll soon be able to ask him! He'll be in the House of Commons shortly!

Senator Simard: Do you not feel that the time has come to end your filibuster? I know that questions usually go from your side to this side, but since you are being creative lately and you are telling the world that you may have a few more things up your sleeve, perhaps you would want to tell Canadians that the time for your foolishness, such as storming the Chair, has come to an end.

Senator Olson: Where is Senator Kelly? He might want to raise a point of order about this.

Senator Simard: Will the real leader stand up?

Senator Corbin: If Senator Murray and Senator Simard wish to come to this side to put questions, we will gladly sit on that side. Do you want to make the change now?

Senator Frith: Yes. Let's start by putting in a new Speaker!

TAX CREDIT CHEQUES—GOVERNMENT ACTION

Hon. Eymard G. Corbin: Honourable senators, I have a question for the Leader of the Government which follows on from Senator Robichaud's question, but before I put the question, I would just like to comment.

[*Translation*]

We are now in the midst of a Conservative remote-control election campaign. They chose not to run a candidate against Jean Chrétien, but they send the Prime Minister to Saint John and dispatch Finance Minister Wilson to Edmonston, New Brunswick. They use Senator Simard to take pot shots at Mr. Chrétien, but they did not have the courage to put up a candidate against him. This kind of foolishness has gone on long enough.

Senator Simard: Even Mr. Chrétien agreed with that arrangement.

Senator Corbin: I am not afraid for Mr. Chrétien, you will see!

[*English*]

Senator Robichaud asked Senator Murray if there existed a fund from which the government would take money to send GST rebate cheques to qualified taxpayers, and Senator Murray replied that it is based on the information gathered from the income taxes levied in the previous year. However, an *Ottawa Citizen* article of October 18, 1990, quotes Mr. Wilson as follows:

> "If the current—

as he calls it—

> —partisan obstruction in the Senate is allowed to go on too long—

I guess he is prepared to see it go for some length of time—

> —the Liberal senators will jeopardize the first payment of $600 million to seven million low- and moderate-income Canadians who have qualified for the refundable GST credit," Wilson said in a speech to chartered accountants.

I do not think any chartered accountants believed him in the first place, but what I want to draw to the attention of honourable senators is the fact that he used the word "jeopardize." "Jeopardize" means to endanger. I think the Minister of Finance is bluffing. There cannot be jeopardy if there is no tax, and there can be no credit refunds if there is no tax. I think it is all a bluff on the part of Mr. Wilson. It is an attempt to blackmail Liberal senators. He is using the poor, at Christmastime, to put pressure on senators on this side of the house to let the bill go through.

Senator Olson: Shame!

Senator Barootes: A bunch of Scrooges!

Senator Corbin: We are not Scrooges. The whole thing is a farce. It is a concoction, and one of the most cynical farces invented by any Tory government—and at Christmastime! Taxpayers know there is no refund if they do not pay tax. They would rather not see the GST. What kind of tune are you attempting to get the Canadian taxpayers to dance to? If that is jeopardy, Mr. Wilson's words are blackmail and nothing else.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): It is not a refund; it is a tax credit, as I recall, that is being provided.

Senator Olson: They will have to pay the tax later on.

Senator Murray: The bill provides that the tax credit is to be paid out in advance, in instalments each year. The first such advance, between $600 million and $700 million to seven million lower-income Canadians, was due to be sent out during the month of December. That is the schedule. The credit would be advanced periodically in the course of the year. I do not know why the honourable senator is so scandalized about that. I would hope that he would, after all this time, ensure that this matter is brought to a speedy vote so that we could get on with it.

Senator Corbin: On the contrary, I am going to do my best to see that it does not come to the kind of conclusion the government wants, for the simple reason that people in this country do not want the GST. They would rather have you stuff your credit and see the GST dead. That is what Canadian people are saying today.

SUPPLEMENTARY ESTIMATES (B)—INCLUSION OF GST TAX CREDIT

Hon. John B. Stewart: Honourable senators, may I ask the honourable Leader of the Government in the Senate a related question? Recently, there was tabled in the House of Commons a set of Supplementary Estimates, Supplementary Estimates (B). Do those Estimates contain an appropriation related in whole or in part to the tax credit that the honourable Minister has just now been discussing.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I would have to refresh my memory by consulting the Supplementary Estimates. In any case, they will be here in due course.

Senator Doody: They were tabled today.

Senator Murray: They were tabled today, and they will be referred, I take it, to the appropriate committee in due course.

Senator Stewart: May I ask the honourable Minister, if Bill C-62 were to become law, would those credits be payable even though at that time, let us say the present date, the bill based on Supplementary Estimates (B) had not been enacted?

Senator Murray: Honourable senators, I do not know the answer to that question. I shall make inquiries.

PRINCE EDWARD ISLAND

FIXED LINK—STATEMENT BY MINISTER—REQUEST FOR CLARIFICATION

Hon. M. Lorne Bonnell: Honourable senators, I noticed in the *Charlottetown Guardian* of Thursday, November 22, that

the Honourable Elmer MacKay states that a federal series of compromises could clear the way for a fixed-link crossing between Prince Edward Island and New Brunswick. Could the Minister tell me what the compromises might be?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, the only information I have on that subject relates to a matter that we discussed in the Senate some time ago. I refer to the environmental report and, in particular, the problems raised by the panel concerning delay in ice-out.

• (1710)

Mr. MacKay has announced that the Government of Canada and, I believe, the governments of Prince Edward Island and Nova Scotia—but certainly the Government of Canada—will be working with a group of ice experts with a view to meeting the concerns expressed by the environmental panel on that subject; in particular, the recommendation of the panel that the design of the fixed-link crossing be such as to permit no more than two days' delay in ice out every 100 years. A group of experts will be working with the governments on this matter in an attempt to satisfy the concerns expressed by the panel. They will report in due course and, as the minister, Mr. MacKay, has indicated, any further initiative on this project, of course, depends on its being environmentally sound.

Senator Bonnell: Honourable senators, I notice in this article the minister states that the final report will be available by the spring of 1991. He states that there have been a series of federal compromises. Apparently, it is more than just a matter of considering ice and how much the ice will come into play every 100 years.

Perhaps the minister could look into this matter and bring a report to the chamber as to what other compromises might be involved. Perhaps he could also tell us who is on this panel which is to study the ice flows in the strait.

I do not know why the province of Nova Scotia would be involved in this as much as the province of New Brunswick because the fixed link is supposed to go from Tormentine, New Brunswick.

Senator Murray: I am glad to have the opportunity to state that the province of New Brunswick is involved as are the provinces of Prince Edward Island and Nova Scotia. These governments were asked to examine the report of the environmental assessment panel and to provide their views.

The environmental panel sets out a specific criteria that could enable the federal government to take the next step in the process. As I indicated, the government is going to develop, in consultation with a committee of ice experts, a procedure to ensure that the panel's principal concerns—and one of its principal concerns was the maximum ice-out delay—can be met by the developers before continuing with the screening stages of this project.

There are, of course, other broader concerns that the governments, federal and provincial, must take into account. There is the livelihood of the fishermen and of the ferry workers, and our commitment to pursue compensation and severance payment arrangements if the project eventually proceeds.

I want to emphasize, however, as did Mr. MacKay, that the government would proceed with this project only if environmental concerns are met and the project can be shown to be financially viable. Senator Bonnell may still have some time left to decide whether he is for or against it.

PARLIAMENT BUILDINGS

ASBESTOS CONTAMINATION—GOVERNMENT ACTION

Hon. M. Lorne Bonnell: Honourable senators, I am all for a clean environment.

An article in the *Ottawa Sun* of November 22 indicated that the buildings here on Parliament Hill are contaminated with asbestos and that the south block on Wellington Street is in even worse condition. Apparently, this has been covered up for some years.

Can the Leader of the Government tell us what the Government of Canada is doing to remove this asbestos from the south block and the buildings on Parliament Hill?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I cannot and do not accept the characterization that has been placed upon this matter by the honourable senator. However, I shall see whether any information can be brought forward on this matter at this time.

CANADIAN BROADCASTING CORPORATION

SUGGESTION OF PRIVATIZATION—GOVERNMENT POLICY

Hon. Keith Davey: Honourable senators, this morning in the *Ottawa Citizen* Marjorie Nicholls had a column in which she suggested that the CBC should be privatized. I believe that the Prime Minister went on record some years ago as saying that he would never privatize the CBC, that the CBC is a national institution which will be protected. Is that still the policy of the government?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Yes, honourable senators. There is no consideration being given and none has been given to privatizing the CBC.

Senator Davey: There was another story in the newspaper this week which suggested that the government in its various budget cuts would either cut away at or even destroy CBC Newsworld. Is that a possibility?

Senator Murray: Honourable senators, I must say I have no idea what steps the management and directors of the CBC may be contemplating, faced, as they are—as we all are—with financial constraints. I had not heard that report until the honourable senator mentioned it today.

Senator Olson: You have to decide whether you are going to fund it or not.

AGRICULTURE

JAPANESE TARIFFS ON CANOLA SEED—GOVERNMENT POSITON

Hon. Gildas L. Molgat: Honourable senators, my question to the minister is with regard to an industry in western Canada which is in serious trouble. I am referring to the canola-crushing industry.

Some years ago there were great hopes that we could build up a very important and diversified industry in the west by crushing the canola seed in the west and shipping the oil. However, some very serious problems have developed. For example, I have here a report in the *Winnipeg Free Press* of Monday, November 12, 1990, which states:

> Canola crushers in Western Canada are watching their industry disappear—the victim of national, international and even provincial subsidies and trade policies.

I know that a number of processing plants have closed, that others are operating only part-time, and that all are losing substantial sums of money.

I have here, in this article, a direct statement from Mr. Al Huffman, the chief executive officer of CSP Foods Ltd., which owns two plants in Manitoba and one in Saskatchewan. He said:

> . . . politicians claim to want more value-added processing in Canada, but their actions don't back up their words. They're not really interested in processing although they mouth the words.

Mr. Gregg Arason, chief executive officer of the Manitoba Pool, which owns half of CSB Foods Ltd., said that the industry faces some tough decisions and that there will likely be more closings. According to this article, he said:

> I think we're open to any kinds of discussions that will improve the viability of the crushing industry, . . .
>
> I think if we don't look at it from that perspective we're in danger of losing the whole crushing industry in Western Canada because it doesn't appear that any of us are viable on our own.

Honourable senators, some of the problems deal with the federal government's policies on transportation subsidies but one of the main problems is Japanese tariffs. The Japanese market is a big buyer of raw seed and they crush it in their own plants. For example, last year they took from Canada alone 1.9 million tonnes of canola in seed form. That accounted for 90 per cent of Canadian export sales. On the other hand, all they bought from Canada in the form of oil was 19,000 tonnes. In other words, they bought 1,000 times more seed than oil.

The problem is caused by a very high Japanese subsidy on this product. On the other hand, here we are importing large numbers of Japanese automobiles.

Is it not possible for the Canadian government to sit down with the Japanese government and come to an arrangement? Here we have an industry which could be based in western Canada and which would give diversification yet, because of this specific tariff by the Japanese, we are excluded from that market. Would the minister indicate whether the Canadian government is prepared to sit down with the Japanese government and negotiate a better deal with the canola industry, or would they consider some changes in automobile tariffs?

• (1720)

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): I think the honourable senator will realize that I must take that question as a representation and ask my colleague, Mr. Crosbie, whether he wishes to provide some comment on it.

Hon. H.A. Olson: I have a supplementary question, honourable senators. One of Canada's largest canola crushing plants located at Lloydminster, Saskatchewan, on the Alberta-Saskatchewan border, has closed. The company spokesmen are blaming the Free Trade Agreement and the failure of multinational trade talks. The people running these plants and who know where the markets are have some idea of what the problem is, and they say that if we do not have access to the United States market, if we have been shut out of that market—and they do say we were shut out of the offshore markets and the U.S. market—we cannot live on the domestic market alone. That is what they say, and they are the people who know because they have been running the plant.

Senator Balfour: Do you agree with that?

Senator Olson: I agree with them until I hear anything different. I know that when we were in government, when we received messages like this from the people who were in the marketing system, we did something about it.

Senator Murray: You gave them the finger.

Senator Olson: Pardon me?

Senator Murray: You gave them the finger.

Senator Olson: I never did, and I would like to know if the Leader of the Government is going to take some action to make sure that the Free Trade Agreement is going to allow a Canadian product to get into the United States market on the same basis that we have been relaxing with respect to a whole lot of trade and various commodities coming this way. There is a whole lot more that could be said about how serious this is, and I hope the minister will take the matter seriously because at that one plant alone 75 people have been put out of work, and they don't know for how long. Probably hundreds of farmers used to market their canola there who no longer have access to that market. I wonder if the minister, when he is making the representations he said he was going to make, would have a look at how much damage the Free Trade Agreement has done to that industry.

Senator Murray: Honourable senators, my information is that the prospects for this Canadian industry are actually quite good. In any case, I shall obtain some notes on the subject. As a matter of fact, I had a note a week or two ago on this industry that is closed. I do not have it with me now, but I shall try to retrieve it and read from it at an early date.

Senator Olson: I would like to know when I report to the people who are interested in this, what the minister means when he says that the prospects for this industry are very good—that is what he just said—when they know that one plant after another is being shut down, including one of the largest in Canada, the one at Lloydminster. There mut be some new meaning to these words, if you are telling people that prospects are quite good when only a week ago a plant was closed. I don't think they will understand that kind of talk. Could you give us some new definition of the words that you are using?

Senator Murray: Honourable senators, I told the honourable senator that I had a note on this matter the other day which I shall have to retrieve. When I have done so, I shall enlighten my honourable friend as to the basis of the statement I have just made.

Senator Olson: You just said that the prospects for that industry are quite good. Could you give some substance to that comment so I can convey it to the people who are interested?

Senator Murray: Yes, I think I can, and I shall.

JUSTICE

EXTRADITION PROCEDURES—GOVERNMENT POLICY

Hon. Paul Lucier : Honourable senators, I have a question for the Leader of the Government in the Senate. I was encouraged by the Justice Minister's statement that she is looking for an opportunity to streamline Canada's extradition procedures. That is something that certainly is needed. Sometimes we try for years to send an alleged criminal back to the country of his origin. There has been a great deal of talk about Mr. Ng in Calgary who has been charged with 13 sex crimes in California, and it seems almost impossible to get him out of Canada. I am just wondering if the Minister of Justice has a timeframe in which this review will be done? Are we looking at a particular timeframe or is it just something that will be done sometime in the future?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I do not have notes on the matter, but my clear impression is that this will take a year or more to complete.

THE SENATE

DISTRIBUTION OF GOVERNMENT DOCUMENTS—POINT OF ORDER

Hon. Eymard Corbin: Honourable senators, I rise on a point of order. Earlier today when we arrived at our places in this chamber we found on our desks a news release from the Minister for International Trade, numbered 276, dated November 26, 1990, entitled, "Government Increases Agricultural and Fish Commodities Insurance to Cuba".

Honourable senators, I do not know why this type of material is distributed in the Senate when it has nothing to do with the business at hand. This is getting to be a habit. Any person can now come to the door of the Senate, it seems, and put material in the hands of pages and request that it be distributed to honourable senators. We have postboxes and a messenger service both of which have been put to very good use in the past, for distributing material, and so I would hope that this sort of practice in the chamber would stop immediately.

Some Hon. Senators: Hear, hear.

Senator Corbin: It is being abused and I think that no paper should be distributed unless it is authorized by the proper authorities and officers and officials of this chamber. I would like to refer this whole matter to the Rules Committee for consideration.

Some Hon. Senators: Hear, hear.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I was as puzzled as my honourable friend to find the document, which is a one-page document, on my desk in the Senate. As the honourable senator points out, there is a mail service and a messenger service here. I do not know how this happened, who arranged it, or who authorized it. I have no objection, of course, if the honourable senator wishes to ask the Rules Committee or some other body of this house to consider the general question of what documents can be circulated in the chamber and by whom.

● (1730)

DELAYED ANSWERS TO ORAL QUESTIONS

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I have several delayed answers to questions, and I ask that they be printed as part of today's proceedings.

GOODS AND SERVICES TAX

ELIMINATION OF FEDERAL SALES TAX—CALCULATION OF REFUND—DISCRIMINATION AGAINST WHOLESALERS—GOVERNMENT RESPONSE

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I have a reply to a question raised in the Senate on November 6, 1990 by the Honourable Senator Molgat regarding the GST—Elimination of Federal Sales Tax-Calculation of Refund—Discrimination against Wholesalers—Government Response.

(*The answer follows:*)

> The existing Federal Sales Tax is levied at the manufacturer's level. As a result, when the GST is scheduled to take effect, vendors will have inventories for resale on which the current tax has already been paid. The purpose of the rebate program is to remove this tax from inventories in order to avoid double taxation on resale under the GST.
>
> Throughout the summer and fall of last year, Revenue Canada—which is responsible for administering the

GST—conducted extensive consultations with the business community on the Federal Sales Tax inventory rebate program. In the course of those consultations, it became evident that it would be extremely difficult, if not impossible, for most businesses to identify the actual Federal Sales Tax content of their inventories. Consequently, a tax-factor approach was adopted to simplify the claiming and administration of the rebate program.

The current Federal Sales Tax does not apply to such things as transportation costs and subsequent mark-ups by distributors and wholesalers. In most cases, these costs lower the effective tax rate on vendors' inventories well below 13.5 per cent. The comprehensive work that has been done in this area indicates that 8.1 per cent is a fair overall approximation of the Federal Sales Tax embedded in inventories.

The inventory rebate will apply to goods on which the Federal Sales Tax component is clearly visible, and to those where it is not. The 8.1 per cent rebate was adopted to increase fairness between these two types of goods—a difference caused solely by the complexity of the current Federal Sales Tax.

VIA RAIL

FREQUENCY, ROUTING AND DISCONTINUANCE OF SERVICE—REQUIREMENT TO FILE APPLICATIONS RESCINDED—GOVERNMENT POSITION

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I have a response to a question raised in the Senate on November 8, 1990, by the Honourable Senator Molgat, regarding Via Rail—Frequency, Routing and Discontinuance of Service—Requirement to File Applications Rescinded—Government Position.

(*The answer follows:*)

When announcing the new VIA network last year, the Minister of Transport stated:

"VIA will continue to provide service to truly isolated communities with no alternative means of transportation. However, over the course of the next year, I will be examining options for more cost-effective means of transportation for these truly isolated communities."

The review process is underway in consultation with all provinces concerned.

There has been no report and no decisions have been taken on the information being gathered through these studies.

Any decision with regard to the future of rail passenger service to Churchill will be taken by the Minister of Transport and Cabinet, so the NTA decision will not affect the route in any way.

PERSIAN GULF

UNITED STATES MILITARY MANOEUVRES—INVOLVEMENT OF CANADIAN PERSONNEL

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, the third delayed answer I have is in response to a question raised in the Senate on November 14, 1990, by the Honourable Senator Grafstein, regarding United States Military Manoeuvres—Involvement of Canadian Personnel.

(*The answer follows:*)

There has been no change to the role of the Canadian Forces in the Gulf area. Their mission continues to be one of assisting in the deterrence of further Iraqi aggression, and to contribute to international efforts to ensure strict implementation of the United Nations economic sanctions against Iraq.

Canadian Forces in the region have used every opportunity to train with other forces in the area to ensure that allied forces have the capability to work together.

Canadian Forces participation in Exercise IMMINENT THUNDER was strictly limited. Canadian Forces were not participating in the landing exercise. However, by occasionally playing the role of defender, our forces were provided with the opportunity to test and practice procedures.

Canadian CF-18 aircraft continued to conduct Combat Air Patrols over the Persian Gulf. During Exercise IMMINENT THUNDER, Canadian aircraft were engaged in exercises wherein they simulated opposing forces for those aircraft providing air coverage for the amphibious operations.

Canadian ships in the region, while practising escorting duty for the United States Naval Hospital Ships COMFORT and MERCY, were, at the same time, continuing to monitor international shipping.

This is the extent of the limited nature of the Canadian Forces participation in Exercise IMMINENT THUNDER, and it does not represent a change in the role of the Canadian Forces in the Gulf area.

ENERGY

HIBERNIA DEVELOPMENT PROJECT—PROPOSED SALE OF INTEREST BY GULF CANADA RESOURCES LTD.—GOVERNMENT POSITION

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, the fourth delayed answer I have is in response to a question raised in the Senate on November 15, 1990, by the Honourable Senator Corbin, regarding Energy—Hibernia Development Project—Proposed Sale of Interest by Gulf Canada Resources Ltd.—Government Position.

Hon. Eymard G. Corbin: I would ask that the answer to my question be read.

Senator Doody: We have time under the rules if the Senate will allow me. The answer reads as follows:

It is inappropriate to speculate at this time on the impact on Canadian ownership and control of Hibernia since this would depend on the nationality of the eventual buyer.

With regard to the recent announcement by Gulf Canada Resources that it may sell up to 12.5 per cent interest in the Hibernia project, honourable senators are reminded that the federal government retains the right to review any transfer of interest in the project under the terms of the Hibernia Financing Agreements and the Canadianization requirements under the Canada Oil and Gas Land Regulations. This would be done before the transfer took place.

Honourable senators should also be reminded that any potential change in ownership would not change the flow of industrial benefits to Canada as agreed to under the Hibernia Development Project Act.

Further speculation, at this time, on whether this will have an impact on Canadian ownership and control of Hibernia would be inappropriate since the eventual buyer could indeed be Canadian.

THE ECONOMY

STUDY BY BCNI—GOVERNMENT PARTICIPATION

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, the fifth delayed answer I have is in response to a question raised in the Senate on November 20, 1990, by the Honourable Senator Marsden, regarding The Economy—Study by BCNI—Government Participation.

(*The answer follows:*)

The Report, cited by the Hon. Senator, to be prepared by Professor Michael Porter of Harvard University regarding a study on the competitiveness of Canadian industry will indeed be made public.

The form of funding of the project is legally between Professor Porter and the Business Council on National Issues (BCNI). The Canadian Government will support the project through a legal agreement with BCNI. The attached BCNI communiqué lists the government departments involved and further explains the project.

The study will be completed by May 1991.

BUSINESS OF THE SENATE

DELAY IN RESPONSE TO QUESTIONS—GOVERNMENT POSITION

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I have an answer to a question raised in the Senate on November 20, 1990, by the Honourable Senator Kenny, regarding Business of the Senate—Delay in Response to Questions—Government Position.

(*The answer follows:*)

[Senator Corbin.]

In response to a further inquiry from the Honourable Senator, it was indeed the Final Report of the Public Review Panel on Tanker Safety and Marine Spills Response Capability that was tabled on November 20, 1990. Unfortunately the record stated the "Interim" Report by mistake.

• (1740)

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE ACT
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMEND—THIRD READING—MOTION IN AMENDMENT NEGATIVED

The Hon. the Speaker: Honourable senators, it is 5:45 p.m. Pursuant to Provisional Rule P-3(a), the Senate shall proceed to the deferred division on Senator Waters' motion in amendment to Bill C-62.

Please call in the senators.

Let the doors to the chamber be locked.

Motion in amendment negatived on the following division.

YEAS

THE HONOURABLE SENATORS

Adams	Kirby
Austin	Lawson
Bonnell	LeBlanc (*Beauséjour*)
Bosa	Leblanc (*Saurel*)
Buckwold	Lefebvre
Cools	Lewis
Corbin	Lucier
Croll	MacEachen
Davey	Marchand
De Bané	Marsden
Denis	Molgat
Fairbairn	Neiman
Frith	Olson
Gigantès	Perrault
Grafstein	Petten
Graham	Riel
Haidasz	Rizzuto
Hastings	Robichaud
Hays	Sparrow
Hébert	
Kenny	

YEAS

THE HONOURABLE SENATORS

Stanbury	Stollery
Steuart	Thériault
(*Prince Albert-Duck Lake*)	Turner
Stewart	van Roggen
(*Antigonish-Guysborough*)	Waters
	Watt
	Wood—50

NAYS

THE HONOURABLE SENATORS

Atkins	Hatfield
Balfour	Johnson
Barootes	Kelleher
Beaudoin	Kelly
Beaulieu	Keon
Bélisle	Kinsella
Berntson	Lavoie-Roux
Bolduc	Lynch-Staunton
Buchanan	Macdonald
Carney	(*Cape Breton*)
Castonguay	MacDonald
Chaput-Rolland	(*Halifax*)
Charbonneau	Macquarrie
Cochrane	Marshall
Cogger	Meighen
Comeau	Muir
David	Murray
DeWare	Nurgitz
Di Nino	Oliver
Doody	Ottenheimer
Doyle	Phillips
Everett	Poitras
Eyton	Robertson
Forrestall	Roblin
Grimard	Ross

NAYS

THE HONOURABLE SENATORS

Rossiter	Teed
Simard	Tremblay
Spivak	Twinn—55
Sylvain	

ABSTENTIONS

THE HONOURABLE SENATORS

Nil

The Hon. the Speaker: I declare the motion in amendment negatived.

• (1750)

BUSINESS OF THE SENATE

Hon. Royce Frith (Deputy Leader of the Opposition): Honourable senators, I move, pursuant to Rule P-1.(a), that the Senate do now adjourn.

The Hon. the Speaker: Honourable senators, it is moved by the Honourable Senator Frith that, according the Provisional Rule P-1.(a), the sitting of the Senate be suspended until tomorrow, Wednesday, November 28, 1990, until two o'clock in the afternoon.

Is it your pleasure, honourable senators, to adopt the motion?

Hon. Senators: Agreed.

The sitting of the Senate was suspended until tomorrow at 2 p.m.

[*Editor's Note: For continuation of proceedings see Issue No. 114B.*]

THE SENATE

Tuesday, November 27, 1990

[*Editor's Note: Continuation of Proceedings from Issue No. 114A.*]

The sitting of the Senate was resumed at 2 p.m., Wednesday, November 28, 1990, the Speaker in the Chair.

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE ACT
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMEND—THIRD READING—MOTION IN AMENDMENT

On the Order:

Resuming the debate on the motion of the Honourable Senator Kelly, seconded by the Honourable Senator Beaudoin, for the third reading of the Bill C-62, an Act to amend the Excise Tax Act, the Criminal Code, the Customs Act, the Customs Tariff, the Excise Act, the Income Tax Act, the Statistics Act and the Tax Court of Canada Act.

Hon. Edward M. Lawson: Honourable senators, I move, seconded by Senator Stan Waters:

That Bill C-62 be not now read a third time but that it be amended to require that the excess revenues derived from the goods and services tax be applied to reduce the public debt of Canada, by adding on page 278, immediately after line 27, the following new clause and renumbering the subsequent clauses of the Bill accordingly:

Application of Excess Revenues

"18. Beginning with the fiscal year that ends on March 31, 1992, such of the revenues derived under Part IX of the Excise Tax Act in each fiscal year as exceed 21 thousand million dollars shall be applied forthwith to the purchase for cancellation of securities of Canada within the meaning of the Financial Administration Act."

[*Translation*]

The Hon. the Speaker: It is moved by Hon. Edward M. Lawson, seconded, by Hon. Stan Waters, that Bill C-62 be not now read a third time but that it be amended to require that the excess revenues derived from the goods and services tax be applied to reduce the public debt of Canada, by adding on page 278, immediately after line 27, the following new clause and renumbering the subsequent clauses of the Bill accordingly:

Application of excess revenues

"18. Beginning with the fiscal year that ends on March 31, 1992, such of the revenues derived under Part IX of the Excise Tax Act in each fiscal year as exceed 21 thousand million dollars shall be applied forthwith to the purchase for cancellation of securities of Canada within the meaning of the Financial Administration Act."

Honourable senators, it is your pleasure to adopt the motion in amendment.

[*English*]

Senator Lawson: Honourable senators, I welcome the opportunity to move an amendment. It appeared for a long time that we would not have such a right. I would like to take a moment to attempt to straighten out the record as to the sequence of events.

The previous week, discussions were initiated by senators on the government side for the independent senators to have the right to move amendments. Unfortunately, those discussions were unsuccessful. Subsequently, the Speaker initiated discussions with Senator Waters and me in the hope of trying to achieve the opportunity to move amendments. The government said that what we were seeking was unreasonable, and those negotiations failed.

Last Thursday, when the eighth and final Liberal amendment was voted upon, it appeared that the Speaker was going to recognize Senator Murray on behalf of the government to move the previous question. If that had proceeded, we would not have had the opportunity to move amendments. I must acknowledge that the intervention by the Leader of the Opposition and members of the Opposition in the finest British tradition of swarming the Speaker, resulted in further negotiations taking place. If that had not happened, Senator Waters and I would have been stripped of our opportunity to move an amendment and left standing naked before you. You would have discovered very quickly, honourable senators, that all senators are not created equal.

I do want to acknowledge sincerely the role of the government, the role of the Opposition, the role of the government in its sober second reconsideration, the role of the Opposition in its intervention, and the Speaker for the role that he played.

In conclusion, never have so many laboured so long and fought so hard to restore to so few the rights that belonged to them in the first place.

Some Hon. Senators: Hear, hear.

Senator Lawson: Why propose an amendment? I have a musician friend who was touring South America. When he was there he discovered a giant talking bird that spoke five

languages, including French. He thought this would be a wonderful gift for his mother, who lives alone in Victoria, that it would be company for her and help her with her language skills. He bought the bird for $3,500 and shipped it home. When he finished the tour a couple of months later he visited his mother and asked if she received the bird. She said, "Yes, I did." He said, "How was it?" She said, "It was delicious." He said, "Delicious! Mother, I paid $3,500 for that bird and it spoke five languages." She said, "Well, it should have said something."

The reason I am here is that I felt I should say something about the amendment. As many of you know, the Government of British Columbia publishes a magazine and a headline in the most recent one stated, "GST! This is war." Therefore, the government of the province I represent is waging war. I understand the court case will be heard on December 17 on the right of the federal government to invade provincial jurisdiction on taxation. Senator Perrault reported that during the civic election a poll was taken and 85 per cent of the people stated that they were opposed to the GST. It seems to me that it cries out for residents of British Columbia to say something about what is taking place.

In British Columbia there is a Supreme Court judge, a mutual friend of some of us from British Columbia, who is noted for his compassion and concern when dealing with matters from the bench. In one of his most recent cases there appeared before him a bank robber who had been in and out of jail for all his adult life. However, during the most recent robbery he was carrying a gun, and this compassionate judge had to sentence him to 14 years. He asked the bank robber if he had anything to say before he was taken away. He said, "Yes, judge. I am 70 years of age. I just can't do 14 years." The judge said, "That's different then. Just do as much as you can."

I get the feeling that is the same compassion that we are receiving from the government on the GST issue. The point is raised, the amendment is put forward that it is wrong to have GST on books and on the Bible, and the government says, "That's different, you are right. You don't want to pay the GST; just do as much as you can. Just pay 7 per cent." The question is raised and an amendment is put forward, on the high cost to northerners for fuel, electricity and other things; and the government, with a soul and heart full of compassion, says, "Do you think that is too high and there is too much of a burden up north? It is $200 instead of $20 a year. That is different. You can't pay that; just pay as much as you can. Just pay 7 per cent."

• (1410)

Honourable senators, that troubles me somewhat and I know how difficult it must be for the government. Everybody has a different and better way of doing things. Everybody has his own idea as to how to deal with taxes and how to deal with the recession. Senator Waters and I have a mutual friend in Alberta; in fact, he is a Conservative. He is a successful entrepreneur, a successful businessman; he has a large house with servants and so on. In light of the recession we are now involved in, he said to his wife: "This recession affects everybody, including you. If you would just learn to cook, we can fire the cook and save $15,000 a year." She said: "Is that so? If you could learn to make love, we could fire the chauffeur and save $20,000 a year."

Everyone has his own way of dealing with the recession, but it may not be that your idea is any better than mine. It seems, however, that there should be some consistency.

The thrust of what I am talking about in this amendment is: What happens to the surplus money? At this point I may interject by quoting from something I received from the library. This should explain the terms of this amendment. It states:

> The imposition of the GST has been described by the federal government as being "revenue neutral" or "deficit neutral". After taking into account the payment of credits to low income Canadians, the housing rebate and rebates to charities, non-profit organizations and other public sector bodies, the government is proposing to generate about the same amount of money in 1991 from the GST as it would have from the FST. From time to time, the government has stated that the GST will be important to deficit reduction.
>
> Some would argue that the government has underestimated the amount of revenue that can be expected from the GST. Citing the New Zealand experience, they note that more taxpayers than were originally anticipated registered for the tax and that revenues per point of tax exceeded initial expectations. Moreover, international experience has shown that in other countries rates for similar taxes not only have been higher on introduction but also have been increased substantially.
>
> The amendment would ensure that all revenue generated from the GST above $21 billion (the amount of revenue currently estimated to produce approximately the same amount of money that the FST would generate and to pay for the various credits and rebates associated with the tax) would be earmarked for deficit reduction. This would allay fears that the GST will be a "cash cow". The government would be obligated to use this excess revenue to purchase outstanding government securities. For greater certainty the amendment refers to the definition of securities found in the Financial Administration Act. This definition includes bonds, notes, deposit certificates, debentures, treasury bills, treasury notes and other security representing part of the public debt.

Honourable senators, I am not unmindful of what Senator Waters said in his speech as to the need for such an amendment, the need for legislative guidance. I recall that during his speech Senator Waters talked about this government's having had 32 tax increases in six years. Obviously, none of that additional tax revenue found its way to the debt because the debt increased during the same six years from $160 billion to $380 billion. It is obvious that we need some legislative guidance similar to that which they have in the United States

so as to guide this government on what to do with any surplus moneys that may be acquired if this bill should pass.

To respond to the bill itself, I shall touch upon a number of points. As senators know, my background is in the labour movement. I represent an organization, the Teamsters Union, that has 100,000 members across the country. I have had a lot of association with the Canadian Labour Congress, which represents 2.3 million workers across the country. Collectively, they have put together a number of points which I adopt as my own views, and I would like to touch on those.

The GST is supposed to replace an existing but hidden federal sales tax, the manufacturers' sales tax, or MST. In theory, this means that prices will fall before the new 7 per cent GST is added and that the overall impact on prices will be modest. But there is no guarantee that prices will fall before the new tax is added. Business may just pocket some of the savings from the elimination of the MST rather than pass them on to the consumer.

Experience shows that price reductions rarely reflect the full tax reduction. Many goods and all services which will be subject to the new 7 per cent GST are not directly taxed under the current MST and will then increase in price by close to the full 7 per cent. Electricity, home heating fuels, clothing and footwear will all be subject to federal sales tax for the first time.

The statistics I am about to recite show forecast price changes for a range of goods and services under a 7 per cent GST as calculated by the economic consulting firm, Informetrica. Senators will note that these estimates are a "best case scenario". They assume that price savings from the elimination of the "buried" MST are passed on to consumers.

Forecast price changes under the GST, if it is implemented, are as follows. Prices of furniture and carpets will fall by 1 per cent; for new cars, prices will fall by 2.2 per cent. Prices of laundry and dry cleaning will rise by 6.9 per cent; prices of hotel accommodations will rise by 5.6 per cent; those of household services will rise by 6 per cent; those of auto-related services will rise by 5.2 per cent; those of recreation services will rise by 7.5 per cent and those of restaurant meals will rise by 7 per cent. The price of clothing will rise by 5.6 per cent; that of shoes will rise by 4.7 per cent and that of books and magazines, by 5.2 per cent. The price of electricity will go up by 6.6 per cent; that of home heating fuels will rise by 7 per cent and that of household supplies will drop by 1.7 per cent.

The government claims that a 7 per cent GST is "revenue neutral"—that it will raise no more money than the manufacturers' sales tax which it will replace. That is wrong.

In fact, government figures show that a 7 per cent GST will raise at least $20.7 billion in 1991, or $2.1 billion more than the projected revenue from the MST. Revenues from a new GST in other countries have been much higher than originally forecast.

Most important, once in place the GST will be hiked again and again to raise revenues because the GST rate can be bumped up without raising business costs. From the government point of view, this is a big advantage over the existing MST.

The government record shows that it likes to raise regressive sales taxes, not progressive income taxes. Since 1984, sales taxes have jumped from 19 to 25 per cent of total federal government revenues. This year an average family will pay $628 more in federal sales taxes than in 1984.

Government high interest rate policies are driving up the cost of servicing the public debt. This stops the deficit from falling in spite of higher tax revenues and cuts to government spending. Rather than change course on interest rates or hike taxes on the wealthy and large corporations, the government will likely hike the GST in the future to maintain its deficit-reduction target.

The experience of any other countries clearly demonstrates that GST rates move only way—up.

The GST is a clear consequence of the free trade agreement with the United States. The Free Trade Agreement eliminates tariffs on manufactured goods imported from the U.S. These tariffs are used to cushion Canadian manufacturers against the slightly higher—1 to 2 per cent—costs imposed on them by the structure of the existing manufacturers' sales tax. Given free trade, said the government, we must eliminate the "competitive disadvantage" caused by the MST.

Free trade means that federal tariff revenues must be replaced from other sources. The Free Trade Agreement means that businesses will move where costs are cheapest. I will go into that in a little more detail later. Given free trade, says the government, we must replace the MST with the GST—a tax which will not apply to business purchases.

If Canadians insist on better public services than Americans, says the government, then they will have to pay for them through an unfair sales tax.

• (1420)

The Free Trade Agreement has been accompanied by a deliberate high interest rate and high Canadian dollar policy. This is intended to help the U.S. reduce their trade deficit with Canada and thus prevent the toothless Free Trade Agreement from being put to the test by U.S. protectionism. High interest rates have driven up the cost of servicing the public debt and have driven the economy to the brink of a recession. Confronted with a rising deficit, the government plans to raise the tax burden through the GST.

Let me talk about the prospect of companies moving to cheaper areas. In the current issue of *Maclean's* magazine there is an interesting article written by Peter Newman. He is not known as a spokesman for the labour movement, but is an objective, fair reporter. He touches on a concern that I know many of us have, including myself, that relates directly to what we are talking about.

The title of his article is "Danger lies south of the Rio Grande." I will read only a few paragraphs, but honourable senators may find it interesting to read the entire article. It says:

> The house organ of American capitalism, *Business Week*, is already proclaiming the birth of "THE NEW NORTH AMERICA—population, 356 million; gross national product, $6.6 trillion!" It would be the world's most humongous trading bloc—even gaining a trillion dollars or so, when its commercial flows are calculated in Canadian dollars. The magazine celebrates the vision of a new trading bloc "stretching from Anchorage to Acapulco," with new trade and financial flows "touching off a decade or more of rapid economic growth fuelled by a surge of investments to restructure industry on a continental scale."

The article goes on to say:

> In Canada we're being reassured by Ottawa and such advocates of the potential deal as the Business Council on National Issues that we have nothing to fear from cheap Mexican goods flooding our domestic market under continental free trade, because, although 80 per cent of Mexican imports already come in duty free, the annual total is still less than $1.5 billion. That's true. But it's not the point. As the Canadian novelist and current head of PEN John Ralston Saul warned at the time the Mulroney government was negotiating free trade with the Americans, because of the *maquiladoras* sweatshops . . .

Senator Perrault has made a number of speeches in the past year about those sweatshops. I am also familiar with those because we deal with them on the American side. I do not think the term "sweatshops" is descriptive enough when you see the conditions under which those workers have to work. There are paper and tin shacks; for their drinking water they use 45-gallon barrels that have been used to haul chemicals. Those are the kinds of conditions that these workers work under. If we are a part of this, we are going to be encouraging that kind of exploitation.

I should like to continue with what Peter Newman says:

> . . . our already tottering secondary-manufacturing sector will become terminally vulnerable under the proposed arrangement. At least a North American trade deal would stop our manufacturing plants from fleeing to the United States. They'll move to Mexico instead.
>
> Canada's main flash point for any North American trade deal will be the continued viability of the U.S.-Canada Auto Pact. Once free trade with Mexico is a fact, there would be little reason for any car manufacturer to stay in Canada, no matter how heavily his company has invested here. Half a dozen Canadian autoparts manufacturers have already opened Mexican plants and others are in the process of moving there. The wage differentials in what remains a labor-intensive industry are just too wide to be bridged. Unskilled assembly-line workers in Ontario average $14.71 an hour, compared with Mexico's $1.20.

You may ask, "What does this have to do with the GST?" The government's largest source of tax revenue is picking the pockets of working people—organized and unorganized. You cannot expect to accomplish that if you are going to create hundreds of thousands of more unemployed. Unemployed workers pay very little tax. Fully-employed workers will make the kind of tax contributions that will assist the government with the financing of its programs and the reduction of the debt.

The last paragraph of Peter Newman's article says:

> With no benefits due to us, we should stay out of any free trade arrangement with Mexico. Facing the dangers of a North American common market, we should adopt Ramon Hnatyshyn's slogan when he was federal energy minister. "Free trade," he warned, "is like wife-swapping with a bachelor."

More important than that, it will cost hundreds of thousands of jobs. If you are not concerned about that as a moral issue, you should be concerned about that as a financial issue because you cannot generate revenue from people who are not working.

The GST will significantly raise the price of many goods and services which are not now subject to a federal sales tax. The result will be reduced consumer demand and a resulting loss of jobs. The Institute for Policy Analysis at the University of Toronto estimates that a 7 per cent GST may cost 25,000 jobs when it is introduced in 1991, rising to 148,000 lost jobs by 1994.

The impact upon employment will be particularly severe in the labour-intensive consumer services and tourism sectors, such as restaurants, hotels, and amusement and recreational services. These sectors were a major source of new jobs in the 1980s. A 7 per cent price hike for most consumer services will sharply depress demands and jobs.

I have much involvement in the trucking industry. Canadian truckers are already reeling from the impact of free trade and deregulation, which forces them to compete with an American industry that benefits from built-in advantages—from cheaper fuel to lower taxes. That is before the 7 per cent, which will now apply to the purchase of trucks which did not apply before. They will be faced with a double penalty.

Equally hard hit will be the construction industry. New housing will be subject to a tax rate of 4.5 per cent. It will be more on expensive homes priced about $350,000. This will depress new construction activity and add to the impact of high interest rates. Major price hikes for construction materials will also depress the home renovation market.

The imposition of the GST will negatively impact on manufacturing sectors which are not currently taxed, including clothing, footwear, and printing and publishing.

A forecast drop in retail sales as a result of higher prices will cut jobs in stores and warehouses. These negative job impacts will take place in an economy that is already grinding to a halt because of high interest rates, an over-valued Canadian dollar, and cuts in government spending.

A concern of the government should be creation of jobs. Workers on unemployment insurance are not going to make major contributions to tax revenue. Certainly workers under the revised Unemployment Insurance Act, where they have to

work longer to collect benefits for a lesser period of time, will not help. I am not satisfied that this $800 million set aside for training will be the answer. If you train labourers to be plumbers and there are no jobs for plumbers, what have you accomplished? You may have increased the intellectual level of the unemployed, but you have not put a single worker on a job. It seems to me that the thrust and direction is aimed incorrectly.

The government promised, but failed, to protect low-income individuals and families from the GST. The existing sales tax credit is $140 for an adult and $70 per child with households with an income of less than $18,000. The new GST will be slightly higher—$194 an adult and the first child in single-parent families, and $100 per child for households with an income of less than $24,800. Single adults can qualify for an extra credit of up to $100. That sounds good at first, but this is what it really means: a single taxpayer with an income of $12,500 will pay about $630 in GST, but will get a credit of just $290. A single parent with two children and an income of $15,000 will pay about $735 in GST but will get just $580 in GST credits.

Figures produced by the government attempt to show that the increase in credits will at least be greater than the increase in sales taxes. But the government assumes that all of these savings from the elimination of the old federal sales tax will be passed on to consumers before the new 7 per cent GST is imposed. They will not be. Businesses will pocket some of the savings. Some of the provincial governments are talking about pocketing the rest.

Also, the government figures are only for the first year of the new system. This is an important point, and was raised as the subject of one of the amendments that was rejected. The new credits will not be fully indexed to inflation, but will fall by 3 per cent in real terms each and every year. Prices will rise, but GST credits will fall.

It gets worse. Fewer families and individuals will qualify for the new credits with each year that passes. That is because incomes will increase above the $24,800 level from which credits are phased out, because it is not fully indexed to inflation. Even a lower-than-inflation wage increase will result in lower GST credits.

In short, the new credits do not protect low- and middle-income taxpayers from the GST. Progressive taxes bear most heavily upon higher income taxpayers and the least heavily upon low income taxpayers, while regressive taxes bear most heavily upon low-income groups.

● (1430)

The burden of sales taxes like the GST is greatest upon low-income groups. This is true for two reasons: First, the tax rate is the same for all taxpayers, regardless of their income. A single parent on social assistance will pay the same 7 per cent GST on electricity or clothing as will a wealthy executive.

Second, lower income people spend a higher proportion of their income on goods and services. Only higher income groups can afford to save and invest a significant share of their income. Taxing spending rather than income or wealth thus favours higher income groups.

The following table, which is based on the Department of Finance estimates, shows that the burden of a 7 per cent GST is greatest for lower income groups, and lowest for high income groups. The actual amount of GST that is paid increases with income, since spending increases with income. The percentage of income taken by the GST falls as income rises.

A simple, clear table shows that someone earning $20,000 will pay $952 GST, or 4.8 per cent of his income; someone earning $30,000 will pay $1,288, or 4.3 per cent of his income; someone earning $50,000 will pay $1,953, or 3.9 per cent of his income; and someone earning $100,000 will pay $3,619, or only 3.6 per cent of his income.

Unlike the existing federal sales tax, the GST will not be charged on purchases of goods and services by business. They will be able to receive a 100 per cent credit for all GST paid on their "inputs"; including raw materials, rent, telephone charges, office supplies and so on. Credits will also be given for GST paid on business meals and entertainment.

While business is being relieved of all of their share of the federal sales tax burden, the not-for-profit sector will continue to be taxed. Municipalities, school boards, universities, colleges, and hospitals will pay 7 per cent GST on their purchases. Partial tax rebates will be periodically paid out by the federal government, but the formula has not yet been announced. At a minimum, these public sector bodies will pay at least as much as they now do under the current sales tax system.

Registered charities, as well as non-profit organizations receiving 40 per cent or more of their budgets from government, will only qualify for a 50 per cent rebate of the GST that they pay on their purchases. Many non-profit organizations, including trade unions and advocacy groups such as women's, native and peace organizations, will not qualify for any rebate and will be charged the full 7 per cent GST on office rent, electricity, mailings, telephone calls, et cetera.

Most public services, including education, health care, child care, recreational services for children, et cetera, are "tax exempt". This means the GST will not be added to tuition fees or user fees. The GST will be charged on purchases, so costs and fees will increase because of it. Thus, the GST clearly discriminates in favour of the business sector, while adding to the cost of public services.

A truly progressive personal income tax, one which takes a higher percentage of income from high-income taxpayers than from low-income earners, would be the centerpiece of a fair tax system. However, the government has already made an already flawed income tax even more unfair. I will indicate how this has been done:

Tax credits and tax brackets are not fully indexed to inflation. This means that the real value of the new credits introduced in 1987 falls by 3 per cent each year, and thus an

individual may be pushed into a higher tax bracket, even if his income has not increased in real terms.

Tax reform, as we know, cuts the number of tax brackets from ten to three. Federal tax of 17 per cent is now paid on the first $27,500 taxable income, 26 per cent on the next $27,500, and 29 per cent on every dollar of taxable income above $55,000. On the other hand, the top tax rate, which applies to those with incomes of $70,000 or more, was cut from 34 per cent to 29 per cent, resulting in a major tax cut for the wealthy.

"Tax reform" left many loopholes untouched. For example, the first $100,000 of capital gains income is completely tax free. Additional capital gains, dividends, and all kinds of investment income, are taxed at much lower rates than income from wages or salaries.

The share of taxes paid by corporations fell in the 1970s and 1980s because of the proliferation of special write-offs, tax breaks and loopholes. Investment "incentives" became so generous that many large, profitable companies were able to completely avoid taxes. Today, the corporate income tax rate which is levied on company profits accounts for 11 per cent of all federal revenues. That is approximately half the level that it was 20 years ago.

In 1987, 118,162 profitable companies, with a total of $25 billion in profits, paid no tax at all. In other words, one in every three profitable companies, together accounting for 28 per cent of all corporate profits, paid no tax. Another 114,737 corporations with $27.4 billion in profits paid tax at a rate of less than 20 per cent. In total, in 1987, profitable companies paid federal and provincial corporate income tax of $15.5 billion—just 17.7 per cent of total corporate profits of $87.7 billion.

In my experience, working people have an inborn sense of fairness. They are quite prepared to assume their share of the liability, or their share of the sacrifice. Working people will pay not only their fair share, but will pay more than their fair share if it takes care of the people who are less fortunate, and if it takes care of seniors. However, they are very angry when they read these kinds of statistics about tens of thousands of corporations making billions of dollars in profit who do not pay a five-cent piece of tax.

If you are wondering where the hostility and anger comes from across this country, it is from these kinds of people who are aware of this information due to the television age that we live in, and they are very angry about this kind of unfair treatment.

What I predict will happen, as others have predicted, is that the underground economy will become larger and larger as people find ways and means on their own of competing with the special consideration corporations get from the federal government, which they deem to be unfair, and is unfair.

One major reason for tax avoidance by profitable companies is the system of "fast write-offs". Under current rules, investment in capital equipment can be deducted from taxable income at a rate of 25 per cent per year, even though the equipment will be written off on the company books at a much slower rate. Fast write-offs mean that companies get tax deductions up front and, in theory, pay higher taxes in later years. In 1986, the total of such "deferred taxes", which is equivalent to an interest-free loan from the government, was $33.9 billion. The cost in lost revenues is about $3 billion per year. In other words, we could reduce the GST from 7 per cent to 6 per cent on the strength of that item alone.

The companies in the resource and financial sectors continue to get special breaks on certain investments. All companies pay tax on only 75 per cent of their capital gains income, and are able to reduce their taxable income by "carrying forward" losses from previous years.

Corporations involved in mergers and buyouts can deduct the cost of borrowed money from their taxable income in full, even if the merger is completely unproductive. As we have all witnessed in watching the American scene, most of those mergers or take-overs involve hundreds of millions and billions of dollars, whether it be RJR Nabisco or Michael Milken and the ten year penalty, which probably was not enough. All of this seems to go on, involving billions and billions of dollars, but not contributing one job or one five-cent piece to the treasury.

Senator Perrault: Hear, hear!

Senator Lawson: These loopholes remain despite the government's tax reform of 1987. Those loopholes which were removed or scaled back were compensated for by a reduction in corporate tax rates. The general corporate rate was cut from 36 per cent to 28 per cent, and the small business rate was reduced from 15 per cent to just 12 per cent. "Tax reform" has yet to result in a significant increase in corporate tax revenues. The existing federal sales tax or MST is, indeed, a flawed, economically damaging and regressive tax which should be abolished or, at a minimum, substantially scaled back. The government claims that its GST, or drastic cuts to our social programs, are the only alternatives. In truth, the government has failed to examine a wide range of other options which include: A 3 per cent cut in interest rates. This is something about which I know Senator Waters and others feel very strongly. A 3 per cent cut in interest rates would cut the cost of servicing the public debt by $4.8 billion per year, rising to $10 billion per year within four years as the existing debt was refinanced. Such a cut would still leave Canadian interest rates above U.S. levels. An interest rate cut would also indirectly increase revenues by stimulating a slowing economy.

• (1440)

An end to the special treatment of capital gains income would raise $500 million. At least an equivalent amount could be gained by ending special treatment of dividend income and by restricting the deduction of interest costs from investment income. Restoration of the pre-1988, 34 per cent, top federal personal income tax rate—applicable on incomes of about $70,000 or more—would raise $1.5 billion. Still higher rates could be imposed on the very wealthy.

Tax breaks for interest paid to finance unproductive mergers and fast write-offs on investment should be scaled back for a revenue gain of at least $1 billion. A minimum tax of 20 per cent on profitable corporations, such as presently exist in the U.S., would raise at least another billion dollars. A substantial increase on corporate taxes would be more than justified by reduction or elimination of the MST which adds to current business costs.

Canada is one of the few industrial countries with no tax on wealth. A tax on large inheritances, identical to that now in force in the U.S., would raise $2 billion. The richest 5 per cent of Canadians own 50 per cent of all personal wealth. A small annual tax on large holdings of wealth could raise substantial revenues—for example, on net worth above $1 million. Such wealth taxes exist in many European countries.

If you tally this up, we are now down to a possible 3 per cent or 4 per cent reduction.

What I am really saying is that, clearly, there are alternatives to the GST. What is needed is the political will to design a fair tax system. Do we have that will?

I was thinking, as a labour negotiator who has reviewed what has gone on here for the last number of weeks and who has listened to the proposed amendments, "If you were trying to save the government, trying to save the Prime Minister from being Thatcherized, trying to save the government for the future, or, more importantly, if you were sitting as an independent, neutral observer, how best could you salvage this situation?"

It seems to me that if I were advising the government, I would be saying that the view of Canadians across the country is that you have a very badly flawed tax bill. The eight proposed amendments would make it a better bill. Why do you not adopt those amendments? If you say it is going to take some time to adopt them, the answer is simple; adopt Senator Waters' amendment and take the time.

During the last few days I read a report which says that 50 per cent of Canada's companies have not registered for the tax, in any event. With Minister Jelinek handling the equipment and preparing for the collection of GST, and so on, if his foul mouth is any indication of his business acumen, it will probably be six months or a year to establish an efficient and smoothly run operation. Let us take the time.

Further, I would adopt the amendment that is before honourable senators today. If we did so, we would have a decent tax bill that had a heart and soul and ears which listened to the Canadian people. Instead of a tax bill angrily opposed by the majority of Canadians, we would have a tax bill that would probably be accepted with a guarantee of surplus revenues used to reduce the debt; we would have a fairer tax bill and one which would probably be supported by the majority of Canadians. Honourable senators, I urge your support for the amendment.

Some Hon. Senators: Hear, hear!

Hon. Raymond J. Perrault: Honourable senators, this is a very commendable amendment, just as was the amendment proposed yesterday by the Honourable Senator Waters. Two constructive, non-contentious positive amendments, which appealed not only to the consciences of honourable senators but to their logical processes.

[Senator Lawson.]

Senator Lawson, who has a deserved reputation as one of North America's very able labour leaders, has placed an amendment before us today which cannot, in conscience and logic, be opposed by honourable senators. I speak with great sincerity when I say this.

This is an amendment which should be adopted by the government. It could be dealt with speedily in the House of Commons. I think it would give credibility to the statements made on successive occasions by spokesmen for the government that the intent of the bill is to attack the problems of debt and deficit.

This afternoon I would like to review some of the checkered incidents which have occurred in the history of this bill since its introduction was first mooted in 1987. One of the most misleading statements coming from the government these days is the allegation that Canadians should not be surprised by this initiative because fair warning was sounded in 1987 that we would have a fundamental reform of the tax system. This statement has been made by honourable senators on the other side and certainly by the Right Honourable Prime Minister and the Minister of Finance. The statements are made again and again that there is legitimacy to this government initiative because it was, indeed, an integral part of the 1988 platform.

The suggestion here is that in 1988 the government was given a mandate to introduce the goods and services tax and that this contention by the government legitimizes the effort and, in fact, renders illegitimate the efforts of the Senate to attempt to amend or to oppose the bill in its present format.

Now, this is a distortion of what really occurred, and I want to put this on the record this afternoon. In 1987, in very vague terms, in its tax reform documents of the time, the government indicated its intention to replace the manufacturers' sales tax with a new sales tax. There is not a party in Canada which supports the present manufacturers' sales tax. Some of us are surprised by the fact that, despite the condemnation of the manufacturers' sales tax on so many occasions, with such a sense of outrage by so many Conservative speakers, it still was a tax thrice increased since 1986 from just over 9 per cent to over 13 per cent.

Some of us have been rather baffled by the fact that the Conservatives, who years ago identified this tax as a so-called bad tax, continued to raise the taxation rate. In the campaign of 1988, the government was absolutely silent on this subject.

Hon. Pat Carney: Not true.

Senator Perrault: We have yet to see a comprehensive speech made by any Conservative Party spokesman stating that a goods and services tax at 7 per cent or 9 per cent would be introduced.

• (1450)

Senator Carney: That's not true.

Senator Perrault: If honourable senators disagree, let them put documentation on the record to disprove what I have said.

The new tax was only to benefit a small segment of the population, primarily the manufacturers who are mostly located in central Canada, who have long disliked the existing sales tax and who would very much enjoy a lighter burden under the GST. Indeed, at that time it was estimated that some $4 billion of the sales tax burden was to be transferred from the corporate sector to the household sector, but very little was said about this impending tax.

So the government—and understandably because taxes are not popular—saw no particular advantage in mentioning the new tax in that 1988 campaign. I searched the newspapers of British Columbia, and I saw no major speeches or statements about the impending GST, nor did Senator Waters in Alberta nor Senator Lawson, another British Columbian. I suppose the government felt that that was bound to raise suspicion that the tax would be used to soak additional revenues out of the public for the continuing war against the deficit.

Understandably, political campaigns being what they are, the government decided to accentuate the positive. There were no references to the ominous nature of the debt; no statements about impending doom and gloom if we did not cut back on social services. On the contrary, the single mothers of Canada were promised a daycare program that has never seen the light of day. The seniors were promised that their incomes would never be reduced by this "sensitive Conservative government." There was no mention of the clawback then. There was no talk about dismantling Canada's very commendable network of social security programs. There was no mention then of the government abandoning unemployment insurance in following the American model, and I am sure that Senator Lawson could tell us something about the unemployment insurance program in the United States. No; the Conservative Party decided to emphasize the positive and not mention any of Canada's basic problems.

Of course, there was no advantage in turning the goods and services tax into an election issue. Everyone who likes the tax—manufacturers and a minority of business economists and tax experts—already knew about it; the rest were better kept in the dark. It is an example of the mushroom philosophy of the Conservative Party, that with regard to the Conservative platform, things grow best if the people are kept in the dark. So the government was very happy to let that issue slumber throughout the campaign. There was no mention of it, even though it is obvious now that the GST was to be the major economic thrust in the government's post-election policy, and that is beyond argument.

However, if this tax was to be the central part of the government's program and policy, should it not have been their responsibility, in all conscience, to sound some prior warnings or give advance notice? In fact, the government set the wheels in motion for this tax measure as soon as the votes were counted. A diversion was created by speaking almost exclusively on the subject of the free trade deal and how free trade would usher in a bonanza of employment coast to coast.

Senator Simard: Be careful now.

Senator Perrault: One of the first companies to close down was in the area the honourable senator represents, so he should not talk too much about free trade. The people who are on the unemployment lines in New Brunswick today should be asking a few questions of the honourable senator, who defended the free trade deal when it was first introduced, and perhaps he should remind the 160,000 industrial workers who have lost their jobs that it will not be a good Christmas for them.

Senator Simard: That is not because of the free trade deal.

Senator Perrault: Mr. Blenkarn, who headed the committee of the other place for the government, was not programmed properly. Honourable senators will remember that, during the campaign, he stumbled around on the subject of tax reform.

Senator Simard: That's old stuff.

Senator Perrault: As honourable senators know, he has been the Conservative chairman of the House of Commons Finance Committee. In the early days of the election campaign he was scheduled to make what promised to be one of his dullest appearances, a speech before a tax conference at Osgoode Hall Law School in Toronto. Actually, the event did not have very much to do with the election, as it had been booked well beyond the calling of the election.

However, in the course of that day-long session, Mr. Blenkarn brought to the deliberations much more candour than other conservatives were able to muster. He told the audience of economists and tax experts that the government planned to collect billions in additional revenues through the GST. That is on the record. People were startled. They could not believe it. They had not heard about this great Tory caper to take still more money out of the pockets of Canadian taxpayers.

At the same time there happened to be a reporter in the hall next to this very dull seminar on tax reform. Mr. Blenkarn's comments about the additional revenue-raising potential of the tax were reported the next day on the front pages of Canadian newspapers. The cat was out of the bag. Despite all the speeches of honourable senators opposite during the course of this debate, in which they have self-righteously proclaimed that the Canadian people knew that this tax was coming, Canadians, in fact, did not have a clue that it was coming at all. The increase that only experts were supposed to know about was now in the hands of the electorate.

So there needed to be some damage control. I do not know whether Senator Kelly was one of the damage controllers, but I know that he is close to Conservative strategy.

Senator Frith: Considering that strategy, he might want to renounce that association.

Senator Perrault: There was panic in the Tory streets. If the government had been fair with the Canadian people at that time, they would have said, "Yes, Mr. Blenkarn is right. The new tax will raise considerable extra revenue and it is necessary for deficit reduction." If they had said that, they might have more credibility today. If they had said candidly to the Canadian people, "The debt is unacceptably high"—the statis-

tics cited by Senator Waters yesterday were certainly frightening enough—and if they had come clean with the Canadian people and said, "We need more money and we intend to raise it. We will all have to make sacrifices if we want to get that debt and the deficit down", things might have been different.

Senator Simard: You will have to do more than that to be convincing.

Senator Perrault: This is the reason that the Conservative Party is at 14 per cent in the polls, and why their public support today is in freefall.

Prime Minister Mulroney and Finance Minister Michael Wilson were quick to deny the accuracy of Mr. Blenkarn's statement. They said that Mr. Blenkarn did many things but that he did not speak for the Conservative Party. Is that the kind of candour that we might have expected from the Right Honourable the Prime Minister? Is that the kind of truthfulness that Mr. Wilson was able to muster at the time? Is that the best that they could do? There was an immediate attempt to divert public attention from the taxation issue. Distance was placed between Mr. Blenkarn and the Conservative Party. He was made a olitical pariah by that party because he had dared to speak out; because he had dared to tell the truth.

● (1500)

We then saw the statement, "Ontario Treasurer Robert Nixon said Ontarians would find themselves paying a lot more sales tax". The government repeatedly denied that the new tax would raise any additional revenue, and isisted that if the tax did does anything it would be revenue neutral, "But not let's talk about that; let's talk about free trade".

One of Canada's outstanding and well-known leaders said, "The GST is wrong in every possible way. It is a consumer tax which will hurt the economy. It will fire up the flames of inflation, create unemployment, impede economic development and therefore hurt and reduce provincial revenues, and that will hurt services. I am dead against it." That statement was made by Senator Buchanan who has voted for this measure in lockstep with the official Tory line despite the fact that, obviously, he harbours some other deeply-held views. He condemned the GST and this type of tax.

Some of us have a right to ask what kind of credibility a political party can have if, on the one hand, it states that the measure will be revenue neutral and that it is not serious at all, while on the other hand some of its spokesmen stand up and condemn it. One wonders why the Conservative Party has a credibility problem.

After the election, Mr. Wilson became more frank. He was interviewed on the CBC and told his interviewer Peter Gzowski, "The GST will raise additional revenues for deficit reduction". He said that after denying for months and months and months that it would be revenue neutral. Mr. Gzowski said, "But I thought it was revenue neutral". Mr. Wilson replied, "Well, no, no, it helps us get the deficit down". So much for Conservative candour and truthfulness on the election trail. After denying it during the campaign, as soon as the election was over, members of the government admitted that this tax was supposed to reduce the deficit.

Government spokesmen argue almost with ferocity that the GST is really the only option for reducing the deficit. That is not true at all. At least a dozen alternative ideas that I know of have been advanced. Senator Lawson introduced some new ideas today. A number of excellent ideas were introduced during the course of the debate. Leading academics say that taxation should be based on ability to pay. Economists after economist has pointed out that this tax does not meet the three major conditions of a good tax. First, in order for a tax to be good it must be fair, as well as seem to be fair; second, it must be economical to collect; third, it must be productive of revenue. This measure will be productive of revenue all right. There is a basic appeal in Senator Lawson's amendment which states:

> Beginning with the fiscal year that ends on March 31, 1992, such of the revenues derived under Part IX of the Excise Tax Act in each fiscal year as exceed 21 thousand million dollars shall be applied forthwith to the purchase for cancellation of securities of Canada within the meaning of the Financial Administration Act.

Honourable senators opposite have stated that the money will be used to reduce the deficit. Now, Senator Lawson and other senators are saying, "Put up or shut up". If they really mean what they say, then let us get the deficit down. However, I suspect that there is another game plan in operation. It is to milk the tax cow as much as possible and, when the election is called, to spend money on megaprojects from coast to coast in a desperate attempt to save their political hide and to become re-elected.

If senators opposite really care about Canada, if they are really concerned about the future of this country, then they should vote for this amendment and provide reassurance to the Canadian people who are deeply suspicious about their motives because of their track record in explaining this measure to them.

Senators opposite say there are no alternatives to this tax. We had one from Neil Brooks of Osgoode Hall who has attracted nation-wide support for his proposal—

Senator Barootes: That's nonsense!

Senator Perrault: —to abolish regressive sales taxes altogether and to raise the lost revenues through modest increases in income tax. Senator Barootes may disagree with Neil Brooks. His proposition may not be the best alternative, but there are a dozen others out there.

Senator Barootes: Horse feathers!

Senator Perrault: The way you are condemning my argument makes me believe that it has a great deal of merit. This option, which the government has refused even to consider, would save Canadians hundreds of millions of dollars in administrative costs alone. Senators will remember during the course of the hearings this summer that we were told that to administer the GST and to hire the hundreds of retired policemen to supervise the collection of the tax, along with

chartered accountants, would cost approximately $250 million per year. The figure now being mentioned in the media is over $400 million per year. Does that meet one of the basic conditions for a good and efficient tax?

It is true that we have come a long way in this debate. We have heard a great many speeches. I thought we would have heard more speeches from government supporters to justify their unwillingness to consider amendments to this bill. For example, I would have appreciated having had the rationale extended to all of us as to why it is necessary to tax books when in Great Britain they are exempt. We hoped to hear some logical explanation from some government supporters as to why Senator Waters' suggestion that the implementation of this tax be postponed for a few months in order to work out some of the problems could not have been accepted.

As far as other amendments relating to the north are concerned, I know some honourable senators on the other side well enough to know that some of them have real qualms of conscience about certain parts of this bill. No one with any degree of sanity could possibly defend the discriminatory treatment of northern Canadians and those living in remote areas, and the proposal to slap on a 7 per cent tax on transporting certain essential goods, appliances and other merchandise to these remote areas. It cannot be justified.

I think word has gone out to the government side that we have to speed this measure through and hold our noses while we vote for it, despite the fact that it is bad. Why not give some credibility to your decision by accepting just one amendment? At least tell the Canadian people that however we raise the money, despite the concerns of the opposition, there are features of this measure which are discriminatory and wrong, and that amendments have been proposed on the floor of the Senate. Tell Canadians that we do not intend to break faith with them but that we will use the revenues derived from this increased new tax to reduce the debt and the deficit.

Rather than explaining the basic illogic in the proposed goods and services tax, the Conservatives have been concentrating their fury on the so-called evils of a Senate minority desperately trying to work for the Canadian people. Canadians have never endorsed the GST, not now and not during the election campaign. Those who serve on this side of the chamber are not blocking the will of the people. Indeed, some people are writing to say, "Thank God you are there." The mail I have received from trade unionists to leading executives is almost frightening in its dimensions. I think Canadians are nearing a tax revolt. How can senators opposite flaunt this bad tax, a tax which has the support of less than 14 per cent of the Canadian people; and if some of the 14 per cent understood the GST better, public support would likely plummet to 1 per cent. How can senators opposite continue to advance this tax in such a bullheaded and stubborn way and not expect massive discontent?

• (1510)

A few weeks ago, the Right Honourable Prime Minister said, "Of course we are open to amendments." He was on an open-line show and sounded like the ultimate democrat. "Of course we will look at amendments," he said. "If they are good amendments, certainly this government will certainly keep an open mind." An open mind? There has not been one five-minute period given to recognizing the validity of the amendments from members of the Opposition. I challenge any senator on the government side to say that these amendments were politically motivated or politically coloured. They were good amendments.

Tell us what was wrong with our amendment with respect to northern Canada? Tell us what was wrong with the proposal not to tax books? Quebec has now taken the tax off books. Senators from Quebec, is it a bad idea to take the tax off books? Are you going to enter your objections and hold press conferences denouncing the action of the Quebec government in taking tax off books? If it is good to keep the provincial tax off books in Quebec, why is it that a federal government is imposing a book tax on the province of Quebec? This is the question we ask.

Surely this type of acquiescence, without even a murmur of discontent, is not becoming to the Conservative Party? I say to Conservatives opposite that your names will go down in history. Let those names go down in an honourable fashion. Let successive generations know that when a basic tax reform was introduced you were not in lock-step support of a measure which you clearly knew was wrong or deficient in some respects. You are not members of the Don Cossack Choir, you need not sing in unison on every issue.

Senator Buckwold: They should be.

Senator Gigantès: Their voices are not good enough.

Senator Perrault: I want to read a letter from a retired major of the Canadian army, Major G.B. Dionne, a decorated soldier of Canada's wars. The letter states:

> The writer is a senior citizen who has served his country in both war and peace for nearly seventy years. Now retired, my wife and I have lived frugally and carefully during the forty-eight years of our marriage, in order to assure a comfortable retirement. Neither we, our three adult children and six grandchildren, nor anyone connected with our family have ever accepted any government "hand-outs"— with the solitary exception of OAS which we paid for through a special surtax commencing in 1951—and we have always paid (God—how we've paid!) our income and other taxes in full and on time.
>
> Now—we feel betrayed!
>
> A lifetime Conservative, I finally recognized some four years ago that the man for whom I voted was an egocentric, power-hungry, self-serving, dictatorial individual who, since coming to power, has broken every solemn promise and who is presiding over the disintegration of our beloved country.

Do senators opposite wonder why those impressions are being formed? I is because of a Prime Minister who stated in 1987 that there was not going to be any type of draconian and unfair tax, and as soon as the election was over the GST was

introduced. You cannot lie to the Canadian people and expect any credibility. The letter states further:

> The proposed GST, like many of the 1989 federal budget proposals, is an abomination.

That is from one of your own, not a Liberal.

> The "clawback" on Old Age Pensions coupled with the partial de-indexation factor, jeopardizes the future welfare of every Canadian who saved and planned for a stable retirement. In my considered opinion, the GST, as proposed, will prove to be a "cash cow" which will do nothing to reduce the burgeoning national debt but will only permit the Prime Minister to promise more goodies before the next election.

He is a Conservative; he should know.

> It will only lead to ever-higher taxes, greater spending and more waste.

What is Major Dionne's main concern in this letter? That it will do nothing to reduce the burgeoning national debt. Restore this man's faith by voting for this amendment and saying "Yes, we are going to reduce the deficit and the debt." Give that assurance that the government will do that. It is not a partisan issue and you could get the amendment through the House of Commons in jig-time.

Senator Gigantès: We promise to pass it immediately.

Senator Perrault: We will pass it immediately. You might even get some one back in the Conservative Party again. Major Dionne continues:

> The GST is regressive, inflationary, extremely costly to administer and will hurt business.

He is right on all counts.

> Above all, it is unfair, especially to middle and lower-income Canadians and to seniors who have no way of overcoming the ravages of inflation.

Are senators opposite going to disagree with that?

> Shockingly, according to figures just released by the Department of Finance, taxes on old age pensions and the "baby bonus" boosted Ottawa's revenue from personal income taxes in April, May and June of this year by 34.3 per cent over the same period of 1989. Equally shocking is the fact that Revenue Canada applied the "clawback" provisions of the April 1989 budget proposals to that year's income tax returns even though, to this date (which was September 28, 1990) the corresponding legislation has not been passed by Parliament.

The letter continues and attacks the government for allegedly packing the Senate. Major Dionne also states that the Minister of Finance, in a speech to the Chamber of Commerce, blandly announced that his February budget figures were wrong and that the expected deficit for the current year will come in higher than anticipated. Major Dionne concludes:

> I am reminded of Oliver Cromwell's address to Parliament some three centuries ago: "You have sat here too long for any good you have been doing. Depart, I say, and let us have done with you. In the name of God, go!"

[Senator Perrault.]

It is too bad that we do not have a referendum process in Canada whereby we could go to the polls now and have the people decide. The Leader of the Government is laughing. He is living in what is described as a "fool's paradise." He is not in touch with reality, and it is dangerous when that condition develops.

We talk about the other jurisdictions where allegedly this tax has been such a roaring success. The other day the Prime Minister of New Zealand was tossed out on his ear together with his government. This week, Mrs. Thatcher, having introduced a vastly unpopular poll tax, quit with only 24 per cent popular support. Yet, Canada's Prime Minister, who is in a free-fall condition, is down to 14 per cent with not very far to go to 0 per cent.

Senator Stanbury: Three per cent in Alberta.

Senator Perrault: He has 3 per cent support in Alberta. Are senators opposite happy with that?

It seems to me that a political party, in the face of such statistics, would realize it must be doing something wrong. One would expect them to say, "Let us sit down and discuss what we are doing that is annoying the people." At 3 per cent support in Alberta, even some relatives of the Tory MPs are not going to vote for them at the next election.

Let us put the experience of New Zealand on the record, because many times it has been said that we are following the lead of the other countries in the world. In October 1986 the consumption tax was 10 per cent. On July 1, 1989, the consumption tax was 12.5 per cent. In New Zealand it requires 5,500 bureaucrats to administer a tax on 2.2 million taxpayers. Four hundred of those bureaucrats are auditors looking for fraud and evasion. No wonder the government was thrown out.

• (1520)

What happened to Senator Hatfield's thinking down the line? He suddenly became a proponent of the tax instead of an opponent. A moment ago I read some statements that were made by Senator Buchanan, but we have heard other of his devastating comments on the inequity of the tax, on its regressive nature. On April 26 he stated:

> We oppose the federal sales tax. It is an intrusion into a matter that has been, historically, provincial.

That was stated by Premier Buchanan, who has been standing up these past few weeks as Senator Buchanan, speaking in favour of the GST. On August 11, 1989, he stated:

> We certainly aren't in favour of the tax; we're opposed to it.

In Nova Scotia on April 25, 1989:

> We do have some serious concerns about a new "federal sales tax". Our concerns are, of course, that a lot of that tax may be on commodities which at present are not taxed.

What kind of agonizing process does a premier or provincial politician go through to come to see the Tory "light"? These conversions rival St. Paul's conversion on the road to Damascus.

New Zealand exempts from its value-added tax only rents and financial transactions. Many people hold New Zealand up as an example of a country that accepted such a tax. They accepted the tax initially because big ticket items were already being taxed at 50 per cent. Income tax fell, welfare and family benefits increased. New Zealand has no provinces. It is a unitary state, unlike Canada, which has three levels of government. If this tax is implemented, we will be the first nation in the world to collect two retail sales taxes at the same level.

In 1986, when the 10 per cent New Zealand tax was introduced, inflation jumped from 11 to 18 per cent. Senators realize what we are now looking at: On January 1, 1991 we are going to see legalized robbery committed against every Canadian citizen. The government admits that there will be inflation and predicts an increase of "only" 2 per cent. Well, tell that to Murphy. People who believe these statistics would also buy the Brooklyn Bridge. By the government's own admission, on January 1, 1991 the government will be stealing two cents out of every savings and every other dollar. That is the impact of inflation. Senator Hatfield is smiling. I suppose he welcomes the prospect. Together with other inflationary factors plus the 7 per cent this is legal robbery of the Canadian people, most of whom cannot afford to pay any more than what they are paying now.

The rich will not feel any of this impact. That is why so many of them are supportive of the tax. The poor, however, will feel the impact. I have said this before, and I repeat, that church organizations say that the credit system cannot be operated efficiently. Many people falling into that category are illiterate—transients and senior citizens who cannot even fill out a cheque or a form. The government will save some money there, too—perhaps that is part of the plan.

Unemployment in New Zealand went from 7.8 per cent in July of 1984 to 14 per cent in March of 1989. Emigration is up dramatically as people move out of New Zealand. In 1975, 18 per cent of its population were below the poverty level. By mid-1987, 30 per cent were below the poverty line. Is it just possible that the value-added tax in New Zealand had something to do with that statistic? The New Zealand VAT seems to be part of the same agenda we are looking at in Canada: privatization, major spending cuts to social programs, free trade and tax reforms favouring the rich. That was the agenda in New Zealand and that is the agenda in Canada right now.

The impact on the New Zealand economy has been strongly negative. Economic growth was 4.2 per cent in 1984, 0.7 per cent in 1985, minus 2.0 per cent in 1986, 0.2 per cent in 1987 and 1.0 per cent in 1988. Is that the sort of dynamic growth that the government thinks the GST will trigger in Canada?

Honourable senators, I keep receiving letters from small business people who say they are going to get out of business, that they can no longer afford to stay open. It is safer for them to invest their money in Canada Savings Bonds. Their free enterprise spirit is being destroyed.

In the United Kingdom the VAT started at 7 per cent. It is now 15 per cent and runs as high as 38 per cent on some goods. Is it possible that the British may have a better sense of fair play than we have in Canada? While our federal government wants to put a 7 per cent tax on babies' clothes and a 7 per cent tax on a brand new Ferrari, in Great Britain, at least they have the common sense to tax luxury items at a higher rate so as to give a break to the poor. Do senators opposite defend what the government is doing here? In the U.K. in 1979, when the VAT was raised to 15 per cent, inflation jumped from 8 to 20 per cent in one year. Inflation in Britain is now around 10 per cent. Is the British Tory agenda the model for Canada? Taking the pound at 100 pence in 1974, its purchasing power fell to 27 pence in 1987. At least they had the common sense to get rid of their Tory leader.

In Britain there is a growing underground economy, using cash deals with no invoices so as to evade the VAT. This has affected the government's ability to measure and control its progress and has resulted in misleading economic statistics. In 1988, $66 million worth of evasion and fraud was uncovered. Undiscovered fraud is probably triple that, according to economists. Britain spends $451 million on VAT collection, including fraud investigation. On a per capita basis, their collection costs are probably more efficient than our projected fees, if the $400 million a year for Canada is accurate. Distinguishing between products that are exempt and those that are not exempt from the VAT has kept government authorities tied up in courts for years. It is one of the most profitable sources of income for the litigant lawyers. Do senators opposite think we will be free from that process? The Mulroney government will create high employment in at least one sector of the Canadian economy—that in which the chartered accountants, certified general accountants and lawyers are involved.

As a result of the VAT, most prices rose 4 per cent from the VAT alone, despite Mrs. Thatcher's predictions that that would not be the case. Many small business people in Britain just closed up shop. We all have lists of companies in our own areas that are doing precisely the same thing.

Based on the British experience, John Kay, Director of Britain's Institute for Fiscal Studies, told a Canadian conference on taxation that a Canadian VAT should be set up at between 15 to 20 per cent to make it worthwhile, because it is such a costly tax to administer.

Britain's VAT only became an efficient money-maker when it reached 15 per cent. This is the concern Canadians have. The GST will start at 7 per cent and, just as soon as the government is able to do so, it will be boosted to 10, 12, 15 or 20 per cent. It is feared that GST revenues are not going to be targeted towards reducing the deficit or the debt. This, again, is one of the most persuasive reasons why this constructive and helpful amendment that has been moved by Senator Lawson should be supported by all honourable senators. It should not be a matter of disputation. We should see that this is keeping faith with the taxpayers. Let us make sure that there are no hidden spending agendas.

Some Conservative senators shook their heads in disagreement when I said that companies were going out of business. I should like to read into the record a letter from a firm called

Silva Ecosystem Consultants in Winlaw, British Columbia. It states:

> We are a small forestry consulting forestry firm employing four people. We wish to advise you that we will be adversely affected by the proposed goods and services tax. We will be required to collect the tax on the professional services we provide.
>
> The rates we charge our clients cannot be reduced because we barely meet our overhead costs as it is. Our firm does not make a profit.

• (1530)

Is the Conservative Party now adopting the philosophy that there is something sinful about a company making a profit? The letter goes on to say:

> Our clients, mostly communities and native groups, will not be able to afford a 7% addition to our fees. If the Goods and Services Tax is implemented, we anticipate that we will not be able to remain in business.
>
> We urge you, as a Senator from British Columbia to vote no on the Goods and Services Tax. If you do not vote no, we wish to hear from you the reasoned arguments you have developed to support the GST.

I will refer that letter to someone opposite because I cannot find any "reasoned arguments" from the opposite side in support of the GST.

A working man from Westbank, British Columbia, says:

> This brief note is to inform you of my opposition to the GST as it stands before you now. A government that increases bureaucracy to increase taxes to this extent is not one that I would re-elect. A tax grab of this magnitude and in this manner is not I feel in the best interest of Canada. Yes we must reduce our deficit but let's do it like we do in our own home, cut our spending first and then look for alternate income.

That is a lot of wisdom that comes from a so-called "little" taxpayer, although no taxpayer is really a little taxpayer. He goes on to say:

> The effect of this proposed GST is more far reaching than I realized at first. In the next 12 months it will have cost me about 15% My labour is contracted out, so my yearly raise of about 6% will be lost and used to compensate my present contract. This in addition to the 7% tax on almost everything and regular inflation will put us in a much lower standard of living. I can afford to handle this load but many cannot. I urge you to vote no! to the goods and services tax.

Does this strike a sympathetic chord in anyone opposite? This working man from Westbank, British Columbia is seriously concerned. He is facing a 15 per cent diminution of income and has a mortgage to pay. Do you think that this is sufficient grounds to hold this tax up for a few months and try to solve some of the problems?

I have never in my life seen a perfect tax bill. There are many imperfections here which have been identified even on the government's own admission. Let us fix up the GST bill and do a better job.

I have a letter here from a Mr. Schulenburg of Victoria, B.C., the capital of British Columbia. He says:

> It is my desire to urgently impress upon you that you, as my representative from British Columbia and as my representative as a Canadian in the Senate will employ all your capacities and facilities of integrity, honesty and intelligence to effectively oppose and reject the Federal Government's proposed Goods and Services Tax.

Mistaken or not—you can say he is wrong—that is the impression out there. That explains your free-fall in the polls. The letter goes on to say:

> We all know by now that, contrary to official pronouncements, this tax
>
> will be an enormous burden on our financially weaker fellow citizens,

This has been confirmed by many churches and social welfare organizations in the country. He goes on to say:

> it will allow our present and future governments to continue with more uncontrolled and useless expenditures in areas which are absurd and unnecessary for the well-being, the security and the economical health of Canadian tax payers . . .

Again I say that if everyone supports Senator Lawson's amendment, we can allay Mr. Schulenburg's fears and concerns that the revenue derived from the GST will not be used to reduce the debt and deficit. He goes on to say:

> it will not effectively be used for the reduction of Canada's accumulated debt . . .

Let us show him today that reduction of the deficit is where the money is going to be deployed. I am sure we can work out an agreement with the parties in the other place to send this bill back expeditiously and have this amendment accepted. He goes on to say:

> it will increase Canada's annual deficit,
>
> it will promote cheap, imported goods from the United States which are not saddled with a similar tax . . .

That is of particular concern in southern B.C.

I should like to give you a startling statistic. Twenty per cent of all the fresh milk consumed in the lower mainland area of British Columbia is purchased in Washington State. Under the proposed GST food is not subject to tax, but buying in the United States is a trend which merchants are facing in southern British Columbia. Shopping centres are being built just across the Canadian border to attract Canadian customers, not American customers. The merchants are saying, "After January 1 it will cost 7 per cent more to shop in Canada, so come on down to the friendly United States. We need you. We have credit cards for you." Is that the type of message that we want to send out to Canadian retailers who are struggling to stay alive?

Senator Corbin: Senator Perrault, may I ask a question?

Senator Perrault: Yes.

Senator Corbin: Is Sunday shopping allowed in Washington State?

Senator Perrault: Yes.

Senator Corbin: The State of Maine has authorized, by referendum, the opening of stores on Sundays. That is a big drawing card for Canadians.

Senator Perrault: I am glad that Senator Corbin has raised that point. There is Sunday shopping, as well, in Washington State along the British Columbia border. Gasoline in the U.S. costs approximately 50 per cent less in Canada. What is the 7 per cent GST going to do to merchants in Canada? That is the very serious concern. What is it going to do to the travel agents in our province, some of whom are facing advertising from companies just across the border saying, "Buy your tickets down here and then you do not have to worry about that additional 7 per cent."

The proposed GST needs to be thought through before you inflict this tax on Canadian taxpayers. This writer goes on to say:

> it will promote cheap, imported goods from the United States which are not saddled with a similar tax and which, in addition, are increasingly freed from import duties, courtesy of the Canadian Government's agreed terms of the FREE Trade Pact, read: Courtesy of the Canadian tax payers, and it will, as a consequence of the last mentioned effect of the Goods and Services Tax, increase Canadian unemployment with all its attendant costs of personal misery, distress, anger, and will cause more public expenses, shortfalls of revenue and the demolition of our social structure of health, educational and economical security.

There is a lot of wisdom out there. Public opinion can be wrong, at times, but we tend to underestimate the public. This chap has done some thinking about this. He goes on to say:

> Terms like "suspect motivation, blatant nonsense, ridiculous justifications, desperate lies, high treason, moral bankruptcy and intellectual helplessness" come to mind.
>
> Who wants to be part of such a travesty and betrayal?

That is a strong letter from a working person in the city of Victoria. Do we want to be part of that travesty and betrayal, honourable senators?

I say to our Tory friends, "Do you think a moral and intellectual case can be made to postpone this bill for a few months?" We on this side are opposing this bill and we want an alternative tax plan. However, in the spirit of compromise, we are suggesting that, as a minimum, a postponement would be better than nothing.

As John Foster Dulles said, there are grounds for an agonizing reappraisal of your position.

I have a press release from Toronto Mayor Art Eggleton, which was read previously by an Ontario senator. It says:

> "I'm mindful of the fact that it would be an unprecedented action for the Senate to defeat the GST," said Mayor Eggleton. "But let's face it, the GST is an unprecedented tax grab . . . an unprecedented boondoggle . . . an unprecedented assault on Canadians. And the Senate has the constitutional right, and the moral obligation, to kill it."

The press release goes on to say:

> Eggleton said that the added burden of the GST on Toronto taxpayers, "amounts to taking money out of both their pockets at once." And he added that by joining the court challenge, and encouraging other cities to join, "we would add an important municipal aspect to the challenges."

Senator Lawson has given us the Vancouver statistics registering in excess of 85 per cent opposition to the proposed GST.

I have a letter from The Corporation of Delta, in the Province of British Columbia. It is signed by the Mayor. It says:

> The Council of The Corporation of Delta continues to oppose the proposed Goods & Services Tax.
>
> The GST will significantly impact local government. Every municipal department will be affected. The accounting for GST will be complex, and additional personnel will be required to monitor and control the tax at a time when our country is facing an uncertain economy.
>
> We appeal to you and your colleagues to do everything in your power to defeat implementation of the GST legislation.

A copy of the letter has been sent to Dr. S. Wilbee, Conservative Member of Parliament, who recently spoke publicly in opposition to the government's actions. Dr. Wilbee asked for a meeting recently with the Prime Minister to discuss his concerns and alarm.

• (1540)

We then have a letter from Ms. Gerber, who says:

> I am strongly opposed to the G.S.T. and urge you to exercise whatever powers you have to oppose the bill. It is not that I am opposed to the concept of taxation, for as a Canadian citizen, I am more than willing to pay my fair share of taxes. However, I fear that the introduction of the G.S.T. will open the gate for increased taxes that are beyond the boundary of fair. We need only look at European versions of the G.S.T. to see what the future holds in store for us.

This is another very persuasive reason to support the amendment. This person, as did so many others during our committee hearings across Canada indicated, "I will pay my fair share. I know there is a debt out there. I too agree that it is unsatisfactorily large, but I simply am concerned about this bill. There is a suggestion here that the funds will be diverted to another purpose."

Let us support this amendment. Let us give that guarantee to Ms. Gerber on West 15 Avenue in Vancouver, British Columbia, that the money will be used to reduce that debt. That should be beyond dispute.

Ms. Gerber continues:

> As a middle class person who is paying an increasingly larger proportion of her paycheck to Revenue Canada, I have become far more sensitive to the expenditure and collection of my hard earned dollars by the Government of Canada, and what I can simply not understand is; if the majority of Canadians are opposed to the G.S.T., and Canada is a democracy, then why is the government attempting to force the G.S.T. upon us?

That is another good question. If you had even 50 per cent of the support of the country by the polls, or even 40 per cent, that might provide some moral basis for your actions. But support has deserted you here. You have all the mayors and premiers against you, excepting the ones that have been appointed to the Senate.

Continues Ms. Gerber,

> The purpose of the Senate is to function as a check and balance to the House of Commons in order that a move such as this can be thwarted. I urge you to listen to the people of British Columbia and oppose the G.S.T.

Here are a couple of nice words about the government. Let us read them all; let us not discriminate.

> Please listen to the population of this great country who are objecting so strenuously to this unpopular and patently stupid legislation of the G.S.T.
>
> I feel the government has to set an example curtailing spending before the ordinary people are asked to pay more taxes.

Obviously it can be presumed that this person is supporting some of the cutbacks that you have made.

> This is a costly and cumbersome tax that needs to be reviewed and streamlined, not pushed at us as though there is no other alternative.
>
> Please Senator, represent the views and feelings of your fellow Canadians on this matter.

I have a letter from Mr. Laskowski, who writes:

> As a taxpayer and small businessman of British Columbia, I urge you to exercise your responsibility as a senator and vote NO to the proposed Goods & Services Tax.
>
> Admittedly tax reform is desperately needed in this country, however the proposed G.S.T. reform is not the answer.

These are the letters that are arriving in disturbingly large numbers. Other senators must be receiving the same kind of mail.

> In its present form the G.S.T. will effectively put my office out of business resulting in unemployment for at least 2 persons who will then need to be absorbed into other areas of the work force or sit on unemployment insurance for a time.

Case after case is coming to the attention of senators.

> The Senate is the watchdog of our country. Hundreds and thousands of bills are passed into law without amendment by the Senate, but periodically the powers of this body are our last defence against the bad judgement and politicking of the elected government. Please use your sober judgment and vote NO to the GST.

We then have a letter from another Vancouverite, Mr. Norman Ho who writes:

> I urge the Senates of Canada to say no to GST.
>
> I am a realtor in Vancouver. The GST do affect our business. Think about investors from off shores. There is already too much taxes for investors in Canada. The addition of GST add further burden to them. It makes our business opportunities less attractive comparing with other countries.

I thought we were supposed to become lean and mean and competitive in this new Conservative vision of Canada? Mr. Ho indicates that you are making it a less competitive country.

> People will think about other alternatives. We lose and the other countries gain. Our people suffer.
>
> We understand we have great debt to pay. Can the Government of Canada thinks about some ways to cut down expenses instead of raising taxes which hurt our country. The taxation in Canada is already too HIGH! This GST will frighten off investors who will bring us job opportunities.
>
> As a Senator of Canada, Please help to save our country! Tell the Torry Government not to add further tax to the people and ruin our country. You are the only one to stop it!

These are further arguments to support the Lawson initiative here, and the Waters initiative of yesterday.

We then have a letter from Stephen Williams. Mr. Williams writes:

> I urge you to reconsider the Conservative Party's adamant stand on the proposed G.S.T.

It is for the Conservatives to consider.

> I am now a middle income tax payer, having spent much of the last while in school, and I was horrified at how much I had to pay in personal income tax in my first full working year. Adding a general sales tax on top of that seems outrageous.

Again and again we hear this theme:

> I don't mind paying my share of taxes when things are going "good", but when the Canadian economy is in a difficult situation and government spending doesn't seem to be curtailed, I baulk at the thought of paying 7% more for most things I purchase.

Again and again the theme comes through that the tax should be based on the ability to pay, and that there should not be this regressive type of sales tax. It does not matter what arguments are invoked, a sales tax , both historically and traditionally, is regressive. These taxes are borne disproportionately by those least able to pay them. All of us in this chamber know that. Do not try to put some other interpretation on this tax. The tax is reactionary and regressive.

As I have mentioned so many times before, your Dalton Camp said correctly that this tax is "unlovely and regressive." Let us be frank. Government senators do not like to hear that quote. Mr. Camp said: "It is an unlovely and regressive tax, but the people have short memories, and by the time the next question comes around, they will forget about it." I hve news for our Tory friends opposite, the Canadian people will not forget about it. They will not forget this time!

Senator Simard: Pardon?

Senator Perrault: Mr. Williams continues:

> The GST will hurt the lower income earner the most. Granted there are going to be tax rebates/subsidies/etc. but the person earning a low to moderate income is going to feel the impact of the GST more than anyone else.

That is correct.

> There are overwhelming predictions that the proposed GST will be an inflationary tax.
>
> What bothers me the most is that this tax will be extremely expensive to administer.

That is also correct. The three principles of a good tax are not met in any sense by the GST.

> The size of our government is far too big at the moment. And the present state of the government spends far more than it should.
>
> Before I'll be willing to pay more in taxes (personal or GST) I want evidence that my government is committed to decreasing $%their$% spending. I'm not seeing that at this point in time.

It was a former finance minister of France, Jean-Baptiste Colbert, who said that the art of successful taxation is plucking as many feathers from the goose as possible with the least possible hissing. This government has more than one gaggle of geese hissing at this proposal. There are millions of them and those geese out there are very intelligent. They have called your number on this bill. They see the hidden motives, the hidden agenda: Get as much tax out of the pockets of the taxpayers as possible and we will have a real political fighting fund for 1992, but by the time the next election rolls around they will throw the money around as if it is going out of style.

I ask honourable senators, with candor and sincerity, to support this amendment proposed by Senator Lawson. Let us all stand up and demonstrate to all of Canada that, yes, we agree that the money should be used to reduce the deficit. By so doing the government would win back thousands of supporters across the country who now believe there is a very serious credibility problem. Vote yes to this amendment. Perform one correct act in this debate.

Some Hon. Senators: Hear, hear!

[*Translation*]

Hon. Claude Castonguay: Honourable senators, since this is my first real intervention in this House, I would have preferred to do it in French, my mother tongue, for many reasons. However, since I address my remarks for the most part to Senator Lawson, in responseto his proposed amendment, I will have the courtesy to speak English. I will come back to French in the second part of my speech, where I will take this opportunity to make certain comments of a more general nature.

• (1550)

[*English*]

Senator Lawson's amendment proposes that any excess income under the GST be applied toward reduction of the deficit or payment of the public debt. Firstly, let me state clearly that we on this side of the chamber are totally in agreement with the objective of reducing the government deficit and the public debt of Canada.

Senator Gigantès: However?

Senator Castonguay: I have listened to you very patiently for two months and I have heard many things, so today let me say what I have to say.

Senator Doody: Hear, hear.

Senator Castonguay: When I am finished, if you have questions, I will try to answer them.

Senator Austin: Senator Simard, please do not interrupt here.

Senator Hébert: Tell that to Senator Simard because he interrupts us all the time.

Senator Castonguay: After having heard Senator Waters last night express his concerns with respect to the economy, and also hia search for solutions, it is refreshing this afternoon to discuss an amendment which is also intended to deal with one of the important problems facing this country. That problem is our exceedingly high debt which results from a level of expenditures which for many years has been too high and continues to be so. We are in a situation in which the government has to borrow in an unstable and very volatile marketplace. Any measure which reduces the uncertainty, and reassures the market will go in the right direction. Obviously, excess revenues applied toward the reduction of the deficit or the debt would go in that direction.

We know that the high level of the debt generates high levels of interest charges which add to the deficit and create, to a certain extent, a vicious circle. Fortunately, during the last few years, significant progress has been achieved in the reduction of the level of the deficit. Part of the reduction has come from increased taxes, as has been mentioned, but part has also come through reduction of the level of expenditures.

I would like to quote some figures to show the extent of the effort which has been made. Over the past five years, the government has restricted the growth of government spending to 3.6 per cent per year. This is well below the inflation rate and well below the rate of increase of the level of expenditures of provincial governments. This is well below the rate of increase over the 10 to 15 years before this government came to power. There was a consistent rate increase exceeding 10 per cent per year for each five-year period under the previous Liberal administration.

Spending restraint has been pronounced on government-owned operations rather than on program spending, as obviously was the direction to take. The cost of government operations in 1990-1991 is $100 million less than in 1984-85. This is a considerable reduction, when we take into account the fact that, since then, on a cumulative basis, we have experienced a rate of inflation of 30 per cent. In other words, in constant dollars, taking into account the rate of inflation, the cost of maintaining government operations would require an additional $3.5 billion in the current budget. That indicates the extent of the effort that has been made.

While in 1984-85, when this government took over, there was an operating deficit of $16 billion, there is now an operating surplus of $9 billion. These figures are definitely impressive by any standard. On the part of the Prime Minister and the government, these figures indicate a continuous and high level of commitment to the objective of reducing the level of the deficit and the level of the public debt. The Prime Minister has clearly reaffirmed his intention to use any excess revenue through the GST to reduce the deficit or to decrease the rate of the GST, which would be another option.

I will quote here what the Prime Minister said on a recent visit to Edmonton, as reported in the *Edmonton Journal* of November 14.

> If the GST throws off any more money than anticipated this money will not go to more program spending. If there is a modest or even a large windfall, I will give you the formal undertaking that we will either reduce the rate on the GST or we will take that money and apply it against the deficit.

I also quote the Minister of State (Finance), the Hon. Gilles Loiselle, as reported in the *Ottawa Citizen* of April 7:

> If we have any additional revenue from the GST, well, of course, it will be applied naturally , to the deficit.

With the record of the government on this specific question of reducing the deficit, we on this side of the house have no hesitation in accepting the commitment of the Prime Minister and the government, and I think the opposition should do the same.

Senator Gigantès: Will you explain, eventually, why we should do so?

Senator Castonguay: When I conclude, if you wish.

Senator Hébert: Don't disturb him.

Senator Castonguay: Senator Perrault talked about the experiences of some countries and, in particular, he talked of New Zealand. He did not talk of the vast majority of countries that have introduced value-added taxes over the years. In many cases, it is true to say that these new taxes have generated more revenue than anticipated. One of the reasons for this is the fact that under the current system there is a possibility of tax evasion which will be considerably reduced, and the forecast on VAT is much more accurate than it is under any system of manufacturers' sales tax.

[Senator Castonguay.]

With the recession and the fact that at the moment so many components in the economy are changing, it is difficult to make an accurate forecast. This is why, based on the best estimate at present, confirmed by an objective and neutral organization such as the Conference Board, from a revenue point of view the GST should be neutral in the first year.

Now, Senator Perrault has again questioned that. He obviously forgets or does not wish to recognize the fact that the GST is not applied for only one year. When the Prime Minister and other senators here have indicated that the GST will eventually help reduce the deficit, this will be in year two, year three and the following years. It will come because the GST, as has been indicated, will help the growth of our economy.

Now, the level of taxation in Canada has reached a point where the effort at deficit reduction must continue to be directed toward the expenditure side. This is obvious and it si something with which we agree. In my opinion, and in the opinion of many others, there is still room to do so. There is room to do so without penalizing the lower income groups, if you look carefully at the way the budget is allocated and the areas of expenditure. There is also room to do so without weakening the safety net. As has been mentioned on a number of occasions, it is important to maintain the safety net. It can also be done in a way that will not endanger essential government programs. So to conclude on this very specific question, I believe that we should all support the government in its efforts to reduce the deficit instead of looking exclusively, as has been the case with all the amendments and all the arguments brought forward by the opposition, at ways of increasing the burden that taxpayers have to support.

● (1600)

We agree with the objective sought by Senator Lawson. However, we do not believe that the approach taken through this amendment is the appropriate one. The proposed amendment would, if adopted, constitute an appropriation of monies for a very specific purpose, that of the reduction of the deficit. The means to make such an allocation in our system is through the budget put forward by the Minister of Finance and not through an amendment in the Senate or on a bill approved by the House of Commons. This is a basic principle in our parliamentary system that cannot suffer any exemption.

Some Hon. Senators: Here, here.

Senator Castonguay: Actually I believe that we could have argued that this amendment was non-receivable, but we did not do so because both sides of this chamber, and particularly this one, wanted to give the honourable senator and his colleague an opportunity to present amendments and debate this Bill.

Let me add that if allocations of funds could be made through specific pieces of legislation, the freedom of the government would gradually be restricted. Such an approach would become counter-productive with the passage of time and with changing priorities. Also in periods of emergency it would shift the responsibility of the budgetary process from the hands

of the government to the House of Commons and to the Senate. During the last few weeks the system in the United States has given us a good demonstration of the inefficiency of such an approach. The President has been in the position of not being able to have a budget approved, let alone his own budget, by Congress.

As far as the probability of the rate of the GST being increased in the future, any increase or decrease will have to be seen in the context of the overall taxation system and not in isolation. An increase in the GST coupled with corresponding decreases in other taxes is a different thing than a straight increase or decrease. Again, these changes should be introduced through the well-established process of the budget.

I do not agree whatsoever with Senator Lawson when he claims that the GST is a result of the Free Trade Agreement. Proposals to replace the federal sales tax or the manufacturer's sales tax were made long before the question of free trade with the United States or with Mexico ever came about. So I will not discuss this question and the implications or the relationship between the GST and free trade, particularly with the United States.

For these fundamental reasons, while we agree in general with the objective of the proposed amendment, we cannot agree with the way of achieving it. Again, given the record of the government on this particular question, we accept without hesitation, the commitment of the Prime Minister and of the Minister of Finance and of the government, and we ask honourable senator to support their efforts, as you obviously wish to do so.

[*Translation*]

Before I finish, I would like to add some general comments about the GST and recall certain facts.

During the past few weeks, the Opposition has made a habit of overlooking a number of aspects of the GST. This afternoon, I was listening to Senator Perrault, and my reaction was the same as it has been for the past two months.

The Opposition almost always neglects to say that many prices will be adjusted downward when the GST is introduced.

It neglects to say that the federal sales tax hits goods produced in Canada much harder than imports and that for this reason, it should be replaced, once and for all.

The Opposition neglects to say that the federal sales tax deprives Canadians of a large number of jobs. They told us about jobs that disappeared as a result of all the changes that are taking place in our economy, but they never mention the new jobs that will be created by the Goods and Services Tax, for instance.

The Opposition neglects to say that the present tax puts a disproportionate part of the burden on the manufacturing sector, the motor of our economy.

The Opposition neglects to say that investment costs will go down at least 4 per cent, according to very objective estimates, and that investments, as we all know, are practically the only source of job creation, so important in the present circumstances.

They mentioned the opportunities for tax evasion under the GST. However, they neglected to say those opportunities are far greater and more obvious with the current federal sales tax, while as far as the GST is concerned, all this is pure speculation on the part of our colleagues opposite.

They forgot to say that the amounts expected to be generated by the GST will be far more stable, which will make it easier for the government to provide for sound financial administration, and this includes reducing the deficit.

The Opposition stressed the fact that unions and consumers spoke out against the GST. Of course, it would have been surprising if they had not. What the Opposition neglected to say is that all organizations representing business—I am referring to the businesses that create wealth and employment in this country—spoke out in favour of the GST.

The Opposition tabled a whole series of amendments. There was some reference to these amendments this afternoon. Interestingly, analysed one by one, every one of these amendments would have had the effect of increasing the tax burden or reducing revenue. Today, they are arguing, as Senator Perrault just did, in favour of an amendment that would require any excess revenues raised by the GST to be applied to the deficit.

How does one reconcile these positions? I am sure I cannot. Clearly, a lot of Canadians are facing the same problem, and that is probably what can be concluded from recent polls which show Canadians do not believe that the Liberals, if they were elected—which is entirely hypothetical—would eliminate the GST as their leader said he would. Most Canadians don't believe this statement because of all these contradictions.

Hon. Jacques Hébert: Stick to your text and spare us your political conclusions!

Senator Castonguay: The Opposition has forgotten, as it did during the years it was in power, that a society like ours must consider its means as well as well its needs. It is easy to talk about the needs of all groups and every individual in our society, as the opposition has done, but there comes a time when we must also consider our means. And the reason this country is in such poor financial shape is that this requirement has been neglected for too long. Much of the blame can be put squarely at the door of the previous Liberal government.

Personally, I deplore the fact that since September 25, we have never been given a chance to consider—at the appropriate time, not today, at the appropriate time and with proper notice, not just a couple of hours—how legislation as important as this bill could be improved. We are of course aware there is room for improvement.

Since September 25, I never heard, in all my parliamentary experience . . .

Hon. Royce Frith (Deputy Leader of the Opposition): You told us there were no amendments of any substance. I find that surprising, coming from you, Senator Castonguay.

Senator Castonguay: Since September 25, never in all my experience of public life have I heard people talk so much about democracy and freedom of speech and respect for the views of Canadians. And all this because many Canadians are against the GST, as if we could actually be in favour of a tax, especially if it is poorly explained or knowingly misinterpreted. Never, in all the years I spent in the Quebec National Assembly, did I ever see the kind of spectacle I saw within these precincts. I never before heard such language in a parliamentary assembly. If you don't mind my saying so, I think there is absolutely no justification for what we saw and heard.

What is worse is, that the public saw and heard this as well. It used to be that an appointment to the Senate was considered an honour, but today, it is almost embarrassing to admit that we sit in this assembly, after the events of the past few weeks.

The Senate is setting a very negative example for Canadians. At a time when unemployment is high, the country is in a recession, and it is vital to boost investor confidence and reduce the present climate of uncertainty, debate has been paralysed here for weeks by readings of petitions and all kinds of dilatory tactics to obstruct a bill that has already been passed by the House of Commons. These tactics prevent us from exercising rights as fundamental as free speech and the right to vote, which is as important as our right to speak, so abused during the last few months.

Free speech is of course fundamental, but our duty to speak out and to vote is just as important if not more so. We cannot use freedom of speech to deprive the majority—because we are the majority—of its right to vote. That is an abuse of freedom of speech. It is an abuse of democracy.

In the course of the interventions made on the other side of this chamber in recent weeks, someone compared the hatchet job done on the GST to the hatchet job done on the Meech Lake Accord. They even congratulated themselves on the fact that the dollar did not drop and the markets did not falter after the Meech Lake fiasco.

I heard those words quite clearly on a number of occasions. That reveals a very limited knowledge of what is going on in the markets. If interest rates are so high now, with all the consequences that this involves, it can be traced back to the climate of uncertainty created by events such as those we witnessed here in the Senate, to the uncertainty which hangs over Canada and to the high interest rates which just will not come down.

People seem to ignore the fact that because of the Meech Lake failure, engineered by the federal Liberals, most Quebecers have lost faith in Canada's ability to find them an acceptable and honourable place. Yet it was Canada's last chance, as it is now structured, to integrate Quebec in the constitutional fold under those conditions. This opportunity was missed because a minority did not want to accept the will expressed by the Canadian Parliament and eight legislatures, plus the commitment of all First Ministers who, as we know, had signed the Meech Lake Accord.

[Senator Frith.]

• (1610)

The GST has been adopted by the House of Commons. It is an essential element of the government's program. It must not be blocked by an unelected minority, even if this minority is made up of Liberal senators.

Hon. Philippe D. Gigantès: Honourable senators, I have a few questions for Senator Castonguay. One of the ministers of this government, Mr. John Crosbie, said during the 1979 election campaign that if his party were to tell the truth it would never be elected. Nobody in his party attempted to deny that statement. Why do you want us to believe you?

And when Prime Minister Mulroney was on the hustings, after sticking a knife in Mr. Clark's back, he said, as did Mr. Wilson, that free trade with the United States would be a disaster for Canada and that he would never approve such a deal. They forced us to accept it. Why do you think we can believe them?

You are saying that we should not earmark taxpayers, money for a specific use. Yet, the Quebec Deposit and Investment Fund operates on the same principle: They take the pension money they get from taxpayers and it is designated for a specific purpose. You claim you want to reduce the national debt and all we are asking you is to accept an amendment which would force you to keep your word for once.

I have several studies which I will show you later. You have given no evidence that the GST will create jobs. The fact is that in all the European countries where the GST was implemented, unemployment rose, and each time the GST rate was increased, so did unemployment.

How can you say that the tax on manufactured goods is robbing Canadians of jobs when it is clear to everybody that they lost 165,000 jobs in the manufacturing industry since the implementation of the Free Trade Accord and the high interest rate policy?

The tax on manufactured goods existed before. Canadians did not lose their jobs; now they are losing them.

You are saying that Senator Perrault agrees with Senator Lawson. Yet, we the Liberal senators, moved amendments which would have reduced the amount you will collect with this tax and you see some inconsistency in that. We wanted to reduce the impact of this tax during this recession period. We wanted to ease the tax burden on low income people. If you insist on ramming it through, we want you at least to feel compelte to tell the truth for once and to use this money for its intended purpose. Could you answer these questions? Then, I will have other questions for you, Senator Castonguay.

Senator Castonguay: Honourable senator, I will deal first with your question concerning the contributions paid to the Quebec Pension Fund which are directed to the Quebec Deposit and Investment Fund.

As a matter of fact, this money is not paid into the general revenue account of the government. They are not taxes, but contributions to a very specific plan. These contributions do not go through the Consolidated Revenue Fund but are paid

directly to the Quebec Deposit and Investment Fund to be invested for the payment of annuities.

At the present time, the GST is paid into the government's general revenues with other types of revenues and it is the Minister of Finance's responsibility, through the process of budget expenditures, to divide this money among the various spending envelopes.

That is the accountant's point of view. You draw lines and make neat columns. Everything in its place, and so forth. The fact is that money is taken out of taxpayers' pockets. That is the problem. Accountants give us labels. It is more convenient for Mr. Wilson not to put a specific label on a specific amount of money, but we have this accountant's attitude that is doing a great deal of harm in all Western democracies. If we could get rid of this attitude, if we could just remove those vertical lines in the ledger to have the kind of flexibility we need, we would be much better off.

Senator Castonguay: Come now, Senator Gigantès, you know perfectly well that under our system of government the responsibility for making those choices lies with the government. We call those choices the Budget. That responsibility does not lie with the House of Commons or the Senate through all kinds of legislation.

Senator Gigantès: I beg your pardon. The Minister of Finance could say: "I will take this money and apply it to the debt." That's all. He can say so. He can say so in his Budget. He can draw another line in his great ledger in the sky, and do it just like that, just promise to do it and tell the truth, for once.

Senator Castonguay: That is what he did. That is what the Prime Minister promised.

Senator Gigantès: We can't trust your prime minister.

Senator Castonguay: And now for your second question about generating jobs. If your book contains the kind of arguments you just made, I am afraid it won't sell very well, Senator Gigantès.

Senator Gigantès: This was in a study made by the Canadian Federation of Independent Businesses and the U.S. organization. They analysed the impact of the GST in Europe, and they said no jobs were created. They said it, I didn't.

Senator Castonguay: Those who looked into the matter, including your leader when he looked into this in the past, have concluded that as a result of the GST, goods manufactured in Canada will be cheaper. This will promote exports and discourage imports. Furthermore, investment costs will be cheaper, which will also promote job creation in this country.

In your third question, you said that Mr. Crosbie spoke out against a tax on goods and services in 1979. First of all, only stupid people never change their minds. Since Mr. Crosbie is an intelligent man, during the past ten years he has had a chance to reconsider. Today, he supports the GST, and speaking of 1979 and the fact that people don't always trust what politicians tell them, that reminds me of what happened that year. The Clark government proposed a per litre like tax on gas at the pump. The Liberals condemned this tax and the government was defeated on this question. Shortly afterwards, once the Liberals were elected, they introduced a tax on gas that was much higher. That is why Canadians do not always trust politicians or believe what they say.

Senator Hébert: He knows his catechism!

• (1620)

[*English*]

Hon. Douglas D. Everett: Honourable senators, like all senators, I am very much in favour of a reduction in the deficit. I do not have to go over the arguments that have been well postulated in this chamber up to now. However, I do have one view that is perhaps a little different for the reason that we should do virtually everything in our power to reduce the budgetary deficit.

In Canada at the present time we are relying on foreign borrowing to a very heavy extent. I believe something in the order of $230 billion is borrowed from foreign sources. That represents 28 per cent of the outstanding debt. In order to encourage borrowing by foreign sources, we have had to keep interest rates very high, and we have had to keep our exchange rate vis-à-vis the United States higher than a proper parity price. That has seriously interfered with our export industries. It has created competition in Canada from imports and this has exacerbated the situation we are in today, and by that I mean a recessionary situation. Presumably it will be reported in the next day or so that Canada is in fact in a recession.

If there has been a slow down in the economy, this gives us an opportunity to reduce the reliance on foreign borrowing. In order to do that, it will take a reduction in our deficit. If that happens, we will be able to reduce the reliance on foreign borrowing. We will be able to reduce our interest rates. We will be able to allow the Canadian dollar to achieve a level that makes us more competitive.

One must remember that, over the last ten years, Canadian competitiveness vis-à-vis the United States has dropped by some 15 per cent. Now, clearly, with a recession on, that competitiveness might well improve, but it is a slow and long process. And we do not really have the time.

• (1630)

I do not know whether senators saw the article that appeared the other day in the *Globe and Mail* about a manufacturer who said that he has to move his operations to Buffalo. Upon reading it, one is hard pressed to say: "Well, those facts are not correct. It is different from what he says it is." When he lists the very things that he has to deal with as a manufacturer in Canada exporting to the United States, one asks oneself why he is waiting to move. Why has he not made the move? It is clear that if he is going to survive he has to make that move.

What is absolutely necessary at this stage is that we take action to reduce the deficit. I, personally, have some feeling that this government has done a reasonably good job in respect of program spending. As Senator Castonguay pointed out, since 1984 it has held the increase in program spending to 3.6

per cent, less than the rate of inflation. From a deficit in program spending of some $16 billion in 1984, we find ourselves now with a $9 billion surplus, and perhaps it is even a little higher than that. That surplus goes to reduce the cost of servicing the national debt, and that debt today is in the neighbourhood of $380 billion.

If we must reduce the deficit, then it means that either we have to reduce spending or we have to find new revenues. I, for one, like many people in this house, I think, would favour a reduction in spending. But in the political climate in Canada I have some serious doubts that there would be great success in reducing spending in government. Oh, I know it is very much the vogue on the hustings to say: "We will make government more efficient. We will see that it spends less." But I have spent my life in this chamber, in the years that I was Chairman of the Finance Committee, looking into this problem of the reduction in government spending.

I have no doubt that government can be run a great deal more efficiently, but if you really want to talk about reducing spending, you have to cut into programs. There is no alternative to that. Spending cannot be reduced other than by incremental amounts, other than by taking on programs. Then you must ask yourself: What programs should be taken on? Would anyone want to take on the business of universality? Would anyone want to take on extra billing by doctors?

The point is that it becomes extremely difficult to do that. That is not to say that it should not be attempted, that we should not be trying to reduce our expenditures, that we should not be saying to those people who can afford it, "You pay the costs so that the people who cannot afford it have better coverage." But the fact of the matter is that reductions in government spending are hard to achieve. We are not going to lick this deficit on reductions in government spending. We are going to have to face the reality that we must raise taxes. There is no alternative to that. If it is as important as I suggest to senators that it is, there is no alternative now to the raising of taxes. And if we refuse to do that, then it seems to me that it is only a matter of time before we create the most pernicious of all situations, and that is borrowing to cover a deficit that arises not out of spending but out of the cost of servicing the public debt.

Senator Lawson has suggested other modes of raising taxes. To me, a consumption tax is a tax that is missing in Canada because it gives us the opportunity to balance revenues from consumption with revenues from income. If I understand him correctly, Senator Lawson has said that we should raise the progressive income tax to a greater extent. Well, we know the result of that. We know that decisions are skewed then in favour of taxation. We know that people leave the country because they can get a better tax deal somewhere else. There is a level beyond which you cannot go. Socialists will say that you can go forever. And what did they get into in Britain at one time? They taxed 98 per cent of income. Where is the incentive to produce? Where is the incentive to invest if you are paying 98 per cent of your income in taxes?

[Senator Everett.]

Senator Lawson went on to say that corporations should not be allowed fast write-offs, should not be allowed to offset previous losses and should not be allowed to deduct borrowing costs on acquisitions. That may be a fact, but do not forget that most of the reductions in corporate rates are there because we have created incentives, and corporations are taking advantage of them. They are not loopholes. We say: "Here is an incentive for you to modernize your machinery. Here is an incentive to do this or that." Corporations say: "We will take advantage of that incentive." If we want to take away all of those incentives and tell the corporations they must pay tax and that is all there is to it, then we can do that, but let us understand that corporate Canada is not going to direct its investment in the way in which the government wants it directed. As long as we are willing to live with that, then there is no problem. But I have often wondered why we blame the corporations for doing what we in government and Parliament ask them to do.

Senator Lawson then says that there should be wealth taxes. Well, there are wealth taxes. There is a deemed capital gain on death which means that 75 per cent of that gain is brought into income and taxes are immediately exigible. That is a fairly major wealth tax.

I have a real problem in not accepting the concept of a consumption tax. It has worked elsewhere and I think it will work here.

Senator Frith: It has not worked at double levels.

Senator Everett: Senator Frith has said that it has not operated at double levels. If we look at the situation that is probably going to obtain in Canada, we are talking about a 7 per cent federal sales tax and probably less than a 7 per cent provincial tax.

Senator Petten: Not in Newfoundland.

Senator Everett: Not in Newfoundland, but it will not be as egregious as some of the projections I have heard. Certainly in my province of Manitoba you would find that probably the total tax, because it is extended to services from goods, will be in the neighbourhood of 13 per cent. And that has been the average of the VAT throughout the world. I do not, therefore, see the problem with the integration. I think it will take place and I think it will be a good thing. We will have one administration of the tax. My guess is that the tax will be in the neighbourhood of 12 to 15 per cent.

● (1640)

This is an opportunity to have a tax that balances consumption with income and allows a reasonable level of tax throughout the whole system. This keeps us competitive and keeps us from skewing decisions in the wrong direction.

I happen to think that one terrible mistake was made by this government when they got the idea in their minds that this was a revenue-neutral tax. I do not know if they believe that. I recall making a speech last May in which I said that you can call the tax revenue-neutral, but the experience in New Zealand and elsewhere is that far more people registered for the tax than had been assumed. Contrary to what Senator Lawson

says, it reduces the incidence of the underground economy; it does not enhance it. That has been the experience throughout the world. It was clear from the outset that this tax might well be revenue-neutral because of the cost of introduction in the first year, although I doubt even that, but certainly in other years it will throw off an increasing and substantial surplus.

Had the Minister of Finance said at the outset that the government was going to put in this tax and use it to reduce the deficit because that is in the best interest of Canadians, it is my contention that many Canadians would have bought that idea and supported it. The change of mind—the idea that it was going to be revenue-neutral, then they were not so sure, then they thought it was going to reduce the deficit—has left Canadians rather confused about the whole issue.

The fact of the matter is that this tax is going to throw off a surplus over the years which should be used to reduce the deficit. I have a problem with Senator Lawson's motion because that is what I want to see happen. I want to see the debt or the deficit reduced. Senator Lawson has used $21 billion as the threshold in his amendment. I wrote a note to him and, if it is all right with you, Senator Lawson, I will read it.

Senator Lawson: Yes.

Senator Everett: I said, "Can you tell me why you used $21 billion as the threshold in your amendment?" He replied, "Research said the cost of payouts under the legislation plus cost of collection make this a realistic threshold." I suspect that the revenues over the year will exceed that. It is clear that they should go towards the deficit. It does not matter whether they go to the debt or the deficit because it amounts to the same thing.

I would have preferred Senator Lawson to say a reduction in the deficit, but he said, "Let us retire the debt." As I have said, that amounts to the same thing. I do not have a problem with that and I do not have much problem with his motion in that regard. I want to see the GST passed because I believe it is the right thing to do, it is the sound thing to do and it is the proper thing to do for Canada. I want to see the GST excess revenues used to reduce the deficit and, perhaps, if it is necessary, to use it to retire the debt.

Senator Castonguay raised a good point. I am not sure that this amendment is even proper in the sense that I do not know that it is within the competence of Parliament to tell the government how to spend its revenues. The Prime Minister has said that any excess revenues will be used to reduce the tax or reduce the deficit. I would be happier if the Minister of Finance said that. It is not that I disbelieve the Prime Minister, but the Minister of Finance is the person who is in charge of fiscal arrangements. If he makes that statement, it is on the record. I would encourage the Leader of the Government in the Senate to ask the Minister of Finance before this night is out to make a clear statement on what he is going to do.

I find myself in a dilemma. On the one hand, I am not certain that we should be telling the government how to allocate its revenues; yet, on the other hand, there should be a clear undertaking from the government that they will use the revenues to reduce the deficit.

I do not know how I am going to vote on this amendment. I am going to agonize over it. I invite senators to think about it. I certainly am going to think about it. This does not change my view of the tax. It is an essential tax. I do have a concern as to how effective the amendment will be in ensuring that the excess revenues will be spent to reduce the deficit.

Hon. John B. Stewart: Senator Everett, would you permit a question?

Senator Everett: Yes.

Senator Stewart: Senator Everett has told honourable senators that he wants a clear commitment from the Minister of Finance that any new revenue produced by the proposed tax would be used to reduce the deficit from year to year. I have a problem with his proposal, and my problem has two prongs.

We have had experience with these commitments by ministers as to the meaning that clauses in bills will have. The example that comes to mind at the moment is the very clear undertaking given in 1958 by a Minister of Finance with regard to the use of special warrants. That undertaking was given many years ago. In 1989, however, the government said that they could use the section concerning special warrants according to a black-letter interpretation of the law. How good is a ministerial undertaking?

The second point is this: Presumably at some point the present Minister of Finance will go on to more peaceful things. Conceivably after the next election, the New Democratic Party, the Liberal Party or another party will form a government. How binding will be the commitment made by Mr. Wilson on a Progressive Conservative, New Democrat, Liberal or Reform Party Minister of Finance? Can Senator Everett be satisfied with a commitment from the present minister? Would you rest content with an undertaking from the minister in a matter of such great importance?

Senator Everett: Yes, indeed I would. My reason is this. If this resolution were to pass, then it would mean that the revenues from the GST in excess of $21 billion would be used to reduce the debt. However, if that resulted in a greater deficit, then that deficit would be used to increase the debt. You can pass the resolution but there is no guarantee that anything is going to happen.

A Minister of Finance can say, "I have $5 billion extra revenue from the GST so I will retire $5 billion of the debt." But at the same time, if the deficit goes up by $5 billion, the debt also goes up by that amount. The net result could well be zero.

There is no guarantee of anything happening in this resolution. In many ways it is a motherhood resolution. It is about as useful as the Minister of Fiance saying, "It is my intention to use the excess revenues to reduce the deficit."

I would say one more thing. What is really important in this whole process is the control of program spending. The debt is there and we have to service that debt. We are subject to whatever interest rates obtain at the time. What is important

is some sort of undertaking by the Minister of Finance that program spending would go down, or certainly, as it has over the last six years, increase at a rate lower than the rate of inflation. That would really be something worthwhile.

• (1650)

You could put in this language, as is suggested by Senator Lawson's amendment, and it could be overridden by the Minister of Finance. For that reason, I would rather see the Minister of Finance, at this stage, endorse what the Prime Minister said and come out clearly right now and say, "If it would be our intention as a government to reduce the deficit with the excess revenues from the GST." I think if that were done it would be a great step forward.

Hon. Stan Waters: Honourable senators, I would like to speak briefly to support the amendment.

Some Hon. Senators: Hear, hear.

Senator Waters: I would like to address Senator Castonguay's remarks first, because I think he made a very constructive and important contribution to this debate, but it is postulated on a premise that I find very difficult to accept. The premise is simply this, that you must trust the Prime Minister and the finance minister to do the right thing. That is very difficult for me to accept.

I spoke a few days ago and read out many of the promises made by the finance minister in the House of Commons in November of 1984, and they have all been broken. Those promises were either ignored or broken. So, to rely heavily on a promise from the Prime Minister or the finance minister, or, as Senator Everett is trying to get, the kind of statement would give him some comfort that surplus funds were going to be applied to the deficit or the debt.

I liked Senator Castonguay's remarks. I believe they were constructive and positive, except for the reliance on someone that the Canadian people are not trusting any longer.

When Senator Perrault said that Prime Minister Mulroney's popularity in Alberta was 3 per cent, I was surprised to hear that it is that high. People are not trusting his judgment. That is why to put something like this in legislation is the only way you will give comfort to the taxpayers of this nation, and convince me and many others, that there will be something done if the GST generates surplus funds. Whether it is applied to the deficit or debt, it does not matter, because if one goes down, or the other goes down, those insufferably heavy interest payments are relieved. That is what is going to be coughed up for deficit reduction, and to allow us to maintain the programs we have now.

It would worry me very much if that surplus money—and most people think in time it will be surpluss either through increasing the 7 per cent to 15 per cent, or through some other means—should go into new programs that generate more debt and deficit. That is what Canadian taxpayers are worrying about.

I found Senator Everett's remarks very confusing. I recognize that he is in agony, but he is in agony because he is indecisive. And you are a businessman. You know it does not matter whether you have a deficit this year or a debt that has been built up for 20 years. One moves to the other. In this year, Canada's deficit of $30 billion will move over and become part of that debt of $380 billion. We share those numbers. So you have to tackle one or the other or both. It really does not matter. The interest rates that are csting so much money, in fact the interest rate on the $380 billion which we are servicing, is taking about $42 billion a year. Anything that we do to reduce that helps the program, helps the equation, and helps bring us in fiscal balance.

We do share one thing, Senator Everett, we are very concerned about the debt/deficit. So is Senator Castonguay. So, I think, is every responsible senator. In that sense, we share a lot. I am pleased on that basis that we are sharing it. It is the method of bringing some discipline into the handling of what surplus funds may be generated from the GST that is causing the difference.

Senator Frith: Get it in writing.

Senator Waters: Senator Castonguay believes the Prime Minister when he says "trust me". Frankly, I can't do that.

You are suggesting, Senator Everett, if Mr. Wilson makes a commitment. He has made a commitment to that effect, but as we have just heard, commitments by ministers and Prime Ministers made in the heat of battle, or in the Commons, or for political reasons, don't carry much weight, a year hence, six months hence, and people change, as has been pointed out.

Senator Everett: Senator Waters, so it is clear where I stand on this, I am saying it doesn't matter whether you retire the debt, as Senator Lawson suggests, or whether you have a commitment to reduce the size of the deficit, it comes to the same thing, as you say. My only point is, do we have the right to interfere with the allocation of the government and its budgetary revenues?

Senator Waters: Honourable senators, I don't know if we have the right or not. We have the responsibility. We have seen what is happening when there is no control on expenditures, and no control on taxation. Senator Everett, you may have missed my speech the other night, and I was hoping as an Independent you would be here, but the point has been made that we have had 32 increases in taxation in six years. That is enough. The Canadian people are saying that is enough.

May I just digress for a moment, while the Speaker is in the Chair? Senator Lawson made a comment about the great difficulty of being heard from this corner, and more important, perhaps, of hearing others speak. Very often I cannot hear an honourable senator when he is addressing the house. I might draw to your attention, which Senator Lawson did not do, that I am sitting next to a telephone booth. Those conversations intrude on my sovereignty here in my seat. I am trying to listen to telephone conversations and listen to the profound words of some honourable senator. I don't mind listening to telephone conversations, but I object that this window, which looks like a mirror, is a two-way mirror and they can look out and those behind it are reading all my priceless prose that I am

trying to protect. So I suggest, Your Honour, that you might want to do something about that.

Let me just address honourable senators on this side because I do not see how anyone can object to this amendment. It is in harmony with everything we believe in to bring some order in this incredibly debt-ridden government. How can we not support something that suggests surplus funds should go to reducing the deficit/debt? It is worth stressing again that by doing that you indirectly free up a lot of the interest payment money. The government has not suggested how it is going to use that. That is one of the reasons I believe there should be a control on any surplus funds. If the GST produces a flow of surplus dollars, remembering there is also a reduction in interest payments, why not direct how it should be paid until such time as this country is deficit-free and debt-free? Honourable senators, it seems to me that no one can disagree with this as a principle.

● (1700)

If you wanted to have some suspensive date on that, why not take a look at that aspect? Let us make sure that all this increased tax revenue that people are talking about, if it occurs, is directed to the important cause of deficit and debt reduction and not to new, wasteful, spending programs. How can any honourable senator object to such a course of action? It might even help freeze taxes at current levels, and that would be a very positive statement. Current taxes are high enough for all Canadians.

Another point worth mentioning is that the adoption of an amendment of this nature will ease the fears of many taxpayers and many voters in this country who are concerned that the imposition of the GST will allow the government to take its eye off the debt-deficit ball and start looking at new, creative, wasteful spending programs, and we will be much worse off in the long run.

Frankly, I am getting a little tired of the comparisons to VAT and to New Zealand. I do not know how many of you have lived in those countries. I have lived in those countries with VAT. In my experience, without exception, all of those countries are unitary states and VAT was the first imposition of a sales tax. We are not. This is a bicameral country and nine of the ten provinces already have heavy sales taxes. All this will do is double up that tax program. We should be very careful about that. The present tax load is very high. You are suggesting we will make it higher. If we do that, let us put some control on that. The control that Senator Lawson suggests in this amendment, which I think all honourable senators should support, is that surplus funds should go to the number one priority of reducing that deficit.

Senator Perrault made a comment about the art of taxation is to pluck the goose feathers with a minimum of hiss.

Senator Barootes: That is a Liberal art.

Senator Waters: Certainly the Canadian taxpayer is getting well plucked, and I use that expression carefully.

If tax reform, which is one of the government's objectives, is to be meaningful, and if this government is really committed to fiscal sanity and responsibility, then the passage of this amendment will comfort all Canadians; all Canadians from all political parties. They will then believe that there is a specific, sincere dedication to tackling the burden of debt.

As I have stressed so many times, the debt is not only an enormous mortgage on honourable senators, but it also falls on your children, your grandchildren and your great grandchildren. You are imposing this burden on them. It is a mortgage on which we are paying only interest. There are no principal payments being made. This amendment will start the payments of principal. It is extremely important this amendment be passed. I am having some difficulty understanding why the honourable senators on this side are so reluctant to vote for this amendment.

I have one last point I wish to make. The other argument that has not been raised today in relation to this amendment is, in addition to earmarking the surplus funds from the GST to debt reduction, why not talk about trying to freeze it at 7 per cent? All of us on both sides of the house have expressed great concern that the 7 per cent is just the point of the start line and it will become 9 per cent, 10 per cent and 15 per cent. Compounded with the provincial sales taxes, we will be in a very, very serious over-tax situation. We are moving into that situation while Canadians face a recession, a possible depression, jobless rates of record levels, soaring inflation and very high interest rates.

I am delighted Senator Everett raised the point of the Canadian dollar. Not enough attention is being given to the impact of the very high Canadian dollar on the economy. It is one of the most dangerous features of keeping the interest rate high. Our monetary policy is hurting us as well as this inept and irresponsible fiscal policy. I say this over and over again, that the combination of the two are bringing this country to its knees. Nothing will prevent us from sliding down that slippery slope to oblivion, like the Argentinians, like the Mexicans, like the Israelis, like the Germans after World War I.

We are not immune to the inexorable laws of economics. Honourable senators, I urge you to be committed to supporting Senator Lawson's amendment.

Hon. Allan J. MacEachen (Leader of the Opposition): Honourable senators, I found quite interesting many of the comments made by previous participants in the debate. Possibly I will refer to those comments before I complete my remarks, which are directed principally to this question which has emerged time and time again as to whether the goods and services tax will be revenue neutral, or what impact it will have on revenues. Will it enhance revenues and what impact will it have on the deficit and on debt reduction?

I am pleased that Senator Kelly is in his place because I intend to refer a number of times to his comment; not in any argumentative way but to illustrate the somewhat contradictory signals that have been sent out by the government spokesman and by statistics issued by the government on this question of the revenue impact of the goods and services tax.

Taxes are, of course, meant to raise money. The purpose of the proposed amendment to clause 18 of Bill C-62 is designed to make good use of that money for the purpose of reducing the national debt. That is a worthy objective. It contains a signal which we all appreciate and, for that reason, it is worthy of support.

I do not find the difficulties in the support of this amendment which have been outlined principally by Senator Castonguay. If accepted, what it will do is give a very strong signal of support to the objective of the reduction of the debt and the reduction of the deficit. In my view, these are separate although quite related; but not the same thing, as argued by Senator Everett.

The question I want to ask is whether the government, with the enactment of the goods and services tax, will have more revenue to reduce the deficit. In what circumstances will it have more revenue and in what year? I find it very difficult to give answers to those questions based upon the information that has been made available.

We have been told by the Minister of Finance that the goods and services tax is revenue neutral. At the same time, we have been told that the same tax will make a contribution to deficit reduction. I understand that the Minister of Finance made the first point as recently as September 21, 1990, in a letter addressed to Senator Buckwold. The Minister of Finance stated in that letter that after taking into account the consequential impact of the sales tax reform or the related fiscal actions associated with the GST package, the GST will provide the government with the same level of revenues as the current system. It was not qualified with respect this year next year or subsequent years. I think Senator Buckwold would support that conclusion.

• (1710)

However, and this is where Senator Kelly comes in, I remember that he said in this chamber in May of this year that the GST will not be revenue neutral. He said, "With the GST in place, by 1994 or 95 at current rates of economic growth the government will be in a position to buy back outstanding Treasury bills." I must say that we are not helped in our analysis by the fact that the relevant figures released by the government and upon which we must base any analysis to answer these questions are found in technical documents of August 8, 1989, December 1989 and February 20, 1990 budget papers, a set of documents which are clearly out of date, and acknowledged to be out of date by the Minister of Finance himself, since February 20, 1990. Therefore, my argument is that it is difficult, if not impossible, to answer with any certainty or assurance the question whether the government will have more revenue to reduce the budget deficit.

We know that the February budget papers are clearly out of date. Let me take one illustration from those budget papers. The minister said that growth is expected to rebound in the latter half of 1990 and in 1991. Well, we are currently sinking deeper and deeper into a recession. Obviously, the forecast upon which Mr. Wilson based his prediction of interest rates and GDP growth has implications for the calculation of revenues. So we are working with out-of-date statistics and out-of-date projections that clearly have been overtaken by events since February of this year.

However, let us look at revenue from the federal sales tax. According to the public accounts, the actual revenue figure for the fiscal year 1989-90 was $17.6 billion. For 1990-91 an estimate of $18.5 billion is made in the December 1989 technical paper at page 14, and for the fiscal years 1991-92 and 1992-93, estimates of $16.9 billion and $20.4 billion respectively, given as the cost of eliminating the federal sales tax, were made in this year's budget paper. So we do have the best available source indicating the revenue of the federal sales tax for those fiscal years. I understand that the last two years include miscellaneous excise taxes eliminated by the reform. However, they are not net of federal sales tax rebates which, on the basis of budget paper figures, are estimated by the government to be of the order of $1.1 billion yearly.

Our best estimates of net federal sales tax revenue from FST and excise taxes are therefore $17.8 billion from 1991-92 and $19.3 billion from 1992-93. If I am incorrect in any of my conclusions, I would appreciate it if Senator Kelly would provide me with better figures from a better source. I think what I have are the best that is available and they do set a valuable bench mark for measuring whether the GST is revenue neutral.

Let us look at the forecasts for tax income from the GST that are contained in this year's budget papers. For fiscal year 1991-92, the first full fiscal year under the tax, revenue is expected to be $20.7 billion and for 1992-93, $21.9 billion. These figures are net of rebates to public sector institutions, universities, charities, non-profit institutions and libraries. They are also net of the housing rebate. However, they are not net of GST credited to low income Canadians, estimated at $2.4 billion yearly for fiscal 1991-92 and fiscal 1992-93.

Once this figure is deducted to get at net revenue under the GST, the figure for 1991-92 is $18.3 billion and for 1992-93 it is $19.5 billion.

That, however, is not the whole story. We have to deduct from these figures both of the consequential impacts of the tax reform—that is, the administration costs—the indexation impact and the transitional impacts—that is, the FST inventory rebate payments and the small business transitional grants. Once you get this far, you must be wondering, as I am wondering, how you make these comparisons and how do you answer the question accurately and with confidence that I posed at the beginning of my remarks. These further deductions that I have enumerated amount to $2.6 billion in 1991-92 and $1 billion in fiscal 1992-93. Therefore, the net revenue forecast under the GST for 1991-92 is $15.7 billion and for the fiscal year 1991-93 it is $16.5 billion. If we now compare these figures on a revenue forecast for the GST with those for the federal sales tax, we get, with the introduction of the goods and services tax, a revenue reduction of $2.1 billion in the fiscal year 1991-92 and $800 million for the fiscal year 1992-93. I would ask Senator Kelly to correct me if I am

wrong. I should point out that all of these calculations are based on figures provided by the government. I have given the government the benefit of the doubt and assumed they were valid figures based on economic assumptions made about one year ago. If they are right, then for the next two fiscal years both the Minister of Finance and Senator Kelly are wrong. The sales tax reform is not revenue neutral. The government will lose revenue with the introduction of the goods and services tax. I think Senator Kelly is also wrong, at least until 1993, when suggesting that the goods and services tax will help to reduce the budget deficit.

My conclusion from an examination of these statistics is that the change-over to the goods and services tax would add $2.9 billion to the deficit over the next two fiscal years. This is the only conclusion that can be supported by the government's own figures. They would look a great deal worse if the economic assumptions were updated. The fact that the change-over to the GST adds $2.1 billion to the deficit in the next fiscal year and $800 million in the following fiscal year had to be—may I use the word—camouflaged by the Minister of Finance. These gaping holes, as it were, had to be plugged; and the way it was done is clear to see if one looks at the statements to which I have been referring.

● (1720)

The Minister of Finance will raise this needed cash to plug the gaping holes by increasing taxation elsewhere and will tie these tax increases to sales tax reform by calling them "related fiscal action". Those who are examining the matter should not be misled by these terms of the art. According to my figures, the Minister of Finance through the introduction of the goods and services tax will be punching a new gaping hole in his budget for the next two fiscal years and will be raising additional revenue to plug it, mostly from income tax and excise taxes.

The new revenue implications were already worked out in the December, 1989 technical paper. The elimination of middle-income tax reduction, the increase in the high income surtax, the increase in the large corporations tax, the elimination of the small business administration fee and the adjustments in product and excise taxes are expected to yield $2.5 billion each fiscal year on a mature system basis. If added revenue from these tax increases is compared with revenue lost in fiscal year 1992-93, because of the adoption of the GST at a $2.5 billion gain against a $800 million loss, there is a net revenue increase of $1.7 billion from related fiscal action, and not from the goods and services tax.

Here, again, the Minister of Finance on the basis of his own economic assumptions is wrong and Senator Kelly is right. The GST, plus the so-called related fiscal actions, are not revenue neutral. They produce a revenue increase of $1.7 billion in fiscal year 1992-93. However, Senator Kelly is also wrong because he tied his remarks to the GST alone, while the plus in terms of revenue comes from other tax increases.

I do not want to be too hard on Senator Kelly.

Senator Frith: He is better than the Minister of Finance.

Senator MacEachen: In all justice to Senator Kelly, his remarks were probably addressed to the medium term. He rightly flagged two factors which may have an impact on goods and services revenue. They are tax evasion and distortions in the economy. As one might expect, no estimate has been released by the government of revenue increases from the reduction of tax evasion. Presumably, tax evasion did occur under the federal sales tax, but almost by definition the consequential revenue loss cannot be documented. So, we do not give Senator Kelly a demerit for his failure to produce an estimate of this. It would, of course, be even more difficult to assess how much evasion could occur under a goods and services tax regime as we have absolutely no experience of it in Canada. I think we might all agree that evasion from indirect taxation will always be difficult to track down, and its intended elimination can hardly provide solid revenue figures for building a fiscal policy.

Senator Kelly talked about the removal of economic distortions by the adoption of the goods and services tax. As far as that is concerned, its scope and its effects can only be judged on the basis of a series of economic assumptions which are affected by the business cycle or the trade cycle. The forecast of $1.3 billion of cumulative revenue gains by 1995 was provided by Finance and Economic Council officials during the Senate hearings on Bill C-63. Spread over four fiscal years, the average is about $325 million per year. This is a rather modest gain, and it would take several years to build up revenue from the goods and services tax on its own to a revenue-neutral position. Therefore, it will take a good number of years for the proposed amendment to become operative. If the government is going to buy back outstanding Treasury bills by 1994 or 1995, all else standing equal—and that has to be the assumption—it will take income and excise tax increases if the GST rate remains at 7 per cent, or it will take a hefty increase in the goods and services tax before these dates.

In his statement of May 1, Senator Kelly wisely referred to current rates of economic growth when making his predictions of GST revenue. That is clearly out of date. We have since entered a period of what economists call negative growth, but what the country knows to be a recession. I believe that the least the government could have done before enacting the GST is to rework entirely its economic assumptions and their effects on goods and services tax revenue.

Honourable senators, I take exception to the fact that in a reply to a letter of August 30, 1990 from Senator Buckwold requesting information on the revenue impact of its fiscal measures, the Minister of Finance in a reply dated September 21, 1990 is referring him to his February budget and the December, 1989 technical papers which have been clearly overtaken by the recession. Thus, it is not possible to answer very definitively the question: Is the goods and services tax revenue neutral? I thought Senator Castonguay stated that revenue reduction would occur in year two of the GST. If he said that, and I may have misheard him, then that, of course, is clearly not supported by what is contained in government documents.

Senator Simard: You have it wrong again.

Senator MacEachen: I am not surprised if a number of honourable senators are somewhat surprised, and perhaps that is not the right word—perhaps bewildered and uncomfortable might be better—by this whole series of comparisons, assumptions and transitional arrangements. I have tried to be very careful in reading my text so that all the figures would be on the record and so that they can be challenged, if necessary, by Senator Kelly. Perhaps in order to assist the subsequent critique by Senator Kelly, I should summarize my main points.

● (1730)

The figures on which I have made my argument and upon which Senator Kelly has made his argument are so outdated as to be almost irrelevant. That is my first point. I believe that the government should revise them in the light of current economic conditions and make the rivesed figures available without delay.

During the initial two fiscal years of the GST, it will produce less net revenue than the federal sales tax, unless the estimates provided by the government are wildly misleading. That is my second point.

The question of the GST being revenue neutral is hardly meaningful in the circumstances, since the revenue implications are blurred and the government has added to the confusion by introducing the concept of related fiscal action.

I submit, honourable senators, if there is one aspect upon which the government should have been clear, and that is the point that has been made so clearly by Senator Waters, it is on the revenue impact of the goods and services tax. What we have is another piece of confusion, and that confusion may be deliberate or it may not be deliberate, but I think that the introduction of the concept of related fiscal action to raise taxes from other sources in order to assert the revenue neutrality of the GST is clearly misleading and ought not to be justified by any spokesman on the other side.

In light of the moving statistics that have been provided by the government and the changing economic circumstances, it is difficult to appraise or assess the impact of the amendment proposed by Senator Lawson. It is for that reason that its import is principally a political one which asserts the importance of using revenues to reduce the debt and decrease the deficit.

I wish to make one or two comments about the amendment itself. Here again, we are working on clearly outdated figures. According to last February's budget, gross goods and services revenue in fiscal year 1991 and 1992 will be $20.7 billion. Beginning with the same fiscal year, Senator Lawson's amendment provides that the excessive revenue over $21 billion will be applied to the retirement of the national debt. Well, of course, we know there will be no excess that year, therefore, no retirement could take place that year. I think it is important to point that out, not to take any exception to the amendment but to analyze the impact of the goods and services tax.

For fiscal year 1992-93 the revenue forecast, according to the budget, is $21.9 billion. Therefore, the excess is $900 million, but this is a gross revenue figure. In order to operate under the goods and services tax, the government has to meet the cost of rebates, of consequential impacts, and of transitional impacts. These total $3.4 billion. That has to do with fiscal year 1992-1993, so do not hold your breath, Senator Everett, that there will be funds available to reduce the deficit in 1992-93, according to the government's statistics and unless my analysis is shot down by Senator Kelly.

Assuming there is a net excess of goods and services tax revenue over $21 billion in some future years, this excess, of course, could reduce the deficit, but only if other expenditures were unchanged and other tax revenues remained precisely the same. It could not happen if tax revenues decreased from other sources. The national debt could be retired in the real world only when the deficit was totally eliminated.

These are some of the implications that arise from the valuable amendment proposed by Senator Lawson, because he has forced us to probe deeply into this question and to separate the fiction from the fact. I think the fact is very uncomfortable for those who see a fiscal rectitude and fiscal nirvana arising from the goods and services tax. It depends on a lot of unknowns which we are incapable of dealing with at the present time.

I listened to Senator Castonguay carefully, and I listened with greater interest to those analytic parts of his speech than to those that were clearly political. I found parts of his speech a tiresome repetition of the clichés we have heard from the government side, not just in this debate, but for some years now. I had hoped that the introduction of new, fresh faces into the Senate would have produced new, fresh thoughts. It is very tiresome, honourable senators, to hear once again that the federal Liberals orchestrated the defeat of Meech Lake. That is tiresome, repetitious and inaccurate. It is a characteristic of this government, and presumably of all its supporters, to take no responsibility for the events over which they have control. Why not take the responsibility for the failure of the Meech Lake Accord?

Senator Simard: We do not have to take the responsibility. You are responsible for it.

Senator MacEachen: Why shift the burden to the federal Liberals who are not in office? You have a tremendous paranoia about the Liberals. That is the first thing to which I take exception. Senator Castonguay made a brave effort in the economic field, having left his comments on Meech Lake, by praising the government for its fiscal actions which, however great, will result in a deficit in the next budget which will be approximately the same as the deficit the Minister of Finance inherited six years ago. That is the fact. Instead of recognizing the inability of the Minister of Finance to deal effectively with the deficit in the past six years and taking his responsibility, he then said, "Think of all the burdens that we inherited from those dreadful Grits." "We have been inept. We have been incapable. After two mandates we have been incapable of doing anything; so we will tell you once again: 'Blame the Liberals'."

• (1740)

May I say that I am not angry at Senator Castonguay. I just thought that, instead of repeating the tiresome, recycled arguments that have been pouring out of the research bureau of the Tory party for the past six years, he would have brought in a fresh idea. I think he was also somewhat unfair to us on this particular debate. He asked us to conciliate the fact that we had to put forward a series of eight amendments which, in one way or another, reduced the revenues to the government or had other financial consequences, with the fact that we are now supporting an amendment which is intended to exercise expenditure control through the management of the deficit and the public debt. Well, I do not think that is difficult. Each of our eight amendments was defeated by the government in a mechanical manner. We had expected that the government would have taken some interest in these amendments, and if it had accepted one of our amendments, the first or the second, I think the future course of this debate would have been entirely different.

The government, however, in each case turned the back of its hand to the Opposition and said, "No". So I say to honourable senators that it is not difficult to conciliate the two things because every one of the Liberal amendments was turned down by the government. There was no contradiction as alleged by Senator Castonguay.

The honourable senator talked about his parliamentary career and I agree that it is a significant and distinguished one. He said he had never heard or seen anything in his parliamentary life such as that which has gone on here in the Senate. Well, I agree with him. I, too, have not seen anything like it either. We are both seeing events that neither of us have ever seen before in the Senate. We at least have that item in common.

I was in the House of Commons when the bells were rung there for how many days?

Senator Fairbairn: Fourteen days.

Senator MacEachen: That was done by a party which Senator Castonguay supports. The government finally responded to the request of the Opposition and broke the energy bill into several parts, which is what Mr. Nielsen wanted. Finally, the government of Mr. Trudeau bent and showed some flexibility.

In this case, the government of Prime Minister Mulroney has shown absolutely no flexibility.

Senator Hastings: "My way or no way!"

Senator MacEachen: Would it not have been possible to have accepted the amendment on reading materials? A similar amendment is now to be adopted by the government of Quebec. Would it not have been possible to accept the amendment on the cooperatives?

Senator Barootes: Why didn't the committee submit some of the amendments?

Senator MacEachen: Would it not have been possible to have supported a number of these amendments? I have been trying for days now to find out from the government what its revenue loss would have been if it had accepted the exemption of reading materials. I have not yet had an answer. I would like to receive it before the debate on this amendment is closed.

I have asked what would be the financial consequences of dealing with cooperatives on a reasonable basis. I have not been told. I doubt whether the financial consequences would have been more than minor. That would have been the impact on the government.

If the government had chosen to be somewhat flexible, I think senators would have seen somewhat different behaviour in the Senate. But the government has been totally inflexible. It has turned a deaf ear to the representations of every single group in Canada. We are trying to give voice to those representations. In the words of Senator Castonguay, it is wrong for us, as an unelected minority, to oppose this bill. But it is all right for him, as a member of the unelected majority, to push it through against the will of the Canadian people. We do not agree with that.

Some Hon. Senators: Hear, hear!

Senator Castonguay: If I may, I will just make a brief statement. Senator MacEachen stated that there has been no flexibility on the part of the government respecting the GST. If I remember clearly, when it was first introduced the rate was 9 per cent. In addition to that, food was to have been taxed. If a decrease from 9 to 7 per cent and the elimination of a number of items from the application of this tax are not changes, then I do not know what changes are.

Senator MacEachen: I should like to make a brief statement to the effect that I was arguing about the Liberal amendments. There was absolutely no flexibility shown in all of those weeks of debates on those amendments. I was not going beyond that.

Senator Stollery: The bill was introduced in the Senate and it was said then that the government would accept no amendments.

Senator Barootes: Senator Buckwold did not show any flexibility when he closed debate during the meetings of the banking committee!

Hon. Sidney L. Buckwold: Honourable senators, like the fellow said, "Before I begin my speech, there are few things I'd like to say." The first of those is to congratulate Senator Lawson for bringing in a very important amendment.

Some Hon. Senators: Hear, hear!

Senator Buckwold: Senator Lawson has crystallized the concerns of a lot of Canadians who, in fact, support the tax. They support the tax, as does Senator Everett, according to his statement. We have heard a very brilliant exposé by Senator MacEachen, based on an impeccable source—the Minister of Finance. Every statement that Senator MacEachen made was based on information passed on to me as a result of questions. The answers were signed by Mr. Wilson, and I sent them on to Senator MacEachen. You should be looking at that.

• (1750)

I should like to congratulate Senator Lawson for picking up on the question of the deficit. Let me assure Senator Everett that we all have concerns about the debt. There is no one in this country who does not worry or lose sleep about the level of the debt—not only federal, but provincial and municipal—running into astronomical figures and putting a burden on our children's children. The GST, in the eyes of many, is supported because they feel that eventually, if not immediately, it will be revenue-producing in very large amounts.

Senator Stollery: You are talking about the 20 per cent that support the tax?

Senator Buckwold: Those who quite vocally support it.

Let me read a report from the Canadian Press out of Edmonton. The name mentioned in the report may be familiar to you. It says: "Ottawa should spell out how GST will cut deficit, airline chief says". I will give you the name of the airline chief very soon. It should be quite familiar to the Tory caucus. The article says:

> Canadians must accept the federal goods and services tax in the "short and medium term" and business must stop looking for government handouts if Canada's economy is to survive, the president of Canadian Airlines International said yesterday.
>
> "If it takes a GST to get the deficit under control, then we should be prepared to live with a GST over the short and medium terms," Rhys Eyton told the annual meeting of the Canadian Chamber of Commerce.

Senator Hastings: What was that name again? Please spell that name.

Senator Buckwold: R-h-y-s.

Senator Lucier: What was the last name?

Senator Buckwold: The last name is E-y-t-o-n. The article goes on to say:

> Following his speech, Eyton said he wasn't sure if it was reasonable to limit the unpopular 7 per cent tax to a specified length of time. But he stressed that a firm commitment was needed from Ottawa that the deficit would fall as a result of new revenues from the levy, which is expected to come into effect Jan. 1.
>
> "We must urge the federal government to give us a specific statement as to how much of the GST will go into deficit reduction and debt repayment," Eyton said.

Senator Lawson, you could have written those lines, and maybe you did. The fact is that Mr. Eyton has expressed the concern of those large-scale industrialists who, locally sometimes, support the GST because they believe it will reduce the deficit. The committee heard this time and time again. Indeed, our colleague, Senator Kelly, was honest and decent enough, as he always is, to explain in his presentation earlier that deficit reduction is important. If anyone thinks otherwise, why would this government go through the torture it is going through to bring in a tax that is opposed by 85 per cent of the people, and take the kind of beating that it is taking? In the short run, as outlined by Senator MacEachen, it will not bring in extra revenue, but in the long run it will be a gold mine for government.

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, it is now 6 p.m.

The Hon. the Speaker: Honourable senators, I shall leave the Chair, to return at 8 o'clock.

The sitting of the Senate was suspended until 8 p.m.

[*Editor's Note: For continuation of proceedings see Issue No. 114C.*]

THE SENATE

Tuesday, November 27, 1990

[*Editor's Note: Continuation of proceedings from Issue 114 B.*]

At 8:15 p.m. the sitting of the Senate was resumed.

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE ACT
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMEND—THIRD READING—MOTION TO AMEND—DEBATE CONTINUED

The Hon. the Speaker: Honourable senators, I wish to advise the Senate that we now have two hours and 15 minutes of debate left on the amendment. This microphone, by the way, is just temporary. I have had complaints that I was not being heard further by all honourable senators. The regular sound system will be fixed.

Hon. Sidney L. Buckwold: Honourable senators, now that government senators have all had the opportunity to relax and be well-fed, perhaps you are in a more receptive mood to listen to the words of wisdom that come from this side, especially after they had been so fatigued by the presentation of Senator MacEachen who, I think, startled some our friends across the way.

I had concluded, just before the dinner hour, by confirming what Senator MacEachen had said, that the goods and services tax will, in the very short run, be a revenue-neutral tax, by which the government is going to give away almost as much as it gets. However, as I indicated in my last sentence, no government, of courst, would ever commit that kind of suicide—with such self-inflicted wounds and with such a death wish for the political party—unless there was some light at the end of the tunnel, and that light is a lot of money.

At a recent conference, a Dutch specialist in the value-added tax, whose name is Ben Terra, backed the GST, saying that the government's justification for the GST—namely, that it is fairer than the existing manufacturers' sales tax—is beside the point.

> "A GST-style tax," Terra said, "is the most perfect money machine that there is."

I think that is not a particularly debatable point. As I said earlier, I believe the government, with all its failings, has enough wisdom to realize that as an objective for the difficult time it is having. We all know that the tax rate will continue to rise. I quote again:

> Business people, with very few exceptions, expect the goods and services tax rate to skyrocket over the coming five years, a national survey of more than 2,000 companies found.
>
> Ninety per cent of the medium- to large-sized companies surveyed for Office Assistance, a Vancouver-based private employment agency, said the rate will rise to more than 11 per cent,—

that is the federal rate—

> —while almost one in three—

a third of the respondents—

> —expect the rate to rise as high as 20 per cent.
>
> Only one per cent expect the rate to remain the same or go lower, according to the survey, conducted earlier this year.
>
> "Call this the cynical factor," said Office Assistance president Barbara Rae. "It's part of the reason behind the very negative feeling companies in Canada have about the GST."

The case I am trying to make, following Senator Lawson, is that, obviously, the tax rate is going to go up, and that, combined with a provincial tax—which, in the eyes of many, will probably in due course have to be melded with the federal tax—will result in tax rates almost immediately, in Newfoundland, of nearly 20 per cent, and that is just the beginning. Other provincial rates will move up steadily as the provinces require additional funds.

So we see pressure for high taxes and higher costs. It was well discussed, when we debated Senator Waters' amendment regarding delaying the implementation of the tax, that this was hardly the time for a new tax because we are in a recession, finally admitted by the always-optimistic Mr. Wilson. Economic conditions in the country have not been worse for a very long period. The outlook is pretty dismal. It may be bad luck, I suppose, for Mr. Wilson, who always seems to bring bad luck to whatever he does, but it just seems to be the wrong time to bring in a tax which, in itself, is inflationary.

If I may, I should like now to discuss the inflationary aspect. That will result in high interest rates, which will then add to the debt and deficit problem. It is a vicious circle.

Senator Murray: How do you like Senator Lawson's amendment?

Senator Buckwold: Can I keep you waiting a little bit, with bated breath?

Senator Murray: I will wait.

Senator Buckwold: It will be very obvious, as we move along to discuss deficit reduction, because we know that interest rates respond to inflation as a result of the monetary policy of the Bank of Canada.

Our committee had appearing before it as a witness, the Governor of the Bank of Canada, John Crow. A report of his appearance was headlined in the *Globe and Mail* as follows:

> Bank of Canada won't accept GST as excuse for more inflation—Crow.

He went on to point out to the committee that although he was quite prepared to accept the government's anticipated inflation figure of 1.25 per cent, if it went higher than that figure he would have to respond with higher interest rates. Most members of the committee, quite frankly, think that the figure will not be 1.25 per cent—and I will talk about that in due course—because the 1.25 per cent is based on the false presumption that all of the manufacturers' sales tax, the present federal sales tax that is being charged, will disappear overnight; that everyone will just wipe it out, in spite of the policies of the government on inventory rebates and despite all the other difficulties that are being placed on the business community; and that, once it is wiped out, everyone will buy their goods minus the full federal manufacturers' sales tax.

Senator Haidasz: That's not true.

Senator Buckwold: The majority of the committee agreed, but the outlook of the government was that this would be removed from the price of everything in Canada. In addition to that, the premise of 1.25 per cent for an inflation rate was based on the fact that labour would not, in its negotiations for wages in the contracts that were coming up, try—in the words of the government, "selfishly" or "in self interest"—to take more out of the economy by higher wage settlements. We were told that that, of course, was nonsense, that labour wanted to be able to protect itself and tis purchasing power and that, indeed, the GST would be a major factor in wage negotiations, as it has been in contracts that have come up in the last few months. One of the pace setters, which has been copied by other contracts across the country, is reflected in the *Financial Post* of September 21 where it states, "Ford Deal Reflects Unions' GST Worry". I will not read the whole article but in summary it says that a major factor in developing a final agreement for the contract was a reflection of the cost of the GST on those in the labour force. This contract, along with Air Canada's contract and others, has been an example of the kind of inflationary pressure that will result from the passage of this bill.

● (2010)

As I say, honourable senators, the two basic principles that the government has staked its case on, by way of limiting inflation to 1.5 per cent, was the fact that the manufacturers' sales tax would come off and that labour would not ask for additional financial reward as a consequence of the GST. I submit to you that both of those premises are false; they are unfounded; and they cannot be substantiated. I am sure you will find that out—if and when—and I say "if and when" although I hope not—this tax comes into effect. You will be able to walk into your corner store and see if the prices have suddenly reflected the drop in the manufacturers' sales tax.

Added to that, of course, there is the very basic inflationary effect of a tax on services, a tax which has never before been applied. It will be a tax on the expenses of the average Canadian family which spends 60 per cent of its disposable income on services. If anyone can prove to me that that is not going to be a major inflationary factor, then I will have to admit that I am wrong. But it will be a factor.

Senator Murray has asked: What has this got to do with the deficit?

Senator Murray: No, no.

Senator Buckwold: We have to ask ourselves whether Mr. Crow will live up to his promise that the Bank of Canada will not use the GST as an excuse to increase inflation. He has also warned that his interest-rate policy will, in fact, reflect that by raising interest rates. We have to keep in mind that every time interest rates go up by 1 per cent our deficit increases by $1.7 billion. Honourable senators, that is a pretty shocking figure. Every 1 per cent increase in the bank rate is costing the government of Canada $1.7 billion. That is the reason, of course, the supplementary estimates which were tabled a few days ago, reflect a demand on Canadian taxpayers for an additional $3.5 billion. It is to cover the shortfall the government now faces because of an inadequate prediction of the effect of interest costs on the national debt.

Therefore, I do not think, Senator Murray, that there is any question of a relationship between the GST as an inflationary factor and the response of the Bank of Canada of higher interest rates. This, of course, creates an additional burden on the federal treasury leading to increased deficits. I think that even some of the dullest members of your caucus - and, if you will excuse me, I think you have quite a few - will be able to follow my reasoning.

Honourable senators we need approval by this house of a resolution, an amendment, that says that if we must pass the GST —and I hope we do not—and if there is extra money, which in the eyes of the great majority of Canadians will certainly be there, then, at least, there should be a complete, legal commitment that that extra money, those new funds, which will run into some billions of dollars, will be, by law, directed towards reducing the national debt.

I am sorry Senator Everett is not here, but I would refer to the brilliant speech that you all listened to avidly when I spent two hours telling you why the committee rejected the GST. I am sure you will excuse me for quoting such an authoritative and respected source. At that time I said:

> If the government had told Canadians in a frank and honest way that it needed this money to do something about the deficit, that it could raise $10 billion more than it could with the manufacturers' sales tax, and had committed itself to reducing the deficit, Canadians would have responded. They would have recognized the major problem facing this country and that the government had

to do something extraordinary and commit every extra penny that was raised to lowering the deficit.

I think that was a very forthright statement on my part. In that statement I was even able to swallow my disdain for the legislation that we have before us by saying it could be viewed as constituting a response to a national emergency. I even referred, if you will recall, to the war years when businesses and individuals were taxed 100 per cent excess profits tax because of the then state of emergency and, believe me, in my opinion the deficit that we are now facing constitutes an emergency for this country.

We have heard a great deal about consumption versus income tax. Again, I am sorry Senator Everett is not here because he expressed his support for consumption taxes. We have a consumption tax now although it is not a visible or direct one.

I was just mentioning your name, Senator Everett, with respect.

Senator Everett: I am delighted.

Senator Buckwold: Senator Everett indicated his support for consumer taxes. I wanted to put on the record an excerpt from the *Financial Post* which is entitled "All these nibbles add up to one big bite." When I have finished, Senator Everett, you will find that since the Tory government took over in 1984, they have raised $5 billion extra as a result of personal income taxes. They have also raised $10 billion extra as a result of sales and excise taxes. That is the record. In spite of that and in spite of some government economies, the deficit is still estimated to be in the area of $30 billion. I believe that some people who know about the financial scene would predict that it will be considerably higher than that.

Let me review these tax increases and what they brought in to the government. In terms of personal income taxes, there was the elimination of the Registered Home Ownership Savings Plan in 1985 and the annual revenue amounted to $105 million. There were changes to marital exemptions in 1986 that amounted to $20 million. There was the elimination of the low-income federal tax reduction in 1986 that amounted to $650 million. There were temporary 5-per-cent and 10-per-cent surcharges in 1985 amounting to $500 million. There was also the de-indexation of tax brackets, family allowances and tax credits in 1986 amounting to $635 million. There was a permanent general 3-per-cent surtax—I like that phrase because it is always said to be "temporary"—in 1986 and an extra $1.3 billion went into the government coffers. Family Allowance and Old Age Security clawback, 1989, $500 million. General surtax increased to 5 per cent from 3 per cent—that is that famous temporary surtax—now up to 5 per cent prorated for 1989, a full 5 per cent beginning January 1st, 1990, in 1989 brought in $1.1 billion. High income surtax prorated for 1989, increased to the full 3 per cent on January lst, 1990, in 1989 brought in $165 million. There is an increase in high income surtax to 5 per cent from 3 per cent which will be aplied to basic federal tax over $12,500 instead of $15,000. This move, which it says here is still not law, was made to help fund the cut in the GST rate from 9 per cent to 7 per cent. Honourable senators will remember the manipulation that went on in the House of Commons. In 1991 that will bring in $200 million. So if you add all those up, the government has received extra, as a result of higher taxation on personal income tax, $5 billion.

• (2020)

Now, let us get into the Sales and Excise Tax. Federal sales tax, 1984, raised to 10 per cent from 9 per cent, brought in $1 billion; raised to ll per cent from 10 per cent in 1986—it did not take long—$1 billion; raised to 12 per cent from 11 per cent in 1986, $1 billion; raised to 13 and a half per cent from 12 per cent, a revenue in 1989 of $1.6 billion. They have goods and services tax next, 1991.

The increase in the federal sales tax, the manufacturers sales tax, in that four-year period brought into the government $4.6 billion extra—almost as much as all the personal income tax changes. So when Senator Everett says he likes consumer taxes, believe me, he has got his belly full right there, because just the sales tax alone brought in as many billions as all the personal income tax increases, as I have pointed out.

Let us move on to the extensions of the federal sales tax to new items. This is the history of additional federal sales tax. Le tus consider candy, soft drinks, and pet foot, 1985—right from the mouths of little children. Remember the outcry about taxing candies? That brought in $400 million. Snack foods tax, 1987, $60 million; ten per cent tax on long-distance phone calls and cable service, $945 million. Almost one billion dollars came in from that nice little 10 per cent tax on long-distance phone calls and cable services. Phone cable tax raised to 11 per cent from 10 per cent. The very next year that 10 per cent went to 11, and in 1989 that brought in $110 billion.

The government then found another little source of money. It taxed paint, wallpaper, toys and handicrafts. Federal sales tax raised to 12 per cent from 8 per cent. That brought in $60 million—from the kid's toys mostly.

Then, of course, the old favourite, alcohol and tobacco, 1985 first increase, $340 million; second increase, 1986, $150 million; third increase, 1986, same year—they had a double header that year—$70 million; fourth increase, 1988, $175 million. That is the alcohol and tobacco tax. Fifth increase, 1989, $1 billion. No wonder so many of us have given up drinking.

Gasoline taxes, 1985, two cents a litre, $900 million. One cent per litre, 1987, $450 million. One cent per litre, 1987—second one—$450 million. Sales tax equalized for leaded and unleaded, 1987, $30 million. Sales tax again one cent per litre, an additional $450 million in 1988. In 1989, another one cent per litre brought in $320 million. In 1989, a one cent per litre extra on leaded gasoline brought in $35 million; and again, in 1990, another one cent per litre brought in $320 million.

Senator Everett, you like consumer taxes. That brought the government in $10 billion in extra consumer taxes, and the public is paying that tax.

Senator Everett: If honourable senator will permit a question?

Senator Buckwold: Certainly.

Senator Everett: Given that program spending has been for six years held below the rate of inflation and that the deficit in program spending of $16 billion in 1984 is now in this last fiscal year a $9 billion surplus, would he not agree that the real problem is the growth in the public debt that has been caused by the cost of servicing that debt, and would he not agree that it is very important at this time, in the state of the nation, that we take action to reduce that deficit?

Some Hon. Senators: Hear, hear.

Senator Buckwold: Thank you. That is exactly what I have been saying. I do not usually get such a reception from the other side. Agreed. That is the point I am trying to make, that we have a deficit that is not being reduced. It is even increasing—even in spite of the $15 billion of additional taxes—and the answer you have given is because of the interest on the national debt. A good deal of the blame for the high rate is attributed to government fiscal and monetary policy, and has resulted in a high interest regime, steadily in the last two or three years getting even higher, and still dangerously inflated as far as the rate is concerned. It has come down one per cent, one and one quarter per cent, but, as honourable senators know, we are still four or five per cent higher than our American friends, and we have that rate as Senator Everett well knows, because we have to have more money to service the debt. He is the one who pointed that out. We have to bring in foreign capital, and we buy that capital by higher pricing. Those are the kinds of things that snowball, that have created the very problem we are talking about, and the very reason that the deficit is the number one problem, because the interest is eating us up, as any family will tell you.

Senator Everett: Permit one question and I will not ask any more.

Senator Buckwold: You may ask any question you want.

Senator Everett: It seems to me that the high interest rates, as I have tried to describe in my speech, are the result of the deficit, and the quickest way to bring them down is to reduce the deficit, because the deficit is not on account of program spending, it is on account of servicing the debt, and the key to it, it seems to me, is to bring that deficit down, which will bring us lower interest rates—and, as I stated in my speech of October 25th, if we are able to bring the deficit down and enjoy lower interest rates, the deficit will fall even further as Senator Waters has said, as a result of those lower interest rates.

● (2030)

Would you not agree that the important thing is to lower the deficit and that the only clear way to do that at this stage is to increase taxes?

Senator Buckwold: That is what is happening. They are increasing taxes. My whole premise is built on the fact that I hope that this GST does not go through.

[Senator Buckwold.]

Senator Lawson's motion is based on the fact that if the GST does go through, and if it does bring in extra money, the government will take those surplus funds and do exactly what you, in your wisdom, suggest—namely, reduce the deficit. They want that to be in the law. I do think that is too much to ask even members of the government to accept.

It is not too much to say, "There is a law that says that it is absolutely essential to reduce our national debt." If we do not want to burden our children and grandchildren with a load of interest costs that will make life almost unbearable in this country—and if we are to survive financially—then it is absolutely essential to reduce the national debt.

Senator Lawson stated in his amendment that if there are extra funds as a result of the GST, then we want something that the government has never been prepared to put in writing, other than just general statements that it will try to reduce the deficit. I have a feeling that when we start to receive a few extra dollars from the tax, and when we start into the next election, there may be other uses for that money and those surplus funds. They will probably be used to help win a election.

An Hon. Senator: What about byelections?

Senator Buckwold: Yes, for byelections, too. So, Honourable senators, I have given you a reasonably understandable presentation. I am not trying to convince you not to support the GST; we have already gone through that, and we have not made any impression on you at all. I am hoping that those of you who are reasonable, along with those who are part of the large business community that has demanded, begged and cajoled the government to reduce the deficit, should at least latch on to this amendment, which states that if there are funds in surplus over and above the estimate of about $21 billion dollars that is included in Senator Lawson's amendment, those funds should be committed by law to reducing the deficit. If we do not do that, my friends, the deficit will keep growing geometrically almost to the astronomical figure that it is today.

I wish to conclude by saying that if the Tories are as committed to containing inflation as they claim to be; and if they are truly committed to reducing the deficit, then the only sensible alternative to higher interest rates is to contain the goods and services tax, or abandon it, if we want to reduce inflation. But if the bill does pass, at least have the good common sense—as well as the interest of the Canadian public at heart—to accept an amendment which states, "Please, government, if you receive any extra money, make sure that by law it is dedicated to reducing the burden that is bringing us all down, namely, the burden of the national debt."

Hon. Daniel A. Lang: Honourable senators, I have something to say to the Speaker and to my honourable colleague who has just spoken.

I am in favour of this amendment in principle, but to me it is reminiscent of the Gramm-Rudman bill in the United States Congress whose purport was linked to the congressional system of government, namely, the separation of the executive and

congressional powers. There is some doubt as to how effective that has been.

What concerns me now is the constitutional validity of this amendment. Is it appropriate under the Westminster model, where the executive is responsible to the House of Commons and the Senate has constitutional limitations on its powers with respect to its authority over money bills?

I do not want to debate the principle of this amendment or the psychological effect of it, but I should like to hear from some authority as to whether we are now moving into an area that is not appropriate to our present constitutional authority.

Senator Buckwold: Senator Lang, I do not claim to be a constitutional expert. I agree that there could be a debate about the constitutionality of the amendment presented by Senator Lawson. That is possible. In any discussion that I have had that issue has not been raised; but it could be.

I now have a question for you. If you are concerned about that, would you be interested in making an amendment to the amendment?

Senator Lang: Please, god, give me time!

Senator Robichaud: Like half an hour!

An Hon. Senator: I thought you might take that.

Senator Lang: What about two weeks?

Hon. George van Roggen: Honourable senators, I have a supplementary question. Whether my question should properly be put directly to Senator Everett as opposed to the last speaker, I am not sure; but if that is improper, then I will put it through the last speaker.

Senator Everett, in your questions of Senator Buckwold you made a serious point that the debt is the great problem in this country. I have no difficulty in agreeing with you on that with regard not only to the deficit but also the national debt.

Some of us wonder if there is any way that you yourself can see our overcoming this mountain. You say that it can only be done with more taxes. Taxes in this country have now reached a level where we are close to a tax revolt and almost beyond the point of being able to raise sufficient additional taxes to make any meaningful impact on that debt.

● (2040)

You have to first eliminate the deficit before you even start working on the debt, so you are miles away from it. Rather than that, I would ask you if you would not support the proposition that this government has been totally wrong in maintaining interest rates at these extraordinary levels so as to attract foreign money, the savings of other people, to enable us to live beyond our means, and by doing that, maintaining the dollar at a ridiculously high level, probably not less than ten per cent more than it should be. If you cut out this ridiculous policy of high interest rates, and I know there is an inflationary problem on the side, and got this dollar of ours down, you could increase our exports, reduce our imports, reduce our invisible flow out of this country, reduce the enormous cost to the government of this debt service we have and begin to see some light at the end of the tunnel on this debt without bringing in this goofy tax.

Senator Everett: The honourable senator will perhaps recall a speech I made some time ago, I think in the last year, on the operation of monetary policy. I outlined how I thought monetary policy operated, I think with some correctness. I wondered whether interest rates were being administered, not in connection with a restriction in the growth of the money supply, which is really how one brings the economy to rein as far as inflation is concerned, but rather an administration of interest rates which was designed to keep foreign capital coming in, and because interest rates were high, kept the exchange rate, as you say, perhaps some ten cents over what it should have been in and indeed might well have affected our competitiveness as exporters.

I subsequently came to the conclusion that the high interest rates were really a concomitant of a tight monetary policy, and I have said from the beginning that I thought it was essential that the Bank of Canada maintain a tight rein on the growth of the monetary aggregates in order to bring inflation under control. I never did have any complaint about that. So I came to the conclusion that perhaps in the speech I made in which I speculated about the possibility of administered interest rates, that indeed I was wrong.

What I am arguing now is, I think, based on firmer ground, and that is that because there is a fall-off in demand at the present time, we are in a position to replace foreign borrowing, as you suggest, but we can only replace that foreign borrowing if we have a lower deficit, if we can finance that borrowing on our own. If we can do that, then I think it is possible to lower interest rates and to lower the exchange rates and to enjoy the deficit. However, my premise would be, my argument would be, that we cannot do it unless we lower the deficit. I know we can cast blame around and we can spend a long time doing it, but the fact of the matter is that program spending has been held under control since 1984-85. It has only been 3.6 per cent. There was a deficit of $16 billion on program spending. It is now a surplus in excess of $9 billion. So we have to face the terrible fact that our problem is the outstanding debt.

There may be reasons and we may be able to cast blame, but that doesn't do us any good. We sit here with a $380 billion debt and the only way we can deal with that debt, and get away from the horrid tax of a deficit, is to reduce that deficit. We must do that. How are we going to do that? I would love to see us do it in terms of lowering spending, but I do not see the political will in this country to lower spending. Therefore it becomes essential, albeit that taxes have gone up, to impose a new tax regimen that is utilized to lower the deficit. That is the only option that is left open to this country.

If we do that, if we have the wit to do that, then I think the concomitant, the outflow, the fall-out from that will be that interest rates will drop. We will be less dependent on foreign borrowings and the exchange rate will drop, making us more competitive, albeit within the framework of a reasonably restrictive monetary policy which we cannot give up.

I know a lot of people say to just lower the interest rates. Well, how do you lower the interest rates? You lower the interest rates by putting more money into the economy. If we do that under these circumstances we will just have a return to inflation. We have to find a way of doing it, honourable senators, without a return to inflation.

I am not talking about something I particularly enjoy or love or want to suggest. I am saying that we are in a position where we have to do it. We have no alternative. If we ignore this help, if we ignore this tax, we are just going to be at this business, only on a worse threshold, in about three or four or five years time.

Senator van Roggen: I take it from the honourable senator's answer to my question, and I do not want to get into a further debate with him, that he fully accepts the fact that the government was talking rubbish when it said this thing was revenue neutral and indeed it is designed to provide more revenue to the government so as to reduce the deficit.

Senator Everett: I sincerely hope, despite what the Leader of the Opposition says, that it is not revenue neutral and that there is an income from it and we reduce the deficit. That is what I hope and that is why I am in favour of the tax.

[*Translation*]

Hon. Jean-Maurice Simard: Honourable senators, at this time, I too would like to take part in the debate.

[*English*]

But first I want to congratulate the leadership of our party in the Senate for having gone to great lengths to ensure that the Independents are heard and are given an opportunity to present amendments. It is a well-known fact that that was the wish of all members on our side and it has been our wish for a long time.

Senator Frith: If you can say that with a straight face, it's a marvel.

Senator Simard: Senator Doody, Senator Phillips and Senator Murray, congratulations. We are very proud of the work you have done. We are particularly proud of the enlightenment you have shown.

Senator Frith: You are proud of the Chairman, too, and proud of the Speaker?

Senator Simard: As far as I am concerned, I am proud to be a Progressive Conservative Member of this House—

Some Hon. Senators: Hear, hear.

Senator Hastings: We want you to know that we are proud you are, too.

Senator Simard: —because obviously we are the only party that tells the truth—

Some Hon. Senators: Oh, oh!

Senator Simard: —who have the courage to present unpopular, but fair and necessary legislation.

Senator Frith: You've got to be our best stand-up comic, no question about it. At least you smile just a touch.

[Senator Everett.]

[*Translation*]

Senator Simard: I would like to begin the 15 minutes alloted to me by reading a statement made by the current leader of the Liberal Party of Canada, Jean Chrétien. It is dated April 3, 1979 and was reported in *La Presse*.

> It is easy to make massive tax cuts when one is not in power. When the opposition makes cuts, it has no effect on government revenues. Talk is cheap. Promises such as these are popular because no one likes to pay taxes.

This is exactly what those opposite have tried to dish up, promises and possible exemptions to Bill c-62. These promises don't cost much when you're in opposition.

Honourable Senators, since I come from New Brunswick and have a duty to represent the citizens of my district, my region and my province, I would like to read you a letter. I am authorized to do so because it is a public document a copy of which was sent to all New Brunswick senators, not to mention to all senators from Atlantic Canada. The letter is from the Clark, Chevrolet, Oldsmobile, Cadillac Company.

• (2050)

[*English*]

It is the oldest Chevrolet dealer in Canada. It is signed by John T. Clark of Fredericton. His grandfather was the Lieutenant-Governor of New Brunswick, and his father was an active supporter of the Liberal Party, both provincially and nationally. John T. Clark has proven to be one of the best businessmen in New Brunswick. I see Senator McElman in the gallery, and I am sure he will testify to that. So this is a letter sent by John T. Clark to the Honourable Jean Chrétien dated November 19, 1990. I quote:

> Dear Mr. Chrétien;
>
> I am writing to you to urge the Liberal Party of Canada to cease blockage of Bill C-62 in the Senate to allow passage of the Goods and Services Tax as soon as possible.
>
> As you are aware, the economy is softening considerably. New vehicle sales are down almost 10 per cent from last year, and industry sales are down almost 15 per cent over the last thirty days, compared to last year. As a small business person, employing 160 people in my Dealership(s), it is absolutely critical that I have some certainty of the economic environment over the coming months, so that I can plan inventories and staffing levels to continue to operate through this unstable period.
>
> I have already begun planning for the implementation of the Goods and Services Tax on January 1, 1991. I have invested in systems upgrades, revised business forms, and undertaken education and training of my staff. I have reduced inventories and advised consumers that the prices of vehicles will decrease after the implementation of the GST to help them plan their purchases. Many of my business customers are deferring purchasing or leasing new vehicles until after January 1, 1991. I have ordered significant inventories to meet the anticipated demand in January for these vehicles, which will involve substantial

carrying costs if the GST is deferred. Further delay in the passage of the Goods and Services Tax will cause serious dislocation in the automotive market and has serious negative implications for my business, and for my employees.

I urge you to allow immediate passage of the Goods and Services Tax.

Yours sincerely,

John T. Clark,
PRESIDENT

That is what one New Brunsick man is telling us, telling Jean Chrétien and telling you people. He is one of several hundred thousand people in Canada who are facing the same problem due to the uncertainty you are maintaining. I thought I would read that as my kick-off.

[*Translation*]

Senator Simard: At this time, I would like to say a few words about my colleague, Senator Claude Castonguay. Better than anyone else in this House, given his parliamentary career, his business experience and his prestigious standing in Quebec, he has shown his commitment and the serious thought given to this issue. Better than anyone else in this House, he is able to see the positive side of Bill C-62 and to support the amendment before us. Thank you, Senator Castonguay.

Therefore, I won't have to go on at length about the potential impact of this amendment. I will, however, refer to it on occasion. At this stage in the debate, and it's important to do so at the close of the period reserved for amendments, I would like to share with you some of my impressions. I would just like to describe a few incidents and make a few comments about the actions of those opposite and other statements that were made in this Chamber, either by the independents or by other persons.

As far as the amendment is concerned, I think that if we had a lot of time, if the purpose was clear on this side of the Chamber and if it responded to a need oft-expressed by Canadians, namely that this bill be in effect by January 1, I imagine we could ask the Speaker of this House to rule on the relevancy of this amendment. Clearly, this would take many days and time is a luxury we don't have. Even if this amendment was found to be relevant, and since we don't have time to get the Speaker's opinion, I think it's a bad amendment. It's an incomplete amendment. It was drafted not for the serious reasons claimed, but rather for partisan and political purposes. It's a smokescreen, but let's not talk about that, since the 112 senators in this Chamber all want, to varying degrees, to reduce the deficit.

Apparently, the Liberals are a little less anxious to do so. That's obvious because each time a measure is announced in this House to bring down the deficit, our friends opposite have criticized it, voted against it, dismissed it, and even travelled across Canada to share their feelings with Canadians. In the National Finance Committee, none other than Senator Marsden and her other colleagues seized every opportunity to pity the lot . . .

Hon. Jacques Hébert: We were defending women and the poor!

Senator Simard: They agreed with the presentations of witnesses who invariably asked for more money for one sector or another. That's one thing we're going to have to consider after the Christmas break, when the committees will be reconstituted and when the majority will have taken its place so that, in light of the debate today and the spirit of the amendment, we can truly get down to the job of attacking the deficit and supporting the government instead of—as the National Finance Committee and its Liberal majority have done for the past six years—seizing every opportunity to spend more money. I think we are going to want to do the reverse, but we'll come to that later.

The amendment is somewhat similar to California's Proposition 13, and to the U.S. federal Graham Rothman Act, in that in both instances, these measures were introduced to control expenditures, revenues and the deficit.

To my knowledge, it has not been really successful, even in California, and even less so at the federal level.

• (2100)

[*English*]

I think, as Senator Castonguay told us this afternoon, any measure that imposes tax and expenditure limits introduces great inflexibility in governmental fiscal decisions and prevents rational consideration of revenue and expenditure options. Budgetary procedures can be improved without imposing arbitrary limits on tax and expenditure policies. I think our government has demonstrated great competence. Senator Everett agreed with me twice today, first this afternoon and then in answer to a question from Senator van Roggen, when he said that, yes, the government has done a fair job by limiting its growth to around 3.6 per cent since 1984. Of course, we are going to have to do more, and we can do more.

Let us hope that once this debate is over, we will have new converts—true converts—to the fight against the deficit. I am trying to enlist the support of Senator Perrault and Senator Frith, and of all those who will speak in this debate before Christmas comes. I hope you will tell the world that you are now converted to the fight against the deficit.

What Senator Lawson is trying to tell us, here on November 28, is that we should be flying by the seat of our pants in the legislature here, without having done any serious work on the implications of such an amendment. You cannot be serious, Senator Lawson. Let us take the time to do it. Let us agree that a better job has to be done and let us do it right. I do not think that we could do it in one piece of legislation. I think that we will have to do it using all the fiscal legislation. What is the use of applying the surplus revenue that will come in from Bill C-62 when other legislation will be boosting tax rates and the money thus received will be spent on programs? You have to think things through, Senator Lawson. Perhaps, after

Christmas, you and I, in a more peaceful atmosphere, could do a better job. That is what I have to say on the amendment.

We do not want to lose the support of the Independents. I think we know who our friends are and I think the nation will be grateful to the three senators who have almost consistently indicated that they will support this legislation. To those independent senators, I say thank you on behalf of Canadians. To you, Senator Lawson, and to you, Senator Waters, I say that I hope that, in the next few hours—

Senator Frith: The amendment will carry?

Senator Simard: —once we have had a good, orderly debate on third reading, after the amendments are behind us, perhaps you will see the light, too—

Senator Frith: Don't hold your breath!

Senator Simard: —and support this legislation. As Senator Castonguay said this afternoon, now that the rights of the minorities have been protected, let us make sure that the rights of the majority—the rights of Canadians through the majority in the Senate—will be upheld so that this legislation will pass.

When I rose earlier, I said it was with some trepidation. Senator Robertson will remember the first words I used in my first speech in the legislature of New Brunswick some 20 years ago when I was tabling my first budget. I also said that I rose with great trepidation. Of course today it is for different reasons. I know it is late, and I know I will not be popular rising at 9:00 or 9:30 when senators have made other plans, but who said it was easy to be in politics? Who said you could be popular all the time? After all, this piece of legislation is not very popular. Why should I be more popular than the tax? I am going to finish the job.

An Hon. Senator: Resign!

Senator Fairbairn: And repent!

Senator Simard: Perhaps one should ask why we are at 14 per cent in the polls. I have the answer to that, Senator MacEachen. We used some courage and introduced the GST legislation. Unlike you and Jean Chrétien before you and Marc Lalonde after you, we did not merely talk about reforming consumer taxation. We reformed the taxation system.

Senator Perrault: You decided to sock it to the taxpayers!

Senator Simard: We are doing it and we are explaining it. It is not popular. It says that much in the book I have on Jean Chrétien here. However, we will come back to that some time.

Some Hon. Senators: Oh, oh!

Senator Simard: You may ask why, but I do not have to ask myself too many questions as to why we are only at 14 per cent. It is because the Prime Minister and his government assumed leadership, both in the fields of constitutional reform and taxation reform. Yes, some votes have temporarily gone to the Bloc Québecois and the Reform Party of Canada. Some may even have gone to the NDP, as usually happens between elections, but there will come a time when people will see that this party is the only party that has the courage to stand up and fight for the rights of Canadians and fight for things that are unpopular.

Some Hon. Senators: Hear, hear!

Senator Simard: Don't start celebrating yet! I don't think Jean Chrétien should hire his moving van yet!

Senator Perrault: Why didn't you run against him?

• (2110)

Senator Simard: Honourable senators, there is another question that has to be answered, not so much by us but by the Liberals, including Liberal senators.

Senator Perrault: Why doesn't the Prime Minister resign?

Senator Simard: Why has the popularity of their leader gone down by over 20 per cent in the polls since June when the leadership convention was held? They have not made one decision. The Liberals have been skating around unable to condone the action of Liberal senators.

Senator Perrault: Are you speaking to the bill?

Senator Simard: Mr. Chrétien refused to predict what his budget speech will be in 1993 and refused to say anything against this tax. But then, in the next week, we hear him saying, "We will axe the tax."

Senator Perrault: No such thing. Don't distort the record.

Senator Simard: Honourable senators, in the past when new leaders of national parties are selected they usually enjoy a 6-or 9-month honeymoon, but that is not the case with their leader.

Senator Perrault: You are totally irrelevant.

Senator Simard: I just wanted to give you some food for thought.

Naturally, honourable senators, I will vote against this amendment.

Senator Perrault: Surprise!

Some Hon. Senators: Oh, Oh!

Senator Perrault: We have been awaiting your decision.

Senator Simard: At least, in Senator Everett there is one person on the other side that thinks things through. I will vote against this amendment, but once this debate is over I will introduce a personal resolution in this house which I hope will find the support of all members of this house. I will pray that the government will continue to consider that the additional revenues to the government as a result of the passage of Bill C-62 shall be applied to the deficit.

Senator Stewart: So you really doubt it.

Senator Simard: No. I am hoping that you people will, for once, be serious and join with us and with the Independents in expressing this desire—a desire that has been expressed by many Canadians who have expressed their dislike for the tax. If they knew that any additional revenue would reduce the deficit they might be supportive of it. I will test you.

Honourable senators, we can accept the word of the Prime Minister. His word is good. We will give him extra encouragement to use the additional revenue to reduce the deficit. I hope you people do not change your minds.

Honourable senators, I could go on and give you a course in history as Senator Fairbairn did last night. Of course, I am referring to the future deputy leader, Senator Fairbairn. She gave us all the details of the process that led to Senator Waters coming to this house. She had her own conclusions. She had it all figured out. Senator Waters was not present but the record of the house will show that Senator Fairbairn is the best promoter he has in this house, if not the only one.

Some Hon. Senators: Hear, hear!

Senator Simard: She said she pleaded with Senator Murray to persuade the Prime Minister to appoint him.

Senator Thériault: Will he follow Maggie?

Senator Simard: I am sure Senator Waters can stand up and tell us what the Reform Party will do. He has talked about the deficit and the need to control it, but he has not told us anything which would indicate whether he agrees or disagrees with the official stand of his party which is to cut all social programs by 15 per cent across the board. Senator Waters failed the test last night.

Senator Perrault: Are you going to pelt him with marshmallows?

Senator Simard: I have heard some people say that we have to be careful with Independents. I am not terribly concerned about these two senators because we know that they have been siding with the Liberals from day one and that they will until doomsday. I do not have to be too careful in what I say about Senator Lawson.

I travelled with my colleague, Senator Buckwold, from coast to coast.

Senator Buckwold: How could you do that?

Senator Simard: We heard from the NDP-inspired group and we probably heard from Senator Lawson's unions too. The memberships of those unions were not concerned about deficit control; they kept asking—like most union groups in Canada do—for more money, more exemptions and lower taxes. How come Senator Lawson's tune is so different? Is he also a new convert to the concept of controlling the deficit? Perhaps he would like to elaborate on his tax reforms.

Honourable senators, I have here a document which I will table in order to save time. This document indicates that, as a result of the measures introduced to income tax legislation, in 1988 people earning less than $15,000 paid 61.9 per cent less income tax than they paid in 1987. Those in the $15,000-to $30,000-range paid 12.8 per cent less in 1988 than in 1987. It also shows that those in the $30,000-to $50,000-bracket paid 4.3 less in 1988 than in 1987. We hear mention of "progressivity" and this is what these figures indicate. We have a progressive taxation system and now, with Bill C-62, we are making our taxation system even more progressive.

Senator Frith: Boo!

Senator Simard: In the $50,000-to $100,000-range—and possibly a number of us are in that group—16.2 per cent more was paid in 1988 than in 1987. This is what progressivity in taxation is all about.

Senator MacEachen: Where is Kelly?

Senator Frith: We want Kelly.

Senator Simard: Those earning $100,000 or more paid 21.9 per cent more in 1988 as compared to 1987.

Honourable senators, we have no lesson to learn from Senator MacEachen. We know that he is devastated because he has lost his majority.

Senator Frith: We have had enough of Simard, let's have Kelly.

Senator Simard: Senator MacEachen is no longer the Minister of Finance and he is no longer in a position to influence the government. We know he is devastated, but there is nothing he can do about it. He will have to bide his time and possibly make other plans.

Honourable senators, when it comes to progressivity in taxation, we have progressive taxation. Senator Claude Castonguay, you don't have to take a lesson from Professor MacEachen like he tried to lecture you this afternoon.

• (2120)

Senator Frith: You find that reassuring, senator.

Senator Simard: Because we know what you did in Quebec. As we know what he did in Ottawa, and I am telling you, Senator Castonguay, I will take your record ten times over. So let's get on with third reading. Let's get on with an orderly debate. Put an end to this filibustering so that John Clark, the Liberal organizer, Liberal backbencher from New Brunswick, who employs 160 people in his car dealership in New Brunswick, can get on and sell cars, make money and pay taxes. This is what the John Clarks of the world are asking, Senator MacEachen. So, please get on with it.

Some Hon. Senators: Hear, hear.

Senator Frith: Take it easy. Don't oversell. Senator Tarzan has spoken. We have Senator Tarzan here now, an answer to Michael Heseltine.

Senator Simard: That is what people say. Take care.

Senator Austin: Honourable senators, I hate to break into the enthusiasm which followed Senator Simard's speech.

Some Hon. Senators: Hear, hear.

Senator Austin: I think a good deal of the enthusiasm on our side was for his sitting down rather than the words he used.

Senator Frith: You got the right part. We were applauding anyway.

Senator Austin: I have only a few words which I hope will be orderly, civil and cogent in winding up the debate on this side.

First of all, I do join with Senator Simard on one thing, and that is a welcome to our former colleague, Senator McElman.

Hon. Senators: Hear, hear.

Senator Austin: And also to Mrs. McElman.

Hon. Senators: Hear, hear.

Senator Austin: For those senators who were appointed to this chamber, or elevated to this chamber after Senator McElman's retirement, I want to say that they missed the wisdom, stability and support of a colleague who was available to all members of the house. He was one of our finest colleagues and his retirement saddened our side of the house, and I think all parts of the house.

Some Hon. Senators: Hear, hear.

Senator Austin: It is good to see him well. I am sure that he is following this debate.

Senator Hastings: He is sorry he left. He sees Maurice here.

Senator Austin: I certainly imagined that if Senator McElman was on the floor with us, Senator Simard would have received a quiet softening of words and direction, but I don't want to say to Senator Simard that I don't enjoy his enthusiasm and the energy he brings to our debate. That part of it I enjoy.

Senator Simard: May I interject?

You referred to the possibility of Senator McElman being on the floor of this house with us when I spoke earlier.

Senator Austin: I said I wish he were here.

Senator Simard: I can tell you, senator, that if Senator McElman had been here two months ago, in that period from September 25 throughout October and November, he would not have put up with you people. He respected this house much too much to have allowed allow you to participate like you did and make a mockery of this house.

Senator Frith: He respected the rules which you don't.

Senator Austin: Charlie, I told you you should not have left.

Honourable senators, we are indebted to Senator Lawson for the amendment which is before us. We are indebted in a number of ways. Specifically, I would say to you, Senator Lawson, that you have given this chamber the opportunity to debate the question of the deficit, and we have heard some very valuable debate as a result of the submission you put before us.

I particularly found useful and helpful the comments which were made by Senator Everett, specifically on the question of the deficit. Senator Everett takes a logical view and one which reflects good, solid economic training. The problem, however, is that in one real sense the comments made by Senator Everett missed the point, and the sense is not so much in the economic dimension but in the question of the Canadian Polity, the impact of economic suggestion on the community, and I am sure that Senator Everett recognizes that this is the case.

Honourable senators, we cannot run our economy in a theoretical way and we cannot run our economy in a way which is not one which is understood and accepted by the Canadian people. I would say to you, Senator Everett, that the government has failed in one of its principal missions, and that is to be candid with the Canadian people as to the nature of the economic problems which Canada is facing. I say—and I have said this previously on Bill C-62—that this failure by the government to make known the economic problems with which it is dealing and to explain its full purposes and intentions to the Canadian people have given rise to a very serious and fundamental want of credibility on the part of the government. That want of credibility runs through all proposals made by the government. It runs directly to the standing of the government in the polls and to the rejection of the Prime Minister.

I can tell you, Senator Everett, in British Columbia the Prime Minister stands with 8 per cent approval in the polls, 8 per cent in the *Environics, CTV, Toronto Star* polls, published earlier this week. How can a government hope to give the lead to the Canadian people in problems as serious as our deficit, if it wants credibility, and why does it want credibility? Because it has lacked candour, openness and integrity in explaining the problems of Canada to the Canadian people and trusting the Canadian people to be persuaded by the reality of problems. What this government wants to do, as it did with Meech Lake, as it did with free trade, is bulldoze to a conclusion. Let's have it done. Let's have it done quickly, and before anyone knows the dimensions of the issue.

Will any of us forget the very famous secret memorandum that the government had with respect to the free trade arrangement, which appeared in the press and which could not be denied by the government, which basically said that we should not debate the real issues of free trade because the people of Canada will become alarmed; we must govern not in fairness, openness and candour with the people of Canada, but secretly, behind their backs, telling them as little as possible about the public issues of today so that we can get these remedies imposed on the Canadian people.

Well, honourable senators, these are not the standards of government which are acceptable to the Canadian people, and the standing of the government in the polls demonstrates that that is the case.

On that basis, Senator Everett, if indeed you are backing the GST—you have been careful not to go the full distance—I think you are backing a measure on the same terms if you support this GST as this government is putting it to the people. It is pulling a bag over the heads of Canadians as to what is really going on. At least you have put on the record—and this is to your credit—the serious problem that relates to the deficit and foreign borrowings to deal with the deficit, which is now up to 28 per cent of our total foreign debt and rising. This becomes a serious obligation on the Canadian economy. But I suggest to you, Senator Everett, that this bill by the government is not the way to deal with the problem. It fails entirely on process, as did Meech Lake and, in my opinion, free trade.

● (2130)

Senator Castonguay put the weight of his argument with respect to the GST entirely on the creditability of the Prime Minister and his undertaking that if there were a surplus it

would either reduce the rate of the GST or go to pay down the deficit.

I do not know, Senator Castonguay, whether you were in Edmonton when the Prime Minister was there in November. I was not there, but I have to rely on an editorial that appeared in *The Edmonton Journal* the next day. You referred to the Prime Minister's speech on November 14. I propose reading an editorial that appeared in *the Edmonton Journal* on November 15, 1990. I shall quote it extensively because of your remark and the significance of your conviction in the total argument that you gave us. The editorial is headed "Mulroney taxes logic," and it states:

> It's commendable that the prime minister intends to pay down the deficit, should there be any windfall revenue from the goods and services tax. Cutting Canada's enormous debt down to size is perhaps the only good reason to introduce a broadly-based consumption tax.
>
> Finance Minister Michael Wilson long ago dropped the pretence that the GST is part of "revenue neutral" tax reform, that it is in fact an important tool in deficit reduction.
>
> Now Prime Minister Brian Mulroney is reinforcing that point.
>
> Or is he?
>
> In speeches in Edmonton, and on an open-line radio show on Wednesday, Mulroney gave contradictory and confusing answers—perhaps showing once again why his credibility is in question.
>
> He repeated that the GST wouldn't cost Albertans a nickel more than existing sales taxes do. That implies that the tax is revenue neutral. He said the GST would be used to pay down the deficit if—and only if—it brought in more money than the current federal tax.
>
> But if the GST won't bring in any more money, why would it even be remotely possible that it could be used to pay off the debt? Why would Mulroney falsely raise Canadians' expectations, by saying a GST windfall might also be used to reduce the rate of the consumption tax?
>
> Either it's revenue neutral or it's not. Is Wilson right, or is Mulroney? We'll find out once the tax is paid. Yet the prime minister is trying to get political capital out of both scenarios. Is it any wonder Canadians tend to disbelieve him?
>
> When the GST was introduced, it stood at nine per cent. It was then cut to seven per cent, and Wilson warned that Canadians would have to pay somehow to make up for "lost" revenue of the tax cut.
>
> But now, Mulroney says a seven per cent GST is revenue neutral. Did Ottawa miraculously find the "lost" revenue of the nine per cent tax somewhere else?
>
> And it is irresponsible of Mulroney to talk about deficit reduction and a cut in the GST rate in the same breath.
>
> The debt is so huge that it would take a big jump in the GST to start paying off the accumulated deficit of governments past. There is no way that a "modest or even large windfall" can both pay off the debt and lead to a reduced rate. Mulroney, of course, doesn't say he'll do both. He says he'll do either of these things if there's more money.
>
> We should know which course he will choose. The two goals are not complementary.
>
> And Canadians should remember the experience of other countries: everywhere else, similar taxes have risen, not fallen. In some countries, there is a progressive sales tax: low on staples, high on luxury goods.
>
> If Mulroney wants to be credible in using the GST to cut the deficit, let him do it in legislation. Let him establish a special deficit reduction tax, to be levied for a specified number of years, and lifted when the debt is down to manageable size.
>
> Without that, his pronouncements amount to clever words games that can be read any number of ways.

I read the whole article, honourable senators, to show the reaction of an important newspaper, which rarely supports the Liberal side, to the Prime Minister's credibility. I read that particularly because Senator Castonguay said that the Prime Minister could be trusted when he gives an undertaking to reduce the deficit with the windfall; and to you, Senator Everett, when you say that the Prime Minister can be trusted when he says two completely contradictory things about his intentions and Mr. Wilson says a third.

I do not think the undertakings of either the Prime Minister or Mr. Wilson are credible in Canada today. Senator Lawson is making a valid amendment when he asks that the legislation be changed so that the earnestness of the government with respect to the deficit and any windfall be demonstrated. It is for the government to demonstrate that earnestness.

But if the government defeats the amendment, Senator Lawson, they are simply equivocating in the same way that the Prime Minister did before. That is all the defeat of the amendment will demonstrate, namely, that equivocation.

Honourable Senators, I will not keep you long, although I could. I have a great deal of material and there is a lot that I would like to say about the GST, but I will refrain until we come to the third reading debate, when I hope to have an opportunity to address the chamber.

There is one point made by Senator Castonguay that I find amazing from a man who has had considerable legislative experience. Senator Castonguay spoke of senators having an obligation to vote. Indeed, at some time a vote is part of our legislative process. But what is this obligation to vote that Senator Castonguay is talking about? Voting is not our primary purpose as legislators. It is our role to consider matters of public importance and in so doing to assist the public in understanding the nature of those matters of public importance. But our real role as legislators is to inform the public. We do that by debate. At times we do that by debate at length so that the public will know what issues are at stake and who

the winners and losers are in the legislation imposed on the country.

Honourable senators on both sides of the house will accept the fact that this is one of the most technical, complex and difficult to understand pieces of legislation that has ever been before this legislative chamber and the other place. I cannot imagine the hurry if we are dealing thoughtfully with this type of legislation. I cannot imagine the hurry when we are taking a tax of about $20 billion additional dollars from the pockets of the Canadian people.

Senator Perrault: That is right. Do not rush it through!

Senator Austin: I cannot understand why the government has done such a poor job of explaining to the Canadian people what the role of this tax is, what its purpose is and what its impact is.

I end up where I began, honourable senators. Governing is not the business of economics or economists. Of course economics is significant, but governing is the art of social relations. Government is holding this country together and maintaining the optimism of people in the future of this country. Slamming the brakes on the economy, which this bill does, will diminish and in many cases destroy the optimism of many Canadians.

Honourable senators, there are some Canadians who are concerned about the deficit and would like to see it worked down in the immediate future. If there is a surplus, then, yes, by all means let it go to reduce the deficit.

• (2140)

I will support the amendment but I will not support the legislation; and I will speak about my failure to support the legislation at a later time.

Hon. Edward M. Lawson: If I might have a few minutes, I would like to make a couple of corrections and provide clarification for the benefit of Senator Everett who raised the issue, as did Senator Castonguay, about whether this was a proper amendment to be before us. I think that has been answered. It would be highly improper to have a six-hour debate on a motion that was not properly before us. If it were not properly before us, there would have been a point of order and challenges, and so on. Therefore, it goes without saying that it is a proper amendment.

I want to draw to the attention of Senator Everett that when Senator Waters and I had all these negotiations with representatives of the government, they assured us that when the eight original amendments were put forward by the Liberals, that we as Independents did have the right to make sub-amendments. I can only assume that it flows from that that you, senator, would have the right to propose a sub-amendment to my amendment. If the threshold troubles you, if you would rather have the word "deficit" instead of "debt," or some combination thereof, I welcome you to jump on board and make a sub-amendment. I have no problem with that. You are welcome to do that.

The other point is that you made reference to what I had to say about business and write-offs and taxation, and so on, and you somehow took me off to 98 per cent, as they do in England. I said no such thing. I was talking about fairness and I was talking about these hundred and some thousand corporations who made billions of dollars and paid no tax. I am not talking about 98 per cent or 58 per cent; I am talking about something fair, 20 per cent, similar to what happens in the United States. It would be fair and it would be competitive. The others who paid a total of 17.7 per cent should pay 20 per cent. I am talking about something fair and reasonable, not a hundred and some thousand corporations making billions of dollars and escaping without paying any tax whatsoever.

Senator Castonguay spoke about the reference to the Gramm-Rudman legislation which mandates these kinds of cuts, and suggested it was inefficient. On the contrary, as we witnessed each year with Gramm-Rudman, it is very efficient and very effective. To suggest that it is inefficient is to suggest that democracy is inefficient.

I do not think this is so complex. It is a simple amendment. It has simple directions as to what is to be achieved. If Senator Simard is concerned that we need more time to work this thing out, he should have voted for Senator Waters' amendment yesterday. He had all year to deal with it.

The only other correction I wish to make, because I know we are in the final hour, is that Senator Perrault raised the issue of what is happening along the border with the threat of competition from the United States. It is true. I live very close to the border and there is a multi-million dollar shopping centre created with all the advertising aimed into British Columbia, looking for British Columbia business. However, in my little community of Mount Lehmen, Clearbrook, which is a strongly religious community, we have resisted Sunday shopping for years. We have not allowed it. But just recently for the first time they approved Sunday shopping, and the consensus was that the reason for this was the threat of competition from the United States and the fear and uncertainty as to what the GST would do to them. So not only are we changing the way we do business, we are changing the way we live, our way of life in that community.

The final point I want to make is directed to Senator Simard, who made an incorrect statement when he said that we were committed to support the liberals originally until doomsday. In the years before Senator Simard was here—I have been here 20 years—on those rare occasions when the Conservatives were in a correct position, I voted with them. It did not happen very often, but that is your fault. The only other thing I wanted to say is that Senator Simard was looking at me when he asked rhetorically why we are at 14 per cent. The only explanation I can offer is that 12 per cent is already taken by the Reform Party and 13 per cent is being saved for you if you pass the GST.

MOTION IN AMENDMENT—DIVISION DEFERRED

The Hon. the Speaker: Honourable senators', it has been moved by Senator Edward M. Lawson, seconded by Senator Stan Waters:

That Bill C-62 be not now read a third time but that it be amended to require that the excess revenues derived from the goods and services tax be applied to reduce the public debt of Canada, by adding on page 278, immediately after line 27, the following new clause and renumbering the subsequent clauses of the Bill accordingly:

Application of excess revenues

"18. Beginning with the fiscal year that ends on March 31, 1992, such of the revenues derived under Part IX of the Excise Tax Act in each fiscal year as exceed 21 thousand million dollars shall be applied forthwith to the purchase for cancellation of securities of Canada within the meaning of the Financial Administration Act."

Is it your pleasure, honourable senators, to adopt the motion in amendment?

Some Hon. Senators: Yea.

Some Hon. Senators: Nay.

The Hon. the Speaker: Will those honourable senators in favour of the motion please say "Yea"?

Some Hon. Senators: Yea.

The Hon. the Speaker: Will those honourable senators who are against the motion please say "Nay"?

Some Hon. Senators: Nay.

The Hon. the Speaker: In my opinion the "Nays" have it.

And two honourable senators having risen:

The Hon. William J. Petten: Honourable senators, pursuant to Provincial Rule P-3(a), I request that the division be deferred until 5:45 o'clock p.m. on the next sitting day.

The Hon. the Speaker: Is it agreed?

Hon. Senators: Agreed.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Thursday, November 29, 1990

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

BUSINESS OF THE SENATE

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I understand that the leadership has had a discussion about the procedure today respecting the order paper. In order to facilitate the schedule of Senator Murray, I understand there is an agreement to stand the Presentation of Petitions for now and to proceed to Question Period. Following Question Period at approximately 3:15 or thereabouts we will revert to presentation of petitions. I believe that is the general agreement.

Hon. Royce Frith (Deputy Leader of the Opposition): Yes, honourable senators, it is. We have discussed that. However, there is one blip—and I do not mean that in any pejorative sense. Senator Haidasz asked me earlier whether there would be an occasion for him to raise a question of privilege. I told him that normally that would be done at the beginning of the sitting. Since then I have had discussions about proceeding with Question Period first in order to accommodate the schedule of the Leader of the Government in the Senate, after which we will proceed to Presentation of Petitions.

That is the only slight variation and I think we should proceed as agreed. Senator Haidasz has agreed that he will then raise the question he wants to raise at the end of Question Period and before Presentation of Petitions.

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

Hon. Senators: Agreed.

QUESTION PERIOD

PERSIAN GULF CRISIS

UNITED NATIONS SECURITY COUNCIL RESOLUTION—PRESENTATION IN SENATE

Hon. Allan J. MacEachen (Leader of the Opposition): Honourable senators, I wish to ask Senator Murray whether he has given any consideration to presenting to the Senate the resolution on the Gulf crisis which was debated in the House of Commons yesterday. That would give us an opportunity to express our views and reach a conclusion in this body on that resolution.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I must confess that I had not given consideration to that due to the fact that we had an interesting and constructive debate on the Gulf crisis in this place last week. I have no objection in principle to bringing the resolution here, provided that some arrangement could be made among the house leaders to do so without distracting us from our agenda.

Senator MacEachen: Honourable senators, I am thankful to the Leader of the Government for his positive reply. I think that arrangements could be made, if not for a distracting debate, for a diverting one, which may be required before we are finished the present menu.

GOODS AND SERVICES TAX

ESTIMATE OF REVENUE GAINS—REQUEST FOR INFORMATION

Hon. Allan J. MacEachen (Leader of the Opposition): While I have the floor, I have one other question related to an item about which I have inquired several times. Inasmuch as this may be the last Question Period we have for some days, may I jog the leader's memory once more about my request for information on the revenue gain to the government from various sectors of the economy arising as a result of the goods and services tax.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): What I have, honourable senators—and I trust it is being prepared in the form of a delayed answer—is a projected GST base for 1991, and in it there are various categories. The honourable senator, or someone, would have to multiply each of these figures by .07 to achieve the answer he is looking for. I am sure this will pose no difficulty for him.

Senator MacEachen: I will ask Senator Kelly to do that.

Senator Murray: The information that I have received does not address itself to what the revenue loss would be had we passed this or that amendment. However, in relation to the category of books, periodicals and newspapers, it does show the projected expenditure by Canadians. Therefore, simple multiplication by the 7 per cent rate would give you the anticipated revenue.

Hon. Paul Lucier: Honourable senators, will that also include heating oil and electrical costs?

Senator Murray: I hope to have the document here for Senator Doody to table later this afternoon. There is what appeared to me to be quite a comprehensive listing of categories. I am not sure in what category heating oil would be, but it

should not be too difficult to identify the projected revenues from various sectors. In any case, the document should be here later this afternoon.

CITIZENS' FORUM

APPOINTMENT OF REPLACEMENT MEMBER

Hon. Paul Lucier: Honourable senators, I should like to ask a question of the Leader of the Government. The Citizens' Forum has been short one member for some time now. Have their been any discussions concerning the appointment of a replacement for the person who left the forum? If so, does the Leader of the Government have any idea when that appointment will be made?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I regret to say that I have no information on that matter today. I do not expect that the appointment of a replacement for Madame Paquet-Sevigny will be long delayed.

GENERAL AGREEMENT ON TARIFFS AND TRADE

DELAY OF NEGOTIATIONS—EFFECT ON AGRICULTURAL SUBSIDIES

Hon. H.A. Olson: Honourable senators, I should like to ask the Leader of the Government a question supplementary to a series of questions asked over the last few days dealing with the GATT negotiations that are to take place in Brussels in a week's time.

A report was released yesterday indicating that the United States might let those trade negotiations drag on past December 7. Has Canada been apprised of this attitude by the United States? I understand that several hundred Canadians are going to Brussels this weekend to participate in the discussions. Until this announcement was made it appeared that the United States was not going to budge on agriculture subsidies, which would have jeopardized the whole discussion.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I am not aware that the United States has advised us of a change in its position. What drives the United States in terms of deadlines—and I do not have the date in my head—is the date by which the so-called fast track authority expires in the United States Congress. I am not aware that the United States has changed its position.

I have seen—as I am sure has the honourable senator—media reports within the last 24 hours indicating that there is some possible softening of the European Community's position with regard to agriculture. If that is true, it is a hopeful sign. The situation is subject to change without notice. It is a dynamic that I suppose has to be followed not just from day to day but from hour to hour. Mr. Crosbie is out of the country. It is difficult for me to bring up-to-the-minute reports into the Senate on the progress of the negotiations. Honourable senators are apt to be as well informed by following the media as they are by asking questions.

Senator Olson: I hope that is not so, because on November 28, 1990 Mr. Yeutter said:

> . . . ministers might hold "one final relatively short meeting". . .

Do we not know in advance that there will be some meaningful discussions? In other words, unless the United States and the Common Market get a little closer together on what the agricultural subsidies will be, it is all over. Are we not aware of that?

• (1410)

Senator Murray: Honourable senators, staying home was never an option for Canada.

Senator Olson: I was not asking whether you were going to stay home; I was asking if you could give us some information so that the people who are going to be vitally affected by this can know what the Canadian government is doing. I hope it is not what the minister said a few minutes ago, which is that the government just simply does not know. Surely that is not the right answer.

Senator Murray: Honourable senators, the Leader of the Government in the Senate is not as well informed on the matter as the Minister of International Trade, who was there, or at least who is on his way there. This is a very complex negotiation, as the honourable senator knows. I am not in touch with developments from hour to hour, sometimes not even from day to day. I will do my best to obtain information on the progress of the negotiations as it becomes available to me and as I can report officially on behalf of the government. However, it does not do for me to speculate. Our delegation is going to Geneva for the meetings which begin, I believe, on December 3.

Senator Olson: I believe it is in Brussels.

Senator Murray: They are going to Brussels–

Senator Frith: It would be more effective.

Senator Murray: —for the meetings which begin on December 3. Canada has been taking a leadership role in those negotiations.

The honourable senator will have seen reports this morning of initiatives taken by Mr. Crosbie and the Government of Canada concerning government procurement, trade in services, intellectual property, agriculture, and many of the other complex issues that are on the agenda of the gathering of MTN, the multilateral trade negotiations. As I say, my ability to reply to questions in this house on the negotiations depends very much on obtaining solid reports from Mr. Crosbie and his department. I would not like to indulge in speculation.

Senator Olson: Honourable senators, I accept that. I am also very accutely aware that the minister has better access to getting information than I have, and in many cases than the press has. I make this plea to him: Since there are many people who are vitally interested in what is going on, will he try to

expend a little more effort, if that is what is needed, so that he can answer these questions?

Senator Murray: Honourable senators, we do have a cabinet committee on these matters, and your humble servant is a member of that cabinet committee. However, he does not get to it very often because he is so bogged down in the business of the Senate.

Senator Olson: I never used that excuse.

Senator Frith: Is it not a little more fun here?

AGRICULTURE

REDUCTION IN FARM INCOMES—ENHANCED WESTERN GRAIN STABILIZATION PAYMENTS

Hon. Jack Austin: Honourable senators, I have a supplementary question in the area of farm incomes.

The minister is probably aware, although he does not get to all the cabinet committees he would like to attend, that farm income is dropping disastrously this year and is expected to drop even further next year. According to a consulting firm in agricultural economics, farm incomes in Canada will drop 23 per cent this year; and, next year, as much as another 10 per cent below this year's performance. May I ask the minister whether there will be enhanced payments made to western farmers from the grain stabilization program for 1990 and whether western agriculture has been assured that those payments will be continued through 1991?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, similar questions have been asked by Senator Olson in recent days. I think I neglected to point out the other day that there was a federal-provincial meeting of agricultural ministers on November 14 and 15—

Senator Olson: In Winnipeg.

Senator Murray: —at which all provinces, with the exception of Quebec, were represented.

At that meeting, there were discussions on what I described the other day as the safety net—various programs that might be brought into being in the medium and longer term. The question that Senator Olson raised, and which I believe is alluded to today by Senator Austin, is whether some more short-term assistance is needed. That matter came up at the meeting, and the ministers agreed to meet again in February.

A communique was issued following the November 14 and 15 meeting, and I will quote one relevant paragraph:

> Ministers were briefed on the status of a federal-provincial framework paper on flexibility in payment of funds under the Western Grain Transportation Act and Feed Freight Assistance. Ministers agreed this paper, along with the Transportation Committee report released in August, should assist in reaching decisions in 1991.

Several paragraphs later,

[Senator Olson.]

> In view of the need to maintain momentum of the review,—

that is, the review of the Agri-Food sector—

> —and to assess the situation following the conclusion of the GATT negotiations, Ministers agreed in principle to hold another federal-provincial meeting of Ministers in February, 1991.

Senator Austin: Honourable senators, Senator Murray will know that some very substantial payments have been made to western farmers from the Western Grain Stabilization Fund. For example, in 1987, $1.4 billion was paid; in 1988, $693 million was paid; and, in 1989, $176 million was paid.

What is happening to grain prices is a very effective cyclical decline in the real income of grain farmers in western Canada. Their costs have been rising; their real income is under serious pressure. The government, the Minister of Agriculture and the federal grains minister, may be meeting with prairie counterparts, but the economic situation is a serious one. I might add that a Saskatchewan provincial election is imminent.

TRANSPORT

AVIATION SAFETY—STATEMENT EMANATING FROM DRYDEN INQUIRY—GOVERNMENT POSITION

Hon. Gildas L. Molgat: Honourable senators, my question to the minister is with regard to the current ongoing inquiry called by the federal government with regard to the tragic aircrash at Dryden, Ontario, where some 24 passengers died. The inquiry has been going on for some time, but recently there have been some very alarming statements made at the inquiry on which, it seems to me, we should obtain clarification.

One statement revolves around the question of the deregulation of the air industry. At that time, as was read into the record at the inquiry in 1985, a statement was made by the then minister, Mr. Mazankowski. He said then, and I quote:

• (1420)

> I want to indicate unequivocally that the government will neither propose nor permit any economic regulatory reform that might be detrimental to safety standards.

Yet recently, at the hearings of the inquiry into the Dryden crash, information was given that there was only one inspector in Canada in 1988 who was knowledgeable about the Boeing 747 aircraft. The minister will be aware that the 747 is used by Air Canada in regular service.

Even more alarming than that statement is one in a memo dated January, 1989, sent by a senior staff member of the Air Transport Department to his superiors, which states:

> Air carrier inspection is no longer capable of meeting even minimum requirements necessary to ensure safety. In fact, it is no longer able to assure the minister of the safety of large air carrier commercial services in Canada.

That is a very alarming statement. Every day there are thousands of Canadians who travel on Canadian airlines. Yet,

here is a statement from a senior official from within the department who says that the department is no longer able to ensure meeting even minimum requirements of safety. Will the minister tell us what steps the government proposes to take to correct this very dangerous situation?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, as a frequent flyer myself I understand the honourable senator's concern. However, I do not have in my notes today any information either on the inquiry at Dryden or testimony that has been given related to that inquiry. I will ask my colleague, Mr. Lewis, the Minister of Transport, to comment on the statements that the honourable senator has just read into the record.

Senator Molgat: Could the minister indicate how soon we might get an answer on what is a very serious problem in Canada?

Senator Murray: Honourable senators, I would assume that the minister and the department have taken note of statements of that kind as they have appeared in the media. I would not think that it should take very long for them to give us at least an initial assessment.

PERSIAN GULF CRISIS

CANADIAN FORCES—MONITORING BY CABINET SUBCOMMITTEE

Hon. Jerahmiel S. Grafstein: Honourable senators, I have a question for the Leader of the Government in the Senate respecting the Gulf crisis. I understand earlier the minister committed to having a full debate on this issue of pressing concern to all Canadians. Perhaps I might ask him several questions that have arisen in the last day or so which I think are relevant and pertinent in light of the changing circumstances in the Gulf.

First, has the government established a cabinet subcommittee to oversee the activities of the Canadian forces in the Gulf area, and the necessary support backup that might be required from time to time in order to facilitate their mission?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, among the standing committees of cabinet there is a Cabinet Committee on External Affairs and National Defence. With respect to the Gulf crisis, as respecting so many other matters that arise from time to time, there is, of course, an ad hoc committee of ministers that can be assembled on short notice to deal with matters as they arise and which monitor the situation. That is the case with the Gulf crisis.

● (1430)

APPOINTMENT OF PERMANENT SUBCOMMITTEE—GOVERNMENT POSITION

Hon. Jerahmiel S. Grafstein: I assume that the concern of most Canadians would be that if the resolution were passed by the United Nations today the situation in the Gulf would take on a heightened sense of emergency. Perhaps the government might give some consideration to establishing a permanent Cabinet sub-committee rather than an ad hoc committee that could monitor daily the events in that part of the world and elsewhere. Perhaps the Leader of the Government could discuss that with his cabinet colleagues and respond.

It seems to me that if Canadian forces are now on a mission that involves the loss or impairment of their lives, they are entitled to be confident that on the home front in Canada a committee at the most senior level of government is meeting on a regular basis to ensure that they are properly supported at all times.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I do not see any difference between what I call an ad hoc committee of cabinet and what the honourable senator calls a permanent subcommittee. A group of ministers is kept informed on a daily basis of developments and, more importantly, it meets as required. It can be brought together quickly to deal with situations as they arise and to monitor situations on an ongoing basis. There again, I cannot tell the honourable senator who is on that committee, because I have not been able to attend a single meeting for reasons I referred to earlier.

NATURE OF ALLIED MILITARY COMMAND STRUCTURE—ROLE OF CANADIAN GOVERNMENT

Hon. Jerahmiel S. Grafstein: Could the Leader of the Government give us some insight, at the earliest possible opportunity, on the nature of the military command structure, those to whom the Canadian forces in the Gulf report? What role does the Canadian government have in transmitting instructions to the forces? There was a very well-defined command structure during the Korean crisis. Perhaps the Leader of the Government could inform us of the combined command structure and the manner in which Canadian interests might be articulated through that command structure.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, there have in the past been exchanges on that issue in this house. However, rather than extemporize on the matter today, it would be helpful if I obtained a prepared reply from my colleague, Mr. McKnight, the Minister of National Defence.

IRAQUI ARMAMENTS—NUCLEAR CAPABILITY

Hon. Jerahmiel S. Grafstein: On another issue, again related to the Gulf crisis, the Armed Services Committee of the Senate of the United States several days ago received an intelligence briefing with respect to the state of the atomic or nuclear weapons program in Iraq. Obviously, this is a crucial question of concern to all nations involved in the Gulf crisis. There is some confusion with respect even to the public information available on how far Iraq is from launching an atomic or nuclear weapon. Some press reports have suggested

that Iraq is months away from that capability, while others suggest that it is years away from it.

Obviously, as tensions increase in that area, it will become increasingly relevant to know what will be the aftermath of any final settlement of Iraq's invasion of Kuwait. I think it would be of interest to senators on both sides of the house if a briefing could be made possible, or, failing a briefing, at least a statement on this particular issue. I think it is of concern to all Canadians.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I shall ascertain what information is available and what can properly be made public on that matter at this time.

CANADIAN FORCES—ADEQUACY OF MEDICAL RESOURCES—REPORT OF AUDITOR GENERAL—GOVERNMENT RESPONSE

Hon. Jerahmiel S. Grafstein: Honourable senators, the Auditor General recently made a telling criticism of the state of the armed forces. He said that the Canadian forces were not properly reinforced with medical and other resources in the Gulf area. I believe he indicated that, based on information he had received from the leading officers in the Canadian Forces, medical resources are not adequate in the circumstances.

Could the Leader of the Government advise as to whether this issue has been remedied since the Auditor General made his comments?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, there were exchanges in the House of Commons between Mr. McKnight and Opposition members on the general subject of the Auditor General's report. My recollection is that Mr. McKnight and the responsible officers of the armed forces denied the statements made by the Auditor General. However, for greater certainty I will obtain a report from him and bring it to the Senate at an early date.

LAPRADE FUND

REQUEST FOR UPDATE ON UNANSWERED QUESTIONS

Hon. B. Alasdair Graham: Honourable senators, I apologize to the Leader of the Government for delaying him. I know that he has to leave for another appointment, but in view of the fact that we are establishing some records here, I thought I would raise a question that I had asked some time ago.

I wonder if he would mind if I resurrect the famous LaPrade Fund. If he thumbs through his notes, he may have a reference to it. I first asked a question about it in February of 1987. To refresh the government leader's memory, on that occasion I asked when the fund was established and for what reasons; how much money currently was in the fund; what was the original amount allocated to the fund and what criteria determined that amount; had any sums been spent from the fund and, if so, for which projects and where; was spending for the fund restricted to a particular area of Canada and, if so, what were the boundaries of the area, and how were such boundaries determined; what were the criteria, if any, for the projects eligible for funding; what changes, if any, had been made in the concept and administration of the fund since September of 1984?

Then, on June 21, 1988, I resurrected the question and mentioned that we must be establishing some kind of record here, because it was then 16 months old. I repeated the question and stated:

> I am wondering if there are any deep, dark secrets surrounding the LaPrade Fund; what is the reason that it should take more than 16 months to provide an answer?

Senator Murray responded by saying that he was sure there were no deep, dark secrets surrounding the fund. He said that he would have an inquiry go forward with regard to my question.

Then, on September 13, the question was again raised. I asked whether he could provide us with a reply. I stated:

> If he cannot provide us with a reply in the next day or two, will the Leader of the Government undertake to explain to us the difficulties in finding the answers to these questions?

Senator Murray, of course, responded that if he could find out himself, he certainly would be happy to convey the information to his friend. On September 29, 1988 the question came up again. At that time, Senator Murray said that he did not have any information at that timebut he would certainly be consulting all of his colleagues. Then, on September 30, 1988, he said:

• (1440)

> Honourable senators, I regret that Senator Graham is not here. With regard to his question on the LaPrade Fund, I can only say that the situation is as I suspected and indicated it was yesterday. The response to his question is still being processed. There had been a response produced and sent to Mr. de Cotret's office, but some inconsistencies were found in the reply, and I understand that Treasury Board is retracing the documents to correct these matters. As soon as this is done the reply will be provided in full.

And so on, and so on, and so on.

Could Senator Murray go back to the department or departments concerned and determine where those answers have gone? According to parliamentary process, in terms of questions on the Order of Paper, I understand that they died with the termination of that Parliament. Can he today provide any valid explanation of why there has been such a long delay?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): No, I cannot, honourable senators, except to observe that since the time of those exchanges in the Senate there have been several changes of ministers at the Treasury Board, the Department of Industry, Science and Technology and perhaps other relevant departments. That may be one factor in holding up this work.

I will make further inquiries and see if we can, even at this late date, satisfy Senator Graham's curiousity regarding this fund.

In fairness and for the record, I should like to point out that since September 25 we have tabled in this place 51 delayed answers. That is something of a record in such a short time. Honourable senators continue to ask questions and we have 50 questions still outstanding. My friend, the Deputy Leader of the Government, is about to table 10 or 11 delayed answers this afternoon.

We are working very diligently to reply to questions that are placed on the record by honourable senators. This is in addition to the fund of information that I am able to provide orally.

Senator Graham: I understand Senator Murray's problem, and it may not be with him or his staff.

Senator Corbin: They're all working on the GST.

Senator Graham: They may be out collecting petitions. Perhaps Mr. MacDougall is out there now collecting more names for petitions.

Senator Molgat: He is in the gallery, so he cannot be gathering petitions.

Senator Graham: It might be useful if some research could be done for Senator Murray. However, in seeking the answer, he should know that the Auditor General was rather interested in the LaPrade Fund. In his annual report, on page 81 with respect to the Department of Industry, Science and Technology, he observed that there were several instances where initial departmental analysis with respect to the Laprade Fund indicated that projects did not meet basic program eligibility criteria and that these projects were later approved. He also observed that there were cases where the level of financial support given to a project was more than departmental analysis identified as the amount necessary for the project to proceed, and that little or no documented rationale was available to explain these decisions.

I hope that Senator Murray will take this into account in providing senators and the canadian public with a full explanation on these long-delayed questions.

Senator Murray: Honourable senators, my friend quotes from the criticism of the Auditor General that little or no documentation was available in some instances. This may be a partial explanation of our difficulty in obtaining a reply for the honourable senator. If the Auditor General cannot obtain the information, it is little wonder that I have not been able to obtain it. However, I will do my best.

INDIAN AFFAIRS

OKA INQUIRY—COMMITMENT TO HOLD PUBLIC HEARINGS

Hon. Len Marchand: Honourable senators, I should like to thank the Leader of the Government in the Senate for any part he played in the Aboriginal Affairs Committee of the other place agreeing to hold public hearings on the Oka situation. The decision has been announced in the paper today. I think it is a good decision and I am pleased to see that a comprehensive inquiry is going to be undertaken.

HEALTH

THE SENATE—ANTI-SMOKING REGULATIONS—GOVERNMENT POLICY

Hon. Len Marchand: I am somewhat reluctant to raise my next question, but I raise it partly from self-preservation. I should like to ask the Leader of the Senate about the smoking policy in this place and in government buildings. Does this policy apply to the Senate, or do we have special dispensations for rules in the Senate?

I have gone into the Reading Room on a number of occasions and have seen a number of senators smoking. Is that room specially designated for smoking? If one goes to the Victoria Building and other places the policy is not being obeyed. I happen to think that the no-smoking policy in government buildings, which the government brought in, is a good one. However, is the policy no longer being enforced or implemented? If it is still in place, then senators should set an example. We should be the first ones to obey the law. Two of the most eminent scientists in this country are on the opposite side—Dr. David and Dr. Keon.

As I have said, I am a little reluctant to raise this because the honourable senators are good friends and I enjoy their company. However, I am getting fed up by the way this matter is being handled. Either we have a policy and a law that means something or we do not. If it is intended to be a farce, then let us say so.

Some of us have allergies and we sometimes have trouble breathing if we have to go into rooms where people are smoking. I believe that Dr. David and Dr. Keon will agree with me. I think the way the smoking policy is being implemented in the Senate is a farce.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I appreciate the point made by the honourable senator. To the best of my knowledge, the Reading Room is not a designated smoking area. Honourable senators should not be smoking in that room.

All I can say is that I trust a word to the wise from Senator Marchand will be sufficient in this case.

Senator Frith: The problem is not the word, it is the wise.

GOODS AND SERVICES TAX

USE OF EXCESS REVENUES TO REDUCE DEFICIT—GOVERNMENT POSITION

Hon. Douglas D. Everett: I have a question for the Leader of the Government in the Senate. When I spoke yesterday on the motion in amendment by Senator Lawson, in which he suggested that the revenues from the GST in excess of $21 billion be utilized to retire public debt, I indicated concern

over that resolution, based on the concept that if excess revenues from the GST were taken out of the deficit and used to retire public debt, the effect of that would be to increase the deficit, which would, in turn, be added to the public debt; so the net effect would be a wash.

I continued on to say that the important issue for me was whether or not there was control by the government of program spending. I went on to state that I would prefer a clear statement from the Minister of Finance to the effect that the excess revenues from the GST would be used to reduce the deficit directly.

I have received such a statement today and I would like to read part of his letter as follows:

> As you are aware, the Prime Minister has indicated that should the GST result in revenues higher than those now anticipated, such revenues would be applied to the deficit or used to lower the rate. The intent of that commitment, which I clearly support, is that unanticipated revenues will not be used to fund new expenditure initiatives. Clearly, as long as the deficit continues to be such a source of concern and an obstacle to healthy economic growth, reducing it must be our first and continuing priority.

The letter goes on from there, but that is the main thrust of it, and it is signed by Michael H. Wilson, Minister of Finance.

Some Hon. Senators: Hear, hear.

Senator Grafstein: Better late than never.

Senator Everett: That statement more than satisfies my concern and therefore I will be voting against the amendment. For certainty, I would like to ask this question of the Leader of the Government in the Senate: Does he agree with the statement of the Minister of Finance that I have just read?

Senator Frith: Not too fast; think it over.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Yes, honourable senators.

Senator Frith: Read it again, just to be sure.

Senator Everett: Would honourable senators like me to table the letter from the Minister of Finance?

Senator Haidasz: No one would believe it.

NATIONAL PAROLE BOARD

RELEASE OF DANGEROUS OFFENDERS—MANDATORY SUPERVISION—GOVERNMENT POSITION

Hon. Earl A. Hastings: Honourable senators, my question is directed to the Leader of the Government in the Senate, and I hope he has occasion to continue his cordial mood.

I should like to ask the Leader of the Government whether he is aware that the National Parole Board is releasing about 60 dangerous inmates into Canadian society every year without any supervision or any support whatsoever? They are men who, the Board is satisfied, if released will commit a serious offence involving harm or death to another person. This comes as a result of legislation in this house in July 1986 when the government called a special session of Parliament because there were allegedly 12 dangerous inmates to be released on mandatory supervision. As a result of that legislation, at least 60 inmates a year, dangerous men, are being released into the mainstream of Canadian society without any supervision whatsoever. Is the government leader aware that it is a result of that legislation?

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I am aware of Senator Hastings' interest in the field of corrections. He has, under the rubric of an oral question, made an assertion that he has not even attempted to document. All I can do under the circumstances is to ask my colleague, the Solicitor General of Canada, to obtain a report from the National Parole Board, for which he reports to Parliament.

Senator Hastings: As a supplementary, my figure of 60, along with the other figure, are completely documented in the report of the National Parole Board to the Commons committee that deals with matters concerning the Solicitor General. The government leader has merely to consult that report. It is all documented.

My supplementary question to the Leader of the Government in the Senate is: Would he not agree that a better form of protection to society would be to have those men released into society under supervision and support by the National Parole Board, instead of being released scot-free into society, as is now being done?

Senator Murray: That is a conclusion that Senator Hastings arrives at. He also arrives at the conclusion that the legislation is faulty or should be changed.

I do not know, because I have not read the report, whether the National Parole Board would agree with Senator Hastings' conclusion, but I shall ask for their comment on that matter.

Senator Hastings: You can have their comment if you read the report of the Chairman of the National Parole Board to the House committee of the Solicitor General. The chairman of the board said that the legislation has not exacerbated reoffending, neither has it lessened reoffending; all it has done is delay reoffending.

I ask the leader again, if all we do is delay reoffending, would it not be a better public investment to release the inmates under supervision rather than free them into society without any supervision or support?

Senator Murray: The honourable senator is asking important questions of policy here, and I would have to defer to a statement on the matter from the responsible minister. I shall ask the Solicitor General to report as soon as possible.

[*Translation*]

GOODS AND SERVICES TAX

QUEBEC—SUSPENSION OF TAX ON BOOKS—GOVERNMENT POSITION

Hon. Jacques Hébert: Honourable senators, the day before yesterday, the Quebec Government, pressured by the publishing industry, suspended the provincial 8 per cent tax on books.

Quebec Finance Minister Gérard-D. Lévesque said in the National Assembly, and I quote:

> I hope the federal government will follow our example and remove the tax on books, so that we can do the same.

My question is this: Will the federal government take the advice of Minister Lévesque and follow Quebec's example?

Hon. Lowell Murray (Leader of the Government in the Senate and Minister of State for Federal-Provincial Relations): Honourable senators, not today.

Senator Hébert: Tomorrow?

Senator Murray: No, not tomorrow, honourable senators.

Senator Hébert: How many bookstores and publishers will have to close shop or go bankrupt before the federal government decides to exempt books from the GST? Does the government think the publishing industry's forecasts are exagerrated?

Senator Murray: Honourable senators, several amendments were proposed by the opposition. The Senate has already voted on these amendments. However, the senator is aware that Prime Minister Mulroney and several other ministers have already given some indication of their sympathy for the concerns expressed by the honourable senator and other Canadians. For the time being, we still have to pass Bill C-62. Once we have carefully examined the impact of this tax, we will in a position to make any necessary changes.

● (1450)

NATIONAL DEFENCE

CANADIAN FORCES BASE, CHATHAM—REDUCTION IN PERSONNEL—GOVERNMENT POLICY

Hon. L. Norbert Thériault: Honourable senators, I have a question for the Leader of the Government in the Senate. By way of background information, in 1984 the government of the day decided to reduce utilization of the Chatham military air base but, in its place, had committed the establishment of a pay office that would have provided for some 450 jobs.

In the election of 1984, the happy warrior, the leader of the Conservative Party, came to Chatham and held a huge rally there boasting of the fact that he had studied at St. Thomas High School and that the air base in Chatham would not be reduced but would be made bigger and better.

Senator Frith: Hear, hear!

Senator Thériault: He said that as long as he was Prime Minister of this country there would be no reduction of the Chatham air base. So much for 1984.

Since 1984 there has been a constant reduction in staff employed at that base, despite the fact that a squadron of CF-5s, on the verge of being dismantled, was moved to Chatham from Bagotville, because the air craft in use at that time had become extinct. I now read in a Chatham press dispatch that the government has decided to relocate another 400 personnel from that base to some bases in Alberta. This probably means the beginning of the end.

I am sure the Leader of the Government in the Senate is aware of this, at least to some degree, because discussions regarding that base were ongoing at the time between the government leader, when he was deputy minister, and the then Premier Hatfield in New Brunswick.

I want to ask the Leader of the Government in the Senate if he will provide the Senate, or at least me, with complete details of information regarding the present status of that base and its future. I would like to know what is happening, what decisions have been made, and what will be the end result.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): As the honourable senator has pointed out, as long ago as the mid-1970s the Department of National Defence, under our predecessors, was trying to close that base. The base is not closing; there will continue to be activity on those premises.

What we are doing is moving the low-level air defence artillery school from Chatham to Alberta, and I think my honourable friend understands the reasons for that.

Senator Thériault: What are the reasons? Tell the truth.

Senator Murray: I will tell the truth. The honourable senator comes from the area.

Senator Thériault: Yes, I know.

Senator Murray: He should know very well that to have kept it there would have required expanding the Tracadie range, and there was considerable opposition in his part of New Brunswick to that proposed expansion—very considerable opposition. He knows that. It would have required extensive environmental assessments and hearings, and all the rest of it. At the end of that process there was no assurance that the government could confidently go ahead with expanding that range. For that reason, the low-level air defence artillery school is being moved.

In the last few days, Mr. McKnight has written to the premier of New Brunswick advising him of that decision, and also that we would move the Junior Leadership school and the Air Reserve National Training Centre. One of those is from Sunnyside and the other is from another part of the country. The training centres would be relocated to Chatham in an effort to cushion somewhat the loss of employment involved in relocating the Low-Level Air Defence Artillery School from Chatham.

At the same time, while I am on my feet, I may say that Mr. Valcourt and Transport Minister Lewis have announced within the last couple of months that funding assistance will be provided to the Miramichi Airport Commission in the next

three years to operate the Chatham airport as a civilian facility after the Canadian Forces cease airport operations at that site.

Senator Thériault: Honourable senators, the facts as given by the Leader of the Government are partially correct, but they are not the whole story. There was a tentative agreement for the expansion of the range at Tracadie. If the minister is not aware of that, then I will tell him.

Senator Murray: I know about that.

Senator Thériault: There was a tentative agreement and $25 million was requested by the provincial government from the federal government so that an economic structure could be put in place in the Tracadie area in order to derive some economic benefit from the expansion of that range. Suddenly that was scuttled by a big, flashy announcement by the Minister of Fisheries one night when he went overboard in Caraquet. It came as a surprise to a lot of people, but, that was done. That ended the possible expansion of that range, and ended the plans for the airport in Chatham.

However, honourable senators, I do not want the minister to get my region mixed up with the Tracadie region. I live on the Miramichi.

Senator Murray: I know that.

Senator Thériault: In any event, I am interested in that air base, especially because of the decision made by your government not to proceed with the establishment of the Pay Centre in Chathamin 1985, which would have created 450 permanent jobs. In 1984 the Prime Minister said that the government intended to expand that airport. However, it has been downhill ever since.

Senator Frith: Shame!

Senator Thériault: I want to know whether or not this is the end of it.

Senator Frith: Shame!

Senator Murray: Honourable senators, it is not the end of it. I would like my honourable friend to document his assertion that the Prime Minister or the government ever undertook to expand operations at that base. I think he will find that he is incorrect in attributing that statement to the Prime Minister. No such undertaking was given by the Prime Minister or the government to expand the base.

Senator Thériault: He said, and I quote, that he would make it bigger and better. That is what he said, and those are his words.

Senator Frith: He was talking about unemployment.

Senator Murray: Honourable senators, Senator Thériault will no doubt bring the relevant quotation to our attention in due course, which he has not done today.

Where Senator Thériault and I disagree is on the extent of the opposition in the Tracadie area to the expansion of that range. I am well aware of the agreement that was being discussed between our two governments. I was involved in those discussions, both during and after the period when I was minister of ACOA. But $25 million or no, agreement or no, there was and is very extensive opposition in the Tracadie area to the expansion of that range, and that was something that the government could not responsibly fail to take into account.

That is what we have done; we have moved the artillery school elsewhere. We are trying to cushion the loss in some way by relocating other facilities to Chatham. That is the best that we have been able to make of a difficult situation. I think the government of New Brunswick understands that, and I hope we will have the understanding of the Honourable Senator Thériault and others who are interested in that region.

Senator Thériault: Honourable senators, again the situation is that your government promised a low-level air flying school for that base, without knowing that you needed expanded facilities in the Tracadie range. Did you not know that there was opposition to the range before a decision was made and before there was an announcement made to the effect that you were going to establish the school there? What kind of operation are you running?

• (1500)

Senator Murray: The honourable senator knows that we were making every possible effort to maintain a certain level of activity at that base. Quite frankly, as time went on, the opposition to expanding the range increased very considerably. As I say, even if we had concluded an agreement with New Brunswick, there was no assurance whatsoever that we would have been able confidently to proceed with the expansion of the range.

Honourable senators, as Senator Doody and Senator Frith indicated earlier, I do have to leave the house now.

REQUESTS FOR ANSWERS

Hon. Colin Kenny: Honourable senators, last week I inquired about Question No. 56 on the Order Paper which has to do with the Senate Committee on Terrorism and Public Safety. I also inquired about Question No. 57 which has to do with oil spills, as well as Question No. 58 which has to do with conservation and alternative energy research. Could the Deputy Leader of the Government advise me when answers to these questions will be available?

Hon. C. William Doody (Deputy Leader of the Government): I will make an inquiry, senator, and see if I can push them along for you.

Hon. Gildas L. Molgat: My question is directed to Senator Doody in the absence of the Leader of the Government in the Senate. I should like a reply to the question I put yesterday, with regard to the application of the GST on Indian reserves.

Senator Doody: I have that answer.

DELAYED ANSWERS TO ORAL QUESTIONS

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I have several delayed answers to

questions, and I ask that they be printed as part of today's proceedings. They include responses to questions by Senators Grafstein, Haidasz, Hays, Corbin, Robichaud, Fairbairn, MacEachen, Molgat and Olson.

Hon. Eymard G. Corbin: Would Senator Doody be so kind as to read aloud the answer to my question, please.

Hon. Royce Frith (Deputy Leader of the Opposition): How are the others distributed? Are they being taken to the offices of senators now?

Senator Doody: Copies of the answers will be delivered to the senators here, yes, and the answers will be printed as well.

TRANS-CANADA HIGHWAY

CONSTRUCTION OF NEW BRUNSWICK SECTION—CONCLUSION OF GOVERNMENT STUDY—REQUEST FOR DETAILS

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I have a response to a question raised in the Senate on November 15, 1990, by the Senator Corbin regarding Trans-Canada Highway—Construction of New Brunswick Section—Conclusion of Government Study—Request for Details. I will read the answer:

> The following three key studies have been completed with respect to funding the reconstruction of the Trans-Canada Highway in New Brunswick;
>
> 1. Adequate Highways: A Key to Regional Economic Development (August, 1988).
>
> 2. A Highway Improvement Plan for the Trans-Canada Highway through New Brunswick (May, 1989).
>
> 3. National Highway Policy Study for Canada: Phases I, II and III Reports (1988-90).
>
> The Council of Ministers Responsible for Transportation and Highway Safety has approved a work program for Phase IV of the National Highway Policy Study for the coming year which is due to be completed in the summer of 1991.

Hon. Eymard G. Corbin: Honourable senators, if I may, I asked the Leader of the Government to table, or to make available one way or another, copies of those studies. Would Senator Doody pursue that matter and attempt to provide me with copies of the studies that he mentioned in his answer?

Senator Doody: I will ask that they be provided to the senator.

WORLD WAR II

INTERNMENT OF ITALIAN CANADIANS—NATURE OF COMPENSATION—GOVERNMENT POSITION

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I have an answer to a question raised in the Senate on November 14, 1990, by the Senator Haidasz regarding Internment of Italian Canadians—Nature of Compensation—Government Position.

(*The answer follows:*)

> In his speech to Members of the National Congress of Italian Canadians on November 4, 1990, the Prime Minister announced that he had instructed the Secretary of State and Minister of State for Multiculturalism and Citizenship to begin discussions with representatives of the Italian Canadian community and other aggrieved ethnocultural groups to discuss how best to symbolize our recognition of the discrimination some Canadians suffered at the hands of the Government.
>
> The Minister has subsequently written to the National Congress of Italian Canadians, the Ukrainian Canadian Congress and the Chinese Canadian National Council to invite their representatives to meet with him as soon as possible to discuss an appropriate form of symbolic recognition.

WORLD WAR II

APOLOGY TO OTHER ETHNIC CANADIANS—CONSIDERATION BY GOVERNMENT

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, the third delayed answer I have is in response to a question raised in the Senate on November 14, 1990, by Senator Haidasz regarding Apology to other Ethnic Canadians - Consideration by Government

(*The answer follows:*)

> In his speech to Members of the National Congress of Italian Canadians on November 4, 1990, the Prime Minister clearly stated that he intended to:
>
> "rise in the House of Commons and extend a formal apology to all Members of the Italian Canadian community . . . and to other Canadians who have suffered similar grievances."

AGRICULTURE

MEAT INSPECTION AT CANADA-U.S. BORDER—GOVERNMENT POSITION

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, the fourth delayed answer I have is in response to a question raised in the Senate on November 15, 1990, by Senator Hays regarding Agriculture—Meat Inspection at CanadaU.S. Border—Government Position.

(*The answer follows:*)

> There was an undertaking by the Secretary of Agriculture for the United States and the Canadian Minister of Agriculture, to try to work toward a harmonized system of border inspection based upon the equivalency of the two inspection systems.
>
> However, in order for the open border policy to be implemented between the U.S. and Canada, the U.S.D.A. has to publish the proposed ruling in the Federal Register. This is followed by a comment period and, finally, the U.S.D.A., after analysis of the comments, makes a final ruling.

The U.S.D.A. feels that there is no need to amend the Meat Inspection Regulations to allow for the implementation of the open border policy. It can be done on an experimental basis for a period of up to one year after which a final decision can be made on the basis of the outcome of the experiment.

The U.S.D.A. is at the present time in the process of analyzing the comments that they have received and answering the concerns that have been raised in the submissions.

It is felt that this issue will be successfully resolved in the near future.

GENERAL AGREEMENT ON TARIFFS AND TRADE

AGRICULTURE SUPPORT PROGRAMS—POSSIBLE ELIMINATION OF CROW RATE—ALTERNATIVES—GOVERNMENT POSITION

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I have an answer to a question raised in the Senate on November 15, 1990, by Senator Hays regarding General Agreement on Tariffs and Trade—Agriculture Support Programs—Possible Eliminiation of Crow Rate—Alternatives—Government Position.

(*The answer follows:*)

Potential changes to the Western Grain Transportation Act and related legislation are currently under review by the Government. As part of the Agri-Food Policy Review initiated by the Minister of Agriculture, the Honourable Don Mazankowski, a government-industry committee on transportation tabled its report in July 1990. This report outlined various options for the payment of the Western Grain Transportation Act Subsidy. Early in the new year the Government will be entering into consultations with the industry and provincial governments, concerning the various options outlined. This will include the Alberta Government buyout proposal. This review will go forward irrespective of the results of the GATT negotiations.

With respect to the GATT negotiations which are currently under way, Canada is prepared to negotiate reductions in our subsidy programs, including the Western Grain Transportation Act. However, Canada's willingness to do so is conditional on obtaining reciprocal commitments on the part of our trading partners to reduce their subsidies. Furthermore, Canada indicated in its offer tabled on October 15, 1990 that it will not take commitments based on an Aggregate Measure of Support (AMS). The AMS could, however, be used to monitor contracting parties implementation of their commitments.

Any commitments which Canada may make at GATT with respect to the Western Grain Transportation Act will be taken into consideration in the current review of the legislation.

[Senator Doody.]

GENERAL AGREEMENT ON TARIFFS AND TRADE

COMPARATIVE AGGREGATE MEASURES OF SUPPORT

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I have an answer to a question raised in the Senate on November 15, 1990, by Senator Hays regarding General Agreement on Tariffs and Trade—Comparative Aggregate Measures of Support.

(*The answer follows:*)

The simple answer is that it is not possible to produce comparable figures on Aggregate Measure of Support amongst Canada, the United States and the European Community, based on the reports tabled at GATT.

As part of the negotiations, the GATT Secretariat suggested a format that countries use for reporting their data. While countries used this format for guidance, most deviated from the suggested approach to a greater or lesser extent. For example, Canada used 1987 data for crops rather than the recommended base of 1988, due to the drought conditions in 1988. The United States reported data as the average of 1986-88; border measures and export assistance were not incorporated into the AMS data; and general support was not allocated to commodities. The European Community reported date for 1986 only.

Countries in calculating their AMS values used not only different time frames, but also different methodological approaches. This complicates comparisons. Furthermore, the two other country lists, particularly the EC list, do not contain sufficient information to be able to convert their values to some common basis. Therefore, it is not possible to prepare completely comparable statistics, on the basis of tabled country lists. However, the Government continues to analyze the lists to see where we have concerns with the way calculations were done by the other two countries.

Currently, the only consistent method of comparing agriculture support levels between countries is to use OECD producer subsidy equivalence (PSE) calculations. As these calculations are done by one organization they are internally consistent. The OECD calculations show for the period 1986-88 the following levels of support:

Canada—$8.4 billion

United States—US—$43.2 billion—(C$57.0 billion)

European Community—ECU—$58.5 billion—(C$84.6 billion)

Agricultural programs in various countries differ in application and effect, and depending on what base period is used. No single measure or set of measures can accurately compare the level of support between countries. Government officials will use all available date including OECD data, tabled baseline data and other sources to allow negotiators to judge the comparability of commitments made by countries during the course of the negotiations.

Finally, the main point of the baseline exercise was to make transparent all programs and expenditures used by governments. In this regard, the process was successful. The important step now is to engage in negotiations based on country offers, with the baseline data as a backdrop which clarifies the process.

NATIONAL FINANCE

COST OF PROPOSED BALLET OPERA HOUSE IN TORONTO—GOVERNMENT POSITION

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I have a response to a question raised in the Senate on November 20, 1990, by Senator Robichaud regarding National Finance—Cost of Proposed Ballet Opera House in Toronto—Government Position.

(*The answer follows:*)

The Financial assistance announced by the Government of Canada for the funding of the Ballet-Opera House project consists of funds committed for a specific project which the Government considers a priority, owing to its importance for the Canadian Arts Community.

The financing of the Ballet-Opera House lies in serious doubt, now that the Government of Ontario has decided not to proceed with direct funding. However, alternative plans are being explored by the Ballet-Opera House Corporation. The Government of Canada maintains its commitment while alternative solutions are being considered.

INDIAN AFFAIRS

PROVISION OF STUDY WITH RESPECT TO APOLOGY OR COMPENSATION TO NORTHERN QUEBEC INUITS WHO WERE RELOCATED TO THE ARCTIC ISLANDS IN 1953—GOVERNMENT POSITION

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I have a response to a question raised in the Senate on November 20, 1990, by Senator Fairbairn regarding Indian Affairs—Provision of Study with Respect to Apology or Compensation to Northern Quebec Inuits who were Relocated to the Arctic Islands in 1953—Government Position.

(*The answer follows:*)

In response to the Honourable Senator's request, I wish to table a news release from the Minister of Indian Affairs and Northern Development, along with a Report, in response to a Standing Committee Report on the relocation of Inuit families in the 1950's.

AGRICULTURE

JAPANESE TARIFFS ON CANOLA SEED—GOVERNMENT POSITION

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I have a response to a question raised in the Senate on November 27, 1990, by Senator Olson regarding Agriculture—Japanese Tariffs on Canola Seed—Government Position.

(*The answer follows:*)

The company has acknowledged a number of factors behind the closing.

The closing of the plant is a result in part of depressed prices in international oilseed markets caused by E.C. and U.S. subsidies.

Canada's position in the MTN would bring relief to Canadian oilseed processors in the form of reduced export subsidies.

Regarding the FTA, elimination of the U.S. Tariff on imports of Canadian Canola Oil, will in a few years, offset the impact of the removal of the WGTA subsidy for exports to the U.S. and represent a net benefit to Canadian exporters.

Canola products are being considered for accelerated tariff elimination in the current round of acceleration consultations.

I understand that an agreement has been reached between the Canadian and U.S. Industries on earlier tariff elimination. If the agreement holds, tariffs would be eliminated as early as July 1, 1991. Such an outcome would immediately offset the removal of the WGTA subsidy.

PERSIAN GULF

UNITED STATES RESOLUTION ON USE OF FORCE—CANADIAN COMMITMENT—GOVERNMENT POSITION

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I have a delayed answer in response to a question raised in the Senate on November 20, 1990, by Senator MacEachen regarding Persian Gulf—United States Resolution on use of Force—Canadian Commitment—Government Position.

(*The answer follows:*)

Discussions have taken place between the Secretary of State for External Affairs and the Secretary of State of the United States along with other Members of the Security Council. Canada intends to support this resolution and sees it as an important signal to Iraq and that Iraq must comply with the Security Council resolutions.

GOODS AND SERVICES TAX

APPLICABILITY TO INDIAN RESERVES

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I have a response to a question raised in the Senate on November 20, 1990, by Senator Molgat regarding GST—Applicability to Indian Reserves.

(*The answer follows:*)

Concerning Indian Reserves and the GST. The attached is a Draft Policy from the Department of

Finance concerning Indian Reserves and the GST. Discussions are ongoing.

(*Attachment*)

GST POLICY GUIDELINES:
TREATMENT OF SALES AND PURCHASES BY INDIANS

The basis for the GST policy framework for Indian sales and purchases under the GST is the *Indian Act*. In particular, Section 87 of that *Act* exempts from taxation the personal property of an Indian or band situated on reserve, as well as their interest in reserve or designated lands.

Accordingly, the federal policy for Indian sales and purchases under the GST will be as follows:

Sales by Indian vendors will be subject to the general provisions of the GST legislation.

On-reserve purchases of goods by Indian individuals and by Indian bands will not be subject to GST. This treatment will be extended to off-reserve purchases of goods which are delivered to the reserve by the vendor or his agent.

On-reserve purchases of services, where the benefit is primarily realized on-reserve (for example, small engine repairs) will not be subject to GST.

Off-reserve purchases of services such as legal or accounting services which are purchased by an Indian band in respect of band management, or are purchased in respect of real property located on-reserve, will not be subject to GST.

Unincorporated Indian-owned businesses may purchase on the same tax-free basis as Indian individuals as they are eligible for the exemption pursuant to Section 87 of the *Indian Act*. In addition, for purchases of inputs on which tax is paid (e.g. off-reserve purchases), they will be able to claim input tax credits in the same manner as incorporated businesses.

Incorporated Indian-owned businesses will be treated the same as non-Indian businesses; tax will be paid on their purchases and input tax credits may be claimed subject to the provisions of the legislation.

GOODS AND SERVICES TAX

ESTIMATES OF REVENUE GAINS—GOVERNMENT POSITION

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I have a response to a question raised in the Senate on November 20, 1990, by Senator MacEachen regarding GST—Estimates of Revenue Gains—Government Position.

(*The answer follows:*)

Attached is a breakdown of the estimated GST Base for 1991. The information is arranged according to tax status and major classifications. This information was provided to the House of Commons Standing Committee on Finance in the Fall of 1989, when it was studying Bill C-62. The Department has no difficulties with you making this information available to Senator MacEachen in response to his questions.

Regarding Senator MacEachen's specific request for the amount of tax revenues generated from the taxation of books or other specific proposed amendments, that information is not available.

Generally, to derive the expected GST revenues from these categories, the base number should be multiplied by 7 per cent.

(*Attachment*)

GST Base, 1991
(millions of dollars)

	Taxable and Exempt Base	Zero-Rated Base
Basic Food	—	38,770
Other Food	4,500	
Alcoholic Beverage	9,185	
Tobacco	4,580	
Clothing and Footwear	22,005	
Electricity and Other Fuels	12,415	
Furniture	5,225	
Household Purchases	21,645	
Prescription Drugs and Medical Devices		3,500
Other Drugs and Medical Services	6,735	
Automobiles	17,700	
Automobile Repairs	8,830	
Motive Fuels	8,630	
Other Auto Services	2,290	
Passenger Transportation	7,190	
Communications	5,540	
Books, Periodicals and Stationery	6,560	
Recreation, Goods and Services	23,220	
Jewellery, Toilet Articles and Personal Care	9,110	
Restaurants and Motels	23,710	
Personal Business	13,045	
Housing (Net of Rebate)	33,370	
Real Estate Commissions	6,850	
Others	14,425	
NPO's	1,525	
Municipalities, Universities, Schools and Hospitals	7,870	
	273,155	42,320

[Senator Doody.]

NATIONAL FINANCE

SOFTENING OF WAGE SETTLEMENTS—GOVERNMENT POLICY

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I have a reply to a question raised in the Senate on November 13, 1990, by Senator Grafstein regarding National Finance—Softening of Wage Settlements—Government Policy.

(*The answer follows:*)

I know that the Government's concern with inflationary pressures—and our monetary policy response—has been a source of controversy and criticism.

However, throughout our mandate, the long-term anchor of our monetary policy has been, and remains, price stability. As the Governor of the Bank of Canada recently stated, "what we are seeing are gradual but progressive reductions in inflation that will ensure there is no doubt about the commitment of monetary policy to contribute price stability to Canada's economic well-being".

To this end, this Government set out and has followed a clear path of responsible fiscal and economic policies aimed at achieving a better balance between demand and the economy's capacity, with fewer inflationary pressures. This will set the stage for reduced interest rates and a return to a balanced, sustained expansion.

The recent weakness in the economy has resulted in the easing in monetary conditions we have seen lately. The Bank rate has fallen 180 basis points from its peak in May. Continued easing in underlying price and cost pressures will create scope for further declines in interest rates.

However, recent data show no sign of an easing in wage settlement rates. Indeed, quite the opposite has occurred: Negotiated wage increases have risen from less than 5 per cent early in 1989 to about 6 1/2 per cent in the third quarter of this year. This has occurred in both the private and public sectors.

The Federal Government, though, has set a good example of restraint in its wage negotiations. Indeed, we have held average settlement rates below that of the private sector in each of the last three years. And except for a few higher settlements imposed by arbitration in recent months, Federal settlement rates have also been held to less than the rate of inflation in the past two years.

However, of considerable concern is the recent acceleration in non-federal wage settlements. These high settlements reflect strong underlying inflation pressures, which if they persist, will push the inflation rate higher.

It is critical that all participants in our economy recognize that the Government's scope to alter monetary conditions depends directly on the continued reduction in inflationary pressures. If not dealt with, these pressures threaten to become entrenched in the economy, making their elimination that much more difficult and costly later on.

Let it be clear: this Government is not prepared to validate uneconomic wage settlements by either loose monetary or fiscal policies. The much slower pace of growth that is emerging in 1990 is necessary to wring inflation pressures out of the Canadian economy. It is also creating the conditions for permanently lower interest rates and balanced, sustained growth. The sooner inflation pressures ease, the smoother will be the transition period.

ABORTION

QUESTION OF PRIVILEGE

Hon. Stanley Haidasz: Honourable Senators, I rise on a point of privilege. On Wednesday, November 7, I raised an important point of privilege. I was very concerned that the way orders of business have been pursued without due regard for other very important legislative matters—matters which may well have profound constitutional effects—was tending to preempt timely treatment in this house of the urgent motion I had entered on the order paper to render an instruction to the Legal and Constitutional Affairs Committee dealing with Bill C-43. The *prima facie* case of privilege that I raised has not received the attention it ought to have before the house. In consequence, I must raise now an adjunct privilege, that of having the former matter of privilege, including its *prima facie* case, discussed and settled in a Committee of the Whole, pursuant to Rule 33, without delay.

Honourable senators might be under the mistaken impression that a matter of privilege must await the definitive ruling of the Speaker. However, this matter actually devolves to discussion and settlement by the whole house, which is one of the reasons we have Rule 33 at all. The discussion and settlement of privilege takes precedence over all other business, even when matters of national security are before Parliament. That should give honourable senators a fair appreciation of how fundamental to the whole of Parliament are their individual and collective privileges.

The principle is in harmony with the other house. The standard of reference on Parliamentary Privilege, Joseph Maingot's book entitled, *Parliamentary Privilege in Canada*, dealing with the more restrictive rulings of the Speaker of the other house, indicates that, even there, such rulings are subject to appeal in the house. Moreover, on page 223 of that text we

read: "... the Speaker is reluctant to 'allow a matter as important as ... privilege ... to fail on the ground of form'". Maingot cites the *House of Commons Debates* of April 19, 1977, p. 4766, in support of this point,and I was present in the House of Commons that day.

Page 230 in Maingot's book refers to the fact that a Speaker's ruling does not prevent continued recourse to matters of privilege until a remedy is satisfactory to the whole house.

It is not out of order, therefore, for me to take this opportunity to raise privilege again, focusing on several points which are pertinent to the *prima facie* case as I raised it on November 7.

Whereas the Standing Senate Committee on Legal and Constitutional Affairs has, as of Thursday, November 8, interrupted its hearings of witnesses until some indefinite time in the future, we must be especially concerned about falling into the pitfall of dereliction of parliamentary duty. A committee dealing with flawed and perverted legislation undoubtedly requires an express instruction to receive from the whole house its mandate of the fullest scope to examine every flaw and every amendment cognate to the principle of a bill that may rectify its more serious flaws.

Bill C-43, the government's abortion legislation, has very serious and far-reaching, some experts say, even seditious ramifications in law. Because it deals with a matter of life and death at the very origin of human society, it is legislation having "first class constitutional importance," to quote *Erskine May*. The bill, however, is publicly known now to act in such a manner as to render the offense of abortion innocuous, something to which people have a kind of entitlement, something that has never before appeared in any court of Canada, in its statutes, in common law, or in legal tradition. The bill literally begs to be condemned, and burned, or else amended very substantially indeed.

After only four short weeks of attention by the Standing Senate Committee on Legal and Constitutional Affairs, this bill has barely even begun to receive a genuine legal assessment, let alone an assessment of its real ethical, scientific, sociological and constitutional effects. It is pertinent to the privilege of the whole house to be properly informed by our committee about the failings, the pitfalls, the far-reaching ramifications and influence of legislation so involuted and so seditious as Bill C-43 in its received form.

Honourable senators, on Wednesday, November 7, I presented well-researched responsibilities of a select committee treating legislation of first-class constitutional significance. I trust that honourable senators have had time since that date to reflect on these parliamentary responsibilities and to confirm my numerous citations of authorities, most of which were references to Beauchesne, by paragraph humbers.

In summary, committee responsibility devolves from the implicit responsibility of the whole house. An example of that fact exists in the common use of Committees of the Whole in the British House of Commons since the Second World War, and even in the first decades of Parliament after Magna Carta. To date, matters of deep constitutional significance receive the fullest committee treatment in parliamentary systems of responsible democratic governments. They also admit of extensive provisions for substantial amendment, even amendment of the objects of such bills after second reading. In Canada, this depth of treatment may not be undertaken by a select committee without the requisite instruction from the whole house. This again reflects the answerability of a committee to the implied Committee of the Whole.

It cannot be denied that Bill C-43, or any legislation on abortion, has deep constitutional significance. That is one reason why this matter of being allowed to address in full the motion to instruct a committee is one of privilege. On being prevented from at least addressing my motion, I am deterred from acting in a just manner according to my legislative responsibilities. None of us can duly instruct a committee so needy as the present Standing Senate Committee on Legal and Constitutional Affairs unless we can raise the motion and debate it. Being so long preempted from debate amounts to justice delayed, which is justice denied.

Bill C-43 is of the gravest import for the future of Canadian society, as it erodes the proper appreciation of the fact that each of us was already subject to a constitution the moment we came into existence. It does that by artificially suspending the protection that every valid constitution confers on all its subjects. No constitution is at all valid that does not envision itself as applying to each and every successive generation.

Every being that is human and conceived in the confederation of Canada is a subject of Canadian law. What else may I ask? Does a child grow up lawless until he or she signs an oath of allegiance? If children before birth are unconstituted, nothing in the act of birth can make one a subject who can be awarded damages received before birth, as is our enlightened practice today.

Moreover, "true patriot love" cannot be commanded in any son or daughter who is dispensable. Is a child from its inception a subject of law and order, or is it subject merely to anarchy? If anarchy, who dare compel the generations for whom our former sons and daughters fought and died to uphold the torch of the common good?

Honourable senators, even Lord Ellenborough, in framing the law on abortion in 1803, knew enough to call the child in the womb a subject of the monarch. Surely, a Canadian child en ventre de sa mère is a subject of the "rule of law and the supremacy of God," the very foundations of the Canadian Charter.

These are self-evident principles, as is the supremacy of God and the rule of law. The entire parliamentary system had its own germination under the protective canopy of precisely these principles. It too was subject from the moment of its conception.

Now, a Canadian Constitution cannot suffer the violence of interruption, which is bound to have far-reaching, seditious effects, in the rule of law. In abortion on request, or abortion

as cosmetic surgery, or abortion for personal aspirations, the presumption of innocence is a dead letter: 'on est mort'.

• (1520)

Plaintiffs of abortion are not then considered common folk who seek to reestablish peace, but are criminalized in reverse. Even Justice Minister Campbell glowingly threatens that prosecutors of abortionists will be themselves prosecuted. This she sets out clearly in her recent letter and document to Canadian doctors.

That letter and attachment sent to doctors by the Justice Minister at the end of last month reveals a draconian design which was courageously exposed by Peter Stockland in the *Ottawa Sun* newspaper on Remembrance Day. Mr. Stockland noted, "Nowhere in the justice minister's 10-page philosophical whoop-whoop is 'interest in the fetus' so much as mentioned". The prosecution of those who would try to arraign abortionists is mentioned several times, and this despite the reality that two-thirds of Canadians have clearly expressed their desire for protection of the unborn from conception, and nearly three-quarters have as yet not forgotten that the unborn is in fact a human being, constituted at conception.

Mr. Stockland rightly recognizes here the fraudulent abuse of criminal law power to "expressly recognize the legality of abortions performed by doctors," to quote Justice Minister Campbell, rather than to curb the criminal act of abortion, as an entry in the Criminal Code under this section ought to do.

The bill, as presently worded, is a sham. However, the Senate committee studying this bill seems to be blinded by attempts to limit the full study of Bill C-43. It has been stated in committee that no amendments are going to be considered for report by the committee handling Bill C-43, even though it is fraught with contradictions having enormous and, as I mentioned previously, seditious, legal, and constitutional consequences. No amendments have been sought out, and the bill's real faults have barely been discussed, outside the brief witnesses of only two pro-life representations. I requested the Physicians for Life group to give us any amendments they thought should be included.

Our parliamentary duty is clear, honourable senators. The Canadian public long has clamoured for a reassertion of that "valid" and "pressing, substantial interest" the state clearly has in the lives of its citizens yet in the womb or, as the case may be, *in vitro*. These are the words affirmed several times by the Supreme Court of Canada in *Morgentaler* (1988) and earlier in *Oakes* (1986). Even in *Daigle* (1989), Parliament is expressly invited to express as a "normative task" its plenary legislative power to protect those tiny citizens yet unborn and whose very lives are being affected by Bill C-43. As I remarked on November 7, a "normative task" is a definitive task for the legislature to clarify its legislative will. If such will is misled, it must also be enlightened.

All of Canada's children are destined to engage in Parliament and seek to understand today's legislation and politics. Even the Criminal Code does not hesitate to apply the term "child" to everyone before birth. To undo now the genuine parliamentary entitlement of future subjects would be treasonous. Accordingly, it would be treacherous to permit a committee examining such things to fall so far short in its own duty by failing to instruct it, as is our duty and our privilege, honourable senators.

Let there be no mistake that Bill C-43, as it stands now, cannot be upheld by a huge population of conscientious Canadians, most of whom can only acknowledge the spirit of criminal law predicated on historical and reasonable foundations. Such law cannot so destructively crush together both the principle of the law and its "escape clause" or "exculpatory provisions," as occurs in Bill C-43. For true Christians, Orthodox Jews and members of every religion acknowledging the one God of the Canadian Charter, "exculpatory provisions" can only include medical intervention having no intent to cause the death of a child before, during, or after birth.

That principle is still present in related sections of the Criminal Code, which Bill C-43 essentially confounds. Admittedly, in order to save the life of a mother and uphold her security of person when potential arraignment for conspiracy is imminent, it is necessary always for her to have access to all that is legitimate medical care. Abortion is neither medical, nor is it care.

Certain legislators have too eagerly formed the opinion that Canadian religious leaders acquiesce to Bill C-43. Yet, for instance, the Chairman of the Committee of the Conference of Catholic Bishops, who argued against Bill C-43, said on March 7, 1990, "We do not at all approve Bill C-43 in its present form; to that precise question, our answer was a categorical no." Winnipeg Archbishop Exner, speaking for the Catholic bishops of the west, said on March 2, "Bill C-43, as it stands, does not provide the required protection for the preborn".

• (1530)

All true Christian denominations condemn the same glaring socalled "enshrinement" of abortion that Bill C-43 represents. The law of the Jews, upon which Christian mercy is founded, equally abhors human holocaust and abortion. As I mentioned in my speech on Bill C-43 on June 26, 1990, Dr. Abraham, a renowned ethicist in Israel, and director of a department of medicine in Jerusalem, unabashedly calls abortion "murder". Bill C-43, therefore, in its received form, is discriminatory against orthodox religion, and in its promised punitive measures against public protest, it is in fact a persecution of Christ and of Moses. Without dramatic amendment, which is incumbent upon us, Bill C-43 tramels the preamble, section 1, section 2, section 3, section 7, section 15(1), and section 24(2) of the Canadian Charter of Rights and Freedoms.

The point I am making, honourable senators, at great pain, is that Bill C-43 must be closely examined for its seditious flaws and its far-reaching legal and constitutional ramifications for Canadian society; and, further, that profound, substantial or reasoned amendments be considered and debated even at the committee stage. To this end, expert witnesses, such as the lawyers I have recommended to the Legal and Constitutional Affairs Committee, and moralists such as those

I have also recommended, ought to be summoned and heard at least as attentively as the preponderance of pro-abortion witnesses the committee has already heard, and has yet to hear.

As I pointed out in a communiqué to the press released on November 20, an exerpt of which I have also sent to each honourable senator earlier today, fewer than one of every five witnesses slated for appearance by the steering committee has been of the pro-life persuasion, more truly representative of Canadians than the witnesses we have already heard. The pro-abortion witnesses speak neither for the democracy of the dead, nor for the majority of the living, nor for those Canadians yet unborn.

The Legal and Constitutional Affairs Committee has refrained from continuing until further notice. This is sensible until the matter here under discussion, namely, to render an instruction to the committee, is settled; otherwise, the motion to instruct the committee may find itself out of order by the rule of non-interference.

Since the committee in question has not progressed to consideration of Bill C-43 in its objects and amendments, and has not undertaken debate on these pertinent matters—not even the strictly legal and constitutional matters—we have the present opportunity to uphold our full parliamentary duty, and debate this privilege and motion to instruct in a Committee of the Whole.

Honourable senators, we in the Senate pride ourselves on being the chamber of sober second thought. If we do not instruct the committee to fully study Bill C-43, then that description is a sham.

The Legal and Constitutional Affairs Committee has the power to summon expert witnesses and to hear representations from the two-thirds of Canadians who oppose abortion on request. The committee should seriously consider amendments to correct the identified flaws of Bill C-43, such as separating the "criminal principle" from the "exculpatory provision". It should also examine the flaws in Bill C-43, as I pointed out in my speech on June 26. It must assess the far-reaching constitutional and jurisprudential consequences of enacting such a law. However, honourable senators, the committee is not doing that. Instead, it has heard from non-expert witnesses, most of whom were heard already before the Legislative Committee of the House of Commons, and whose inaccuracies are not being examined or debated.

However, if the committee were to report the bill without amendment, as one of its regular members has publicly promised to do, it would either ensure passage of a bad law or bring about its quick demise, with no law to replace it. What that manoeuvre will not do, however, is properly inform honourable senators who seek to correct the faults of Bill C-43, whether and how such amendment may be possible. That is why the Legal and Constitutional Affairs Committee so direly needs an instruction, which it is my privilege to move today.

Honourable senators, the time-honoured understanding is that the Senate is a chamber of sober second thought. If we do not uphold this recognized function, then the Senate's role in good government is a sham. If we do not stand up for principle, we are merely rubber-stamping laws or acting as puppets of an arrogant and stubborn government.

MOTION UNDER RULE 33 TO RESOLVE THE SENATE INTO A COMMITTEE OF THE WHOLE

Hon. Stanley Haidasz: Honourable senators, I move, therefore, seconded by Senator Macdonald (Cape Breton), pursuant to Rule 33, that it be taken up in the Committee of the Whole, named "Privileges", whether it is a matter of privilege for a Senator to move, as I have already done, to instruct a Standing Committee, as in Motion Number 3 on the Order Paper, to wit: In order to oblige a committee to uphold its parliamentary duty, and furthermore, whether it is a matter of privilege to abridge the pending Orders of the Day in order to bring such a motion to timely and full debate. According to Rule 33, we should be resolved into a Committee of the Whole in order to settle this question of privilege and to render an acceptable remedy, which it is my contention must be done forthwith after the debate and vote on the said "motion to Instruct the Committee" in question.

● (1540)

The Hon. the Speaker: We need the motion, Senator Haidasz. I have to read it.

Senator Haidasz: Does Your Honour want to read it?

The Hon. the Speaker: Of course. If you submit it to the house, I have to read it.

Honourable senators, it is moved by Senator Haidasz, seconded by Senator—

Senator Frith: Dispense.

The Hon. the Speaker: Honourable senators, is it your pleasure—

Senator Doody: Dispense.

The Hon. Joan Neiman: Honourable senators, in the absence of Senator Nurgitz, who is chairman of our Legal and Constitutional Affairs Committee, and Senator Stanbury, who is deputy chairman, I would like to say a few words as the third member of the steering committee of that committee.

Of course, I have been aware of the motion by Senator Haidasz that is before the house, and I am aware of his sentiments as regards the conduct of the committee and the question of witnesses.

I should explain that a committee meeting was held informally, composed of a majority of committee members, at which we discussed the conduct of the study of this bill. Senator Haidasz was not a member of the committee at that time but he became one very shortly after. Senator Hatfield was present, as were a number of others whose names I have. Knowing we are involved here in the house with the debate on Bill C-62, we were aware that we were not going to be able to conduct a regular series of meetings in the foreseeable future or, if we could hold any meetings, they would be just whenever a slot arose temporarily and we could get witnesses on very

short notice. As I said, senator Haidasz was not a member of the committee at that time but very shortly after he did become one.

At that meeting we tried to decide how our committee would approach its study of Bill C-43. We were aware that almost every organization and every person who had asked to be heard in the House of Commons was going to ask to be heard in our Committee as well. We had full committee records from the other side, with the detailed testimony and the briefs of people and organizations who did not actually appear. That information hs been made available to all our members. So the idea was simply to try and focus our study, if we could, without repeating everything that had been done on the other side. That was really the object.

Particularly, given the timeframe in which we have to work, I may say that we felt we had to hear from what you may call the pro-choice groups and also from some of the pro-life groups. We were especially interested in hearing from the doctors because of their obvious concern with the present Bill C-43, particularly in view of the recent Supreme Court decisions and a decision in the Supreme Court of Nova Scotia.

Our objective is to try to get on with this study in some way and still allow a broad range of opinion to be again brought before our committee. We made a decision to focus on the bill itself, and that it would not serve our purposes or indeed expedite our study of the bill if we were to get into extensive philosophical, ethical and metaphysical questions.

This is, of course, where those of us who made the decision at that committee meeting and Senator Haidasz, have a difference of opinion. In fairness to Senator Haidasz, he has several times made it very clear to us that he feels we should spend months and months to discuss this in great detail and bring all the witnesses to discuss the ethical, moral and metaphysical aspects of this very difficult question.

At this point I feel I would not be misrepresenting the feelings of the people on the committee if I were to say that if possible we are trying to focus only on the legal aspects, particularly whether any changes could be made in the bill that would not be challenged by the courts. I am not sure that is possible. Certainly we did not want to consider changes that we know have already been ruled on in the courts. It would be useless to bring them before you.

Senator Haidasz has raised this question several times, and I may say I suggested to Senator Nurgitz on a couple of occasions in the last week or two that we should have another meeting of the full committee to go over the list of witnesses. We have the 28 names here of organizations and individuals who have asked to appear before the committee. The list reveals that almost every one of them has been heard on the other side, and we have their briefs. However, I thought it would be useful if, with Senator Haidasz present, we went through this list to try to come up with a reasonable number of witnesses. We have, of course, heard from the Minister of Justice, who will be returning at the conclusion of the hearings.

Just to correct the record, because Senator Haidasz has used different figures from time to time, we have heard from approximately six witnesses. We would hear from the Canadian Civil Liberties Association on almost every legal matter that comes before our committee. We have heard from the National Association of Women in the Law, and from Dr. Henry Morgentaler. In addition to that, we have heard from Campagne Quebec Vie, Mr. Gilles Grondin, who is a strong pro-life exponent, and Ms. Margot Cafferty, who is vice-president of another Quebec organization called Objectif: Survie-Québec.

We have also heard from Physicians for Choice and from Physicians for Life. In those circumstances we have heard from at least a reasonable number on each side. That would be three on one side and three who are taking what you might call an independent view. I think that Physicians for Choice was strongly for choice. In fairness, Women in the Law stated in their brief that they feel this law is not necessary.

Honourable senators, I simply tell you this because we are trying, under rather difficult circumstances in dealing with this bill, to bring before the committee a number of people we can speak to about their opinions. I assure Senator Haidasz that as soon as we can we will arrange to have another meeting of the committee at which we will go through this list and try to make a decision.

● (1550)

I remind the honourable senator that the rules are clear that it is the committee itself which makes the decision about the witnesses, and that the matter does not come before the house. I am sorry that I am not able to elaborate any more on the matter than that.

I would like to move the adjournment of this matter myself, if I may, in case Senator Nurgitz would like to add anything to it.

On motion of Senator Neiman, debate adjourned.

NATIONAL HOCKEY LEAGUE

MOTION TO SUPPORT FRANCHISES

Leave having been given to revert to Notices of Motions:

Hon. Norman K. Atkins, with leave of the Senate and notwithstanding rule 45(1)(*h*), moved:

> That, mindful of the fact that the game of hockey is part of the Canadian identity, and that the National Hockey League is considering expansion; and that any further expansion of the National Hockey League would benefit from the inclusion of Canadian teams, the Senate of Canada supports the efforts of Ottawa and Hamilton in their bid to obtain National Hockey League franchises.

Motion agreed to.

JAPAN

MOTION TO CONVEY FELICITATIONS ON 100TH ANNIVERSARY OF INSTITUTION OF PARLIAMENTARY DEMOCRACY

Hon. Raymond J. Perrault, with leave of the Senate and notwithstanding rule 45(1)(*h*), moved:

> That the Speaker of the Senate convey to the Speaker of the Japanese House of Representatives and the Speaker of the Japanese House of Councillors the good wishes of the Senate of Canada on the occasion of the 100th anniversary of the institution of Parliamentary democracy in Japan.

He said: Honourable senators, I rise to give a brief explanation.

Senator Atkins and I are both members of the executive of the Canada-Japan Parliamentary Friendship Association. I would point out to honourable senators that this motion was moved and passed in the other place.

This week marks the 100th anniversary of the parliamentary institution in Japan. To note the continuing good relationship between Canada and Japan and our expanding contacts both economically and culturally, we felt it appropriate to raise this matter in the Senate.

[*Translation*]

The Hon. Paul David: May I ask a question to the honourable Senator Perrault? Are we going to celebrate the hundredth anniversary of a democracy that never failed? Weren't there periods where that democracy was more of an autocracy? Is it a democracy that was faultless for a full hundred years? I do not know much about the history of Japan. I am just asking you the question.

[*English*]

Senator Perrault: Honourable senators, I think it can be said that all democracies come under stress, trial and strain from time to time.

Senator Doody: Even this one!

Senator Perrault: It has even been known to happen in this distinguished chamber of ours. However, the fact is that 100 years ago the institution of Parliament was established in Japan despite times of trial, particularly during the 1930s. I am sure the honourable senator was referring to that period of time which was a difficult one for democracy in that country.

However, we, as Canadians, are glad to see that the institutions in Japan have weathered the particular vicissitudes of that time. Thus, we, as Canadians, note the fact that the institution of democracy has been established for a full century. We wish the Japanese people well as they develop their parliamentary systems in the years to come, just as we hope to improve our parliamentary procedures and our institution in the years to come.

Hon. Jack Marshall: Is the honourable senator keeping in mind the 1940s when the Japanese were the enemies of North America? Is he also keeping in mind Pearl Harbour? Was that democracy?

[Senator Atkins, .]

Senator Perrault: Honourable senators, Senator Marshall is referring to the same difficult period as that referred to by his colleague Senator David. We, of course, remember those incidents because there were Canadians involved in the tragedies of the Second World War. One need only visit the cemetery at Yokohama and the Canadian cemetery at Hong Kong to understand the degree of sacrifice made by Canadians during the Second World War.

However, despite the fact that a war was under way, the Japanese Parliament continued its operations and the dissident forces in that country ultimately emerged victorious. Parliament was not abolished during that period of time. It went through severe trials, and we recognize that. Our good friends in Japan are the first to admit that. One need only visit the Japanese Diet today to realize that they have a very vigorous democracy at the present time. I understand that both chambers are under change, fnnovation, reformation and review at this very moment in an effort to democratize still further the Japanese system of choosing members for both houses.

● (1600)

In recognition of Japan's century of Parliament yesterday the members in the other place passed a similar resolution unanimously. It is presented in the Senate in the same spirit of friendship.

Motion agreed to.

GOODS AND SERVICES TAX

PRESENTATION OF PETITIONS ON BILL C-62

Hon. Dalia Wood: Honourable senators, I have the honour to present a petition on behalf of petitioners from small towns in Quebec—St-Léon, St-Lazare, and others—and on them are the signatures of 120 rather angry Canadians who are not very happy with the GST. They humbly pray and call upon the Senate to reject this new goods and services tax. I should like to read their names.

(*Names of signatories read*)

Honourable senators, again from various small towns in Quebec I have a petition signed by the following people.

(*Names of signatories read*)

Those are the petitions I have from that area. I have in my hand a petition from Montreal signed by people from different areas of that city. I shall read their names.

(*Names of signatories read*)

● (1610)

I have another petition here also from the Montreal area.

(*Names of signatories read*)

Here are several petitions that I would like to table.

I have a petition on behalf of 20 constitutents from the area of St. Michel.

(*Names of signatories read*)

Again, from the same area, I have another petition.

(*Names of signatories read*)

• (1620)

Again, from the same area, we have more signatures.

(*Names of signatories read*)

I will table that petition.

I have one more petition before I turn this over to my colleague to my left. This petition is from LaSalle. LaSalle is very near to my heart, since my husband comes from there.

(*Names of signatories read*)

I also table this petition. That is the end of my petitions for today.

Hon. Jerahmiel S. Grafstein: Honourable senators, I have the privilege to provide petitions from dozens of petitioners who call upon the Senate to prevail on the Government of Canada to stop the introduction of the proposed goods and services tax.

The first series of petitions, honourable senators, come from all parts of Simcoe, Ontario, which is a small town in southwestern Ontario. R.R. No. 1, R.R. No. 2, and R.R. No. 4. This demonstrates that all areas of the small town of Simcoe have remonstrated against the GST.

Honourable senators, I think it is worthwhile to note that Simcoe plays a very important part in the establishment, or the roots, of the Conservative Party in Ontario. It certainly plays a very important part in the foundations of the province of Ontario, because Simcoe, which is a small town in the heart of the tobacco district, is named after John Graves Simcoe, the first Lieutenant-Governor of Upper Canada. He was appointed in 1791, arrived in Canada in 1792, and maintained his tenure as the first Lieutenant-Governor until 1796—a very short period. However, during that period he played a very important role in the creation of many institutions that exist to the present day. The town of Simcoe, in the heart of this area, was visited by him in 1793 and was subsequently named after him when it was established a century later. At that time, when Lieutenant-Governor John Graves Simcoe arrived, he quickly came to the view that southwestern Ontario would play a very important part in the heartland of the North American continent.

The reason I am so familiar with the history of Lieutenant-Governor Simcoe is that I attended in Ontario a public school called "Governor Simcoe Public School." That school was named after him. There was a very interesting historical connection between the town in Ontario where I was born and brought up and Toronto.

Perhaps it might be useful, senators, to indicate that we have petitions from the town of Simcoe, from the city of London, and from the city of Metropolitan Toronto. All these three very important and dynamic areas were established by Governor Simcoe. London was established when it was decided by Governor Simcoe when he visited there that it should become the capital of Upper Canada. In fact, a town was laid out on the banks of the River Thames and one hundred yards from that same river is the Victoria Hospital where I was introduced into this world. So I became very familiar with that area and with the court house that was established at the fork of the Thames. At that time it was Governor Simcoe's intention to transform the town into the capital of Ontario. At the same time he visited Fork York, which was a very strategic military establishment, and later decided, prior to his leaving Canada, that York rather than London would become the capital of Upper Canada.

• (1630)

The history of Fort York has its roots in the Indian lore of Canada. Toronto was an Indian village on the banks of Lake Ontario. It became a route between Lake Huron and Lake Ontario and was used as early as 1615 by Etienne Brulé as part of his travels from the northwest of Canada back into the heartland and up the St. Lawrence.

Later on the town of Fort York was called Fort Rouillé and subsequently the remains of that fort are still existent today in the famous Canadian Exhibition grounds. After that the old fort transformed itself into Fort York and then subsequently into Toronto, which is the Indian word for "a meeting place." I give honourable senators the history of London, Simcoe and Toronto because all of these areas, as I say, could be traced to the influence of Lieutenant-Governor Simcoe and he opened immediately the establishment of southwestern Ontario with the grant of lands to Tory Loyalists.

Subsequently he did some rather interesting things. He appointed lieutenants of the counties and introduced a court of the King's Bench. He was ahead of his time because at the very early period he declared slavery illegal. He set up municipal councils and schools and, in effect, laid the very foundations of the great province of Ontario.

When we turn to the petitions we received from Simcoe, Ontario—which I have visited many times and also worked there as a student—I find it ironic that these cornerstones of Ontario, founded by Tory tradition, now uniformly and almost unanimously are remonstrating against this tax.

Honourable senators, we should learn from history that many Tory Loyalist families who first pioneered these areas of southwestern Ontario decided to do so not only because they were uncomfortable or unhappy with the revolution that was taking place south of the border, but also because they were unhappy with the tax structure of the day. It is a very interesting chapter in history that Ontario, as well as many other places across Canada, essentially were established by people who were fleeing from governments that were insensitive to their needs as citizens. Those governments burdened their citizens with taxes and a very unfair allocation of how those taxes should be remitted.

Honourable senators, I think these petitions bring potently to our attention that when every corner of a small town like Simcoe voluntarily petitions the government to refrain from introducing the goods and services tax, there should be a message. As I have said in earlier addresses, this is a "crie de coeur" from the very parts of Ontario that were founded by

Tories, and these petitions, therefore, should commend themselves to the government.

When I turn to the next layer of petitions, they are from Plainfield, Ontario; Wellington, Ontario; Ardoch, Ontario; and Ajax, Ontario. Again, small town Ontario almost uniformly comes forward and requests and petitions the government to refrain from introducing the goods and services tax. These towns are not alone.

I have here a roll call of the great towns of Ontario. Lindsay, Ontario, is the home of Leslie Frost who was a great Tory premier of this province. We have a number of petitions from Lindsay, Ontario; Haliburton, Ontario; the north part of Ontario—where I spent many enjoyable and important summers—Bolton, Ontario; Ennismore, Ontario; and Kitchener, Ontario.

Honourable senators, Kitchener also has a very interesting history. Kitchener was essentially founded by German settlers and was known as Berlin before the First World War. Until the Second World War, the predominant emigration to that area came from Germany. In the nineteenth century, they were fleeing Germany from the burdens and economic conditions placed on them by a European mindless government.

It is interesting to note that during the First World War, Berlin, Ontario, which was also the birthplace of William Lyon MacKenzie King, changed its name to Kitchener, Ontario. After the Second World War, the demographics of that city changed quite dramatically so that now not only does Kitchener have a strong and robust German Canadian population but it also presently has a multicultural population that represents every region of the world.

When we see on this list of petitions the names that come from Asia and other parts of Europe other than Germany, we see that every part of the colourful citizenry of Kitchener is remonstrating against this tax.

We move to Willowdale, Ontario, from where we have a number of petitions. Willowdale, as you know, is located in the city of North York which is one of the great metropolitan areas that comprise the family of the greater Metropolitan Toronto area. We have petitions from the north, Minden, Ontario; and from the southwest, from Chatham, Ontario.

Honourable senators will know the origins of Chatham. It is a dynamic, industrial centre in southwestern Ontario between London and Windsor. Cobourg, Ontario—again, proud of its roots and an important and vibrant part of small-town Ontario; also Oshawa, Ontario, from where we have today received numerous petitions; Bracebridge, Ontario, in the north; and St. Catharines in the Niagara peninsula.

The borough of Scarborough is, again, one of the dynamic cities that comprise the greater Metropolitan Toronto area. We have a number of petitions from all parts of Scarborough which was and is a very important and fascinating place in the eastern portion of greater Metropolitan Toronto. While originally populated by stock from the United Kingdom, it is now a rainbow in diversity from the various communities that now populate this borough. In more recent years, Scarborough has become the centre of a huge influx of Canadians of Hong Kong descent who have increased not only the cultural colour but also the dynamic atmosphere that has pervaded Scarborough for the last decade. Every part of Scarborough is represented on these petitions.

[Senator Grafstein.]

● (1640)

I now move outside of greater Metropolitan Toronto to Oakville. Oakville is the home of the Ford Motor plant and one of the most gentle and, and I think, beautiful residential communities in all of Canada. Again, there are signatures of residents from every part of that community including some from the Lakeshore north and south. There are names which represent every ethnic origin. All these people remonstrate against the GST.

I now turn to St. Catharines, Niagara Falls, Fort Erie and Port Colborne. All these wonderful, important and dynamic towns and cities are located in the Niagara Peninsula. We have the names of people from every part of these communities who remonstrate and petition us to stop the introduction of the proposed goods and services tax.

I would now like to turn to Lakefield, Ontario, which I believe is east of Toronto. There are also a number of petitions from Caledon, which is in the Caledon hills north of Toronto, and an important recreational area. Obviously, the concern of people there is with respect to the deep, pervasive and damaging impact the goods and services tax will have on their local economy.

Then, honourable senators, I turn to a number of petitions from the area of Kingston, Ontario. I would like to read senators very briefly the outline of this petition which is different from the previous ones to which I have referred.

The petition states as follows:

> Whereas the Government of Canada has seen fit since Confederation and without hiatus to apply a zero rate of tax to magazines, books, newspapers—

Hon. William M. Kelly: Honourable senators, I rise on a point of order. I do not want to prolong this proceeding unnecessarily. However, I would really like to remind honourable senators again that the point in the proceedings at which we are is the Reading of Petitions. I draw attention to page 57 of our rule book in which—

Senator Turner: What about the other rules?

Senator Kelly: I would refer to those, too, if I could come across them.

Senator Turner: Talk to the Speaker, then.

Senator Kelly: On page 57 under "Presentation of Petitions" it states very specifically that the petition itself is not read. I may be in error in assuming that Senator Grafstein was preparing to read a petition. I simply wanted to head that off to save him from making an error.

Senator Grafstein: I appreciate that, honourable senator. I did not intend to read the petition. Whereas the earlier petitions which I referred to were general and petition us simply to

stop the introduction of the proposed goods and services tax, this petition is more specific and directs the government's attention to the zero rate of tax on magazines and newspapers and is concerned that these items will now have the GST applied to them. It is a very brief statement to which I would like to refer. I do not intend to read the entire statement. The statement I wish to read sums up the purport of the petition. It states:

> Whereas uninhibited dissemination of the printed word as a cornerstone of democracy, culture, education and a literate and productive society will be negatively affected by the GST application, therefore, the undersigned reaffirm the historical principles embodied in the tax-free status for the printed word by proposing an amendment to include the retention of the zero rate in Bill C-62.

It is important to note that this petition comes from Kingston which is important in terms of the economic, social and cultural mix which makes up Ontario. As I look at the petition I see that there are a number of signatures of people living adjacent to one of the greatest educational institutions in the country, Queen's University.

I must say, honourable senators, that I am particularly delighted to receive these petitions from Queen's University because the *Queen's Quarterly*, which was published just last month, contained an excerpt of one of the speeches I gave to the Senate in June of this year regarding China's policy. It was an intervention to which Senator Doody was so kind to listen with such attentiveness. I have a particular bias, at least for this moment, to present petitions from the regions adjacent to Queen's University since the university saw fit to publish excerpts of a speech I gave here in the Senate.

From every part of Kingston, including Queen's University, we find the names of citizen after citizen and student after student asking us to stop the introduction of the GST.

I think it is important to note for honourable senators opposite who are not from this part of Canada but from the province of Quebec that the people of that province appear to have solved their particular problem in a way that is satisfactory to them. This gives people at Queen's University and, indeed, people in all universities in the province of Ontario the feeling that they may in fact be discriminated against.

I was asked yesterday about a report that some students had received that Quebec had settled its problem by obtaining from the Province of Quebec, and I assume from the Government of Canada, an undertaking that the GST would not be applied to the books of students attending universities. Obviously, honourable senators opposite have not solved the problem for the province of Ontario because we have heard—

Senator Olson: Or for Alberta.

Senator Grafstein: Honourable senator, you can speak for the province of Alberta. I am here to represent the province of Ontario.

Senator Kelly: Honourable senators, please, I must rise on a point of order. The honourable senator is indulging, or at least moving into, a debate on an issue that has been discussed at some length when an amendment involving that particular subject was considered. If this is Presentation of Petitions, why not just proceed with Presentation of Petitions and save that sort of speech for the debate on the bill?

• (1650)

Senator Grafstein: I do not intend to make a speech, honourable senators. Perhaps I could conclude by saying that I think there is a concern that must be shared by all senators, including Senator Kelly, who represents the province of Ontario just as I do. There is a feeling among students that their senators and their representatives in the other place are not powerfully representing their interests in the same way as Quebec members and Quebec senators opposite seem to be able to impose their wishes on not only the Government of Quebec but also on the Government of Canada.

I only suggest to Senator Kelly that perhaps he and I can join into some sort of partnership in order to do our duty on behalf of the province of Ontario. Perhaps we would receive similar treatment, non-discriminatory treatment, for these poor students, who in many respects are students to be impoverished by the GST.

Honourable senators, returning to the petitions at hand, I have one here from Kingston. As honourable senators know—Senator Kelly, in particular, who, I know, is familiar with the demographics of Kingston—while it was essentially, prior to the Second World War, overwhelmingly of British, Irish and Scottish stock, there is now in Kingston a population that represents every ethnic origin. Looking at these names from Kingston, it is clear that they represent many parts of Europe and Asia. By examining these dozens of names on petitions from Kingston, it is clear that they are not only from every ethnic background but obviously from every economic level of society. It is also clear that the population of Kingston appears to be almost unanimous in its rejection not only of the GST in general but the GST as it applies to one of the important educational and economic engines in Kingston—the GST as it applies to books and ultimately to students.

Honourable senators, moving away from Kingston, I have petitions from other areas and cities in southeastern Ontario, including Napanee, Battersea, Godfrey, Sydenham—virtually every small town. Honourable senators, I may be incorrect in this because we have not made a tabulation of it, but I do not believe there is one small town in Ontario or the southern portions of Ontario which I have been concentrating on in lo these many weeks from whence we have not received a petition. I think if we were to go into the history of this important moment in the parliamentary process, one of the things that should be noted in the history books is that practically every small town in Ontario has had its citizens, or a goodly number of them, sign a petition. I do not think that this is the work of one or two organized efforts. I think it is a spontaneous response to citizens' concerns about the GST.

When one examines the names on this petition, one can see that they were written with different pens and obviously in different handwriting. The petitioners give not only their names but also their addresses and their postal codes. It strikes

me that these Canadian citizens are very concerned about the GST. I think it is remarkable, honourable senators, that for the first time in modern history in the province of Ontario—it may be different in other provinces of the country, but certainly in this province—we have received so many petitions from so many people at so many levels of society. Surely there is a message there. We hope, when the final vote is taken on the GST some time before my 75th birthday, that senators opposite will take these heartfelt petitions into account.

Honourable senators, I have before me petitions signed by citizens of other communities, including Wakefield, Peterborough, Morden, Oakville, Harcourt, Oak Ridges, McArthur Hills, Highland Grove, Norwood, Whitney, Caledonia, Wilberforce, Haliburton, Hamilton, Woodville, Burlington, Milton, Watertown, Minden and others.

Honourable senators, this is a random cross-section of petitions and I do not believe one small town is not represented. All of these citizens humbly pray and beseech the Senate to stop the introduction of the proposed goods and services tax. I ask honourable senators opposite how we can turn these aside and not even provide any relief by way of amendment. How can these Canadian citizens respect the process of government if there is absolutely no change or amendment made to this legislation?

As I said earlier, honourable senators, I welcome the change in heart by the government. Senator Everett is not here, but he confirmed to me earlier this afternoon that he felt what we were doing is worthwhile. I had asked him whether or not these many, many weeks have now paid off, and even he said—and I do not want to quote him out of context—that he felt it was. He had received a letter from the Minister of Finance indicating that if the GST is approved surplus funds would be used to reduce the deficit. Even he, who has taken a rather interesting position with respect not only to the length of these debates but also to the substance of them—has now concurred that we have had some action. We have obviously done something right if the Minister of Finance is now prepared to put himself on the record in that manner for the very first time.

I will conclude by saying this, honourable senators: The news that we received from the province of Quebec that that province has now not only moved itself, but, obviously, motivated the federal government to move seems to be due to the internal efforts not only of the book publishing industry there but honourable senators opposite, I assume, and elected members from the other place and members of the Quebec legislature. If we have accomplished nothing more than a recognition of the points that we have been making so arduously in the last many hours, days and weeks, surely these are two accomplishments.

Therefore, when honourable senators opposite ask themselves whether this has been a waste of time, we on this side can say: "No, not at all." There appears to be a change of heart. Obviously, the substance of these petitions is finally getting through and there is some movement on the other side.

[Senator Grafstein.]

• (1700)

If we stay here another two or three months, perhaps the government will revise the bill in such a fashion as to make it much more commendable to these Canadians who have petitioned so arduously to stop the infamous proposed goods and services tax.

Hon. William J. Petten: Honourable senators, I have a petition signed by 31 people from the province of Newfoundland.

(*Names of signatories read*)

Honourable senators, today in the mail I received a letter from the Mayor of the city of Mount Pearl. It says:

1990-11-23

The Honourable William J. Petten

Centre Block, Parliament Buildings

Ottawa

K1A 0A4

Dear Sir:

The City of Mount Pearl wishes to register its concern over the proposed imposition of the Goods and Services Tax.

Given the fact that Canada is now into a recession and that unemployment and bankruptcies are increasing, the prospect of the implementation of the Goods and Services Tax has become an even greater concern to everyone.

The impact of the Goods and Services Tax on municipalities will be severe, given the fact that the effects of a recession are always felt earlier and last longer in this Province compared with the rest of Canada. If the Goods and Services Tax is implemented, our citizens will be directly and indirectly negatively impacted.

We urge you, in response to the overwhelming opposition evident throughout the Country, to defeat the Goods and Services Tax that is now before the Senate.

Sincerely,

Harvey Hodder,
Mayor

(*Names of signatories read*)

Allison Petten happens to be my niece. She received her early nurse's training in St. John's, Newfoundland at the General Hospital School of Nursing. She then went to Dalhousie University and has just received her nurse's degree. She is not my daughter so I can brag a little more. She is my niece and she finished at the top of her class.

Sandra Reynolds is also my niece, she is married and lives in St. John's. She is my brother Tom's daughter.

Senator Steuart: How many relatives do you have in Newfoundland?

Senator Petten: I have quite a few relatives in Newfoundland.

I have another petition with 26 names on it.

(*Names of signatories read*)

Bell Island is in Conception Bay. When you are in Kelligrews you can look across the bay and see Bell Island. There was once a famous iron ore mine there. The mine goes out a distance of four or five miles under Conception Bay towards Bay Roberts.

(*Names of signatories read*)

I have another petition with 27 names on it.

(*Names of signatories read*)

I should explain to my honourable colleagues who are not from Newfoundland that Grand Falls and Windsor are adjacent towns. It is just a matter of crossing the TransCanada Highway. Now there is an overpass so no one gets killed going back and forth. That has been much easier on the citizens.

Senator Doody: It is easier on the moose also.

Senator Petten: That is true. There is a great population of moose there.

(*Names of signatories read*)

• (1710)

Senator Marshall: What about Corner Brook?

Senator Petten: I am sure if I look through them, there must be one here. There is one from Grand Falls; but I will find one for you, I am sure.

An Hon. Senator: What about Port-au-Port?

Senator Petten: We will find one there, for sure.

(*Names of signatories read*)

I have another petition here from my province, Newfoundland. Most of them are from central Newfoundland. There are 27 persons writing.

(*Names of signatories read*)

I have one other petition, and then I will turn it over to my colleague on the left. I am still looking for a name from Corner Brook for Senator Marshall.

(*Names of signatories read*)

[*Translation*]

Hon. Jacques Hébert: Honourable senators, I have the honour to present petitions signed by 5,645 men and women from the province of Quebec who are asking the Senate to defeat the bill on the GST. The number of petitioners is, as I said, 5,645. I am not sure I will be able to read all their names tonight, but I will try. I cannot swear I will succeed.

(*Names of signatories read*)

We are now coming to Longueuil.

(*Names of signatories read*)

• (1720)

A nice family united against the GST.

(*Names of signatories read*)

They are all against the GST. Many people of Longueuil oppose this tax.

(*Names of signatories read*)

The fact remains that a great number of Canadian families, of Italian origin, are all against the GST.

(*Names of signatories read*)

• (1730)

These Montrealers are unanimously opposed to the GST. They ask that we say so loud and clear to a government which is not listening to them.

(*Names of signatories read*)

[*English*]

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE ACT
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMEND—THIRD READING—MOTION IN AMENDMENT NEGATIVED

The Hon. the Speaker: Honourable senators, it is 5:45 p.m. Pursuant to Provisional Rule P-3(a), the Senate shall proceed to the deferred division on Senator Lawson's motion in amendment to Bill C-62.

Honourable senators, it is moved by the Honourable Senator Kelly, seconded by the Honourable Senator Beaudoin, that Bill C-62 be now read the third time.

In amendment, it is moved by the Honourable Senator Lawson, seconded by the Honourable Senator Waters, that Bill C-62 be not now read a third time but that it be amended to require that the excess revenues derived from the goods and services tax be applied to reduce the public debt of Canada, by adding on page 278, immediately after line 27, the following new clause and renumbering the subsequent clauses of the Bill accordingly:

Application of excess revenues

"18. Beginning with the fiscal year that ends on March 31, 1992, such of the revenues derived under Part IX of the Excise Tax Act in each fiscal year as exceed 21 thousand million dollars shall be applied forthwith to the purchase for cancellation of securities of Canada within the meaning of the Financial Administration Act."

Please call in the senators.

The Hon. the Speaker: Let the doors to the chamber be locked.

Motion in amendment negatived on the following division:

YEAS

THE HONOURABLE SENATORS

Adams
Austin
Bonnell
Bosa
Buckwold
Cools
Corbin
Davey
De Bané
Denis
Fairbairn
Frith
Gigantès
Grafstein
Graham
Haidasz
Hastings
Hays
Hébert
Kenny
Kirby
Lang
Lawson
LeBlanc
(*Beauséjour*)
Leblanc
(*Saurel*)
Lefebvre
Lewis
Lucier
MacEachen
Marchand
Marsden
Molgat
Neiman
Olson
Perrault
Petten
Riel
Rizzuto
Robichaud
Sparrow
Stanbury
Steuart
(*Prince Albert-Duck Lake*)
Stewart
(*Antigonish-Guysborough*)
Stollery
Thériault
Turner
Waters
Watt
Wood—49

NAYS

THE HONOURABLE SENATORS

Atkins
Balfour
Barootes
Beaudoin
Beaulieu
Bélisle
Berntson
Bolduc
Buchanan
Carney
Castonguay
Chaput-Rolland
Charbonneau
Cochrane
Cogger
Comeau
David
DeWare
Di Nino
Doody

NAYS

THE HONOURABLE SENATORS

Doyle
Everett
Eyton
Forrestall
Grimard
Hatfield
Johnson
Kelleher
Kelly
Keon
Kinsella
Lavoie-Roux
Lynch-Staunton
Macdonald
(*Cape Breton*)
MacDonald
(*Halifax*)
Macquarrie
Marshall
Meighen
Muir
Murray
Nurgitz
Oliver
Ottenheimer
Phillips
Poitras
Robertson
Roblin
Ross
Rossiter
Simard
Spivak
Sylvain
Teed
Tremblay
Twinn—55

ABSTENTIONS

THE HONOURABLE SENATORS

Nil

The Hon. the Speaker: I declare the motion in amendment negatived.

The Hon. the Speaker: Honourable senators, I must now call Orders of the Day. However, I see that it is past 6 o'clock. I shall leave the Chair, to return at 8 o'clock.

The sitting of the Senate was suspended until 8 p.m.

[*Editor's Note: For continuation of proceedings, see Issue No. 115B.*]

THE SENATE

Thursday, November 29, 1990

[*Editor's Note: Continuation of Proceedings from Issue No. 115A.*]

At 8 p.m. the sitting of the Senate was resumed.

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE ACT
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMEND—MOTION FOR THIRD READING

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, a special order adopted by the Senate on Monday ordered that my motion that the original question be now put be temporarily set aside until two amendments to Bill C-62, moved by Senator Waters and Senator Lawson, had been disposed of. Those amendments having been disposed of, I am now bringing forward this motion and, therefore, move, seconded by Senator Doody, that the original question be now put.

Some Hon. Senators: Hear, hear!

The Hon. the Speaker: It is moved by Senator Murray, seconded by Senator Doody, that the original question be now put.

Hon. Royce Frith (Deputy Leader of the Opposition): Honourable senators, on a question of order, the Leader of the Government referred to house order No. 2 dealing with the two amendments by the independents and the fact that the order provided for the setting aside of the motion made earlier. That could only refer to the proceedings of November 22 last and would be based on the assumption that the motion had, in fact, been moved and had, in fact, been put; otherwise there would be nothing to set aside.

Honourable senators, I think the record should be clear on this question.

An Hon. Senator: It is.

Senator Frith: Good; I think it is too. I think it is very clear and I would refer to it to prove that to whoever on the opposite side said it is quite right.

Honourable senators, I refer you to the *Debates of the Senate* of Thursday, November 22, 1990, at page 3932. After the vote at the top of that page in the left hand column it reads as follows:

> **The Hon. the Speaker:** I declare the motion in amendment negatived.
>
> **Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations):** Honourable senators—
>
> **Hon. Royce Frith (Deputy Leader of the Opposition):** It is after 6 o'clock—
>
> **Senator Murray:** —I move that the original—

An Hon. Senator: Dashing all over the place.

Hon. Allan J. MacEachen (Leader of the Opposition): It is Christmastime.

> **Senator Frith:** —and the Speaker must leave the Chair.
>
> **Senator Murray:** —question be now put.

Some Hon. Senators: Dash, dash.

Senator Frith: You can all, as they say in sing-a-long, read along with me.

It then goes on:

> **Hon. Gildas L. Molgat:** I move that under Rule 26—

Senator David: Dash?

Senator Frith: It says:

> **The Hon. the Speaker:** The rules here say that I have to order—that the Orders of the Day shall now be called.

Senator Frith: Pausing there for a moment, to what was the Speaker referring? I think he was quite correct. He was referring to Rule P-3.(a), which is found at page 45b). I will not read the whole of the rule but it does say that the vote will—

> ". . . be deferred until 5:45 o'clock p.m. on the next sitting day, whereupon the bells to call in the Senators shall be sounded until the Whips have entered the Chamber and have indicated to the Senator then in the Chair that they are ready to proceed to the taking of the vote; but, in any case, the said bells shall be sounded for not more than 30 minutes, whereupon the vote shall be taken. Orders of the Day shall then be called.

Honourable senators will notice that the Speaker said:

> The rules here say that I have to order—that the Orders of the Day shall now be called.

Senators will remember that that was said after interventions made by Senator Murray and myself. When Senator Murray said: "I move that the original—" and "—and the Speaker must leave the Chair." we were, I suppose, still under either Question Period or petitions, not under Orders of the Day, because Orders of the Day had not been called.

The next speaker on that page is Senator Perrault and he is, shall we say, surprised. He makes reference to a "stunt."

Senator Roblin: Read it.

Senator Frith: Yes, I will. He said:

> So this is your next stunt! It's absolutely disgusting!
>
> **The Hon. the Speaker:** I am calling for Orders of the Day—
>
> **Senator Perrault:** You're a disgrace! What's wrong with you people? You're all a bunch of crooks!

Get this, honourable senators: After Senator Perrault had said, "You're a disgrace! What's wrong with you people? You're all a bunch of crooks!", the Speaker then said: "—which is what the rules say." With regard to that particular phrase, honourable senators, we make no appeal on that ruling. Senator Molgat then said:

> If he wants to call Orders of the Day, all right, call Orders of the Day, and anyone who wants to get up and speak—
>
> **Senator Frith:** It is 6 o'clock! Rule 12 requires you to leave the Chair!

Senator Carney: You left out the exclamation marks.

Senator Frith: You didn't give me a chance. It then goes on as follows:

> **Some Hon. Senators:** Order! Order!

I hope Senator Carney will not call me to order on that. It then states:

> **Senator Frith:** You cannot stay in the Chair. It is after 6 o'clock, and you cannot stay in the Chair. Come back at 8 o'clock.

There, in summary, we have the sequence of an attempt by the Leader of the Government to move a motion before Orders of the Day were called. The objection was made that it was 6 o'clock. The Speaker did not acknowledge that, but he did put Orders of the Day. What is the next thing that happened after Orders of the Day had been put? We then see the following:

> **Hon. Stan Waters:** Honourable senators, I move, seconded by Senator Lawson: That Bill C-62 be not now read a third time but—
>
> **Some Hon. Senators:** Sit down! Order!
>
> **Senator Waters:**
>
> —that it be amended to become effective in 1992 instead of 1991 as presently provided in the Bill and, to that end, that the necessary consequential changes be made to the various clauses of the Bill, as more particularly set out hereunder:
>
> (1) on page 2, in line 27, by striking out "1991" and substituting "1992."

• (2010)

> **Some Hon. Senators:** Hear, Hear!

Senator Waters then continues with his amendment.

> **Some Hon. Senators:** Order! Order!

Senator Waters continues, and then,

> **An Hon. Senator:** The sound has been cut off. I cannot hear Senator Waters.
>
> At 9:30 p.m the sitting of the Senate was resumed.

A motion to adjourn was then made by me and, after careful and thoughtful consideration, no doubt, and long consultation with the rules, in which she was, no doubt, much experienced, the Acting Speaker stood up after the explanation was made—and, incidentally, the motion was for the adjournment, and reference was made to P-3.(e), which says:

> In cases not provided for in these Provisional Rules any division requested pursuant to Rule 49(3) may be deferred for a period not to exceed 24 hours whereupon —

and so on. I went on to say:

> Now let us just review. In the first place, of course, that question must be put right away.
>
> **Senator Doody:** There is a question already on the floor.
>
> **The Hon. the Acting Speaker:** —

She had already seized the Chair, and said:

> Honourable senators, honourable senators, order! order!
>
> **Some Hon. Senators:** (Applause)

I thank honourable senators for all their help, but it was not "dash, dash"; it was exclamation point, exclamation point. Then Senator Perrault said:

> It has not been put. No question has been put.
>
> **The Hon. The Acting Speaker:** Order, order, order. As acting speaker—

This is right after Senator Perrault had said:

> No question has been put,

There is very little space between there for all the careful reflection that this experienced senator had, not only in the chamber but sitting in the Chair, which was:

> Order, order, order. As acting speaker, I rule the motion out of order because, having been in this chamber previously, I heard another motion put, that being the motion of Senator Murray.
>
> **Some Hon. Senators:** (Applause).

Or, to repeat it more slowly:

> Order, order, order. As acting speaker, I rule the motion out of order because, having been in this chamber previously, I heard another motion put, that being the motion of Senator Murray,

And, as they are doing now, guess what:

> Hear, hear!

That came from some Honourable Senators. I then said:

> You ruled it out of order before you heard any debate at all, did you?

To which Senator Wood said:

She is out of order!

Senator Perrault said:

> She has made a ruling without any debate! There is no debate anymore.

Senator MacEachen then raised a point of order.

Senator MacEachen: No, no.

Senator Frith: Yes, yes.

Senator MacEachen: Yes, I did. Please do not read it.

Senator Frith: I have been asked to not read that because it is not relevant to the point of order I am making. However, considering all the practice that you have had over there helping me, you are all invited at any time to contribute to the debate on this point of order.

I shall turn now to the minutes and try to see the extent to which they reflect what happened. What we find is a broken-field running attempt by the Leader of the Government to move the previous question, interrupted by my calling six o'clock, and before orders of the day had been called; then, after those exchanges and after orders of the day had been called, what happened was tjat a motion in amendment to the motion for third reading was moved by Senator Stan Waters.

The minutes say:

> Therefore the motion and amendment was resolved in the negative.

That is correct. The Honourable Senator Murray, P.C. moved "that the original question be now put." The Honourable Senator Molgat moved that the Honourable Senator Waters "be now heard." The motion made by Senator Molgat under Rule 26, was clearly designed—that is, the rule is designed to handle exactly the situation in which the speaker, quite properly under the rules, when more than one Senator rises—

Senator Simard: Wrong, wrong.

Senator Frith: —recognizes. That is what the rule says. Wrong? O.K., let us see the rule we are talking about.

Senator Cools: Read it.

Senator Simard: Is it Rule 26?

Senator Frith: Rule 26, yes; it is not wrong. I said that the Speaker at that point was quite correct, to which Senator Simard says "wrong". So I take it that he thinks the Speaker was wrong. I do not think the Speaker was wrong. I think the Speaker was right at that point, because the rule says:

> When two or more senators rise to speak, the Speaker shall call upon the senator who, in the Speaker's opinion, first rose;

Despite the fact that Senator Waters had given notice twice that he was going to be on his feet, and was, in fact, on his feet—there is no question in our mind that he was on his feet first; that, in our view, was clearly the situation—still the rule provides that, if two get up, it is up to the speaker to decide who in his opinion, rose first. Well, it is his opinion, and up to that point he is right. Then, in the very same sentence—not even a new sentence or sub-rule—it says—

Senator MacEachen: No dash?

Senator Frith: No dash, a semicolon:

> but a motion may be made that any senator who has risen "be now heard" or "do now speak",

That was exactly the motion put by Senator Molgat, and it is a classic example of the fact that the Senate makes these decisions. The rules ask the speaker, in the case of a conflict, to express his opinion, and then it is up to the Senate to say, "all right, yes, Mr. Speaker, but we decide who we want to speak," because, as honourable senators know—to provide a little background on the Speaker of the senate—the Speaker is not elected, he is not chosen by the senators; he is chosen by the Prime Minister, unlike the House of Commons or most assemblies. However, that is the fact. But how has the Senate, for 123 years, responded to the fact that, in effect, what happens with the Speaker, the so-called referee, is that he comes in and says, "I have the honour to inform you that I have been appointed your Speaker," to which—we have had nothing. It is announced. It is said. It is all right. It is perfectly irregular. That is the way it is done, but the response over the years—and it is reflected in the rules—has been: "All right, if the way this thing works is that you are going to come here and just tell us you are the Speaker, well, then, you sit there and call the orders when they come up and we will tell you when we want you to make any ruling, or to help us, or do anything else, or to play a role under these rules." That is why in the Senate, probably unlike any other assembly in the world, senators stand and say, "honourable Senators." They address their colleagues; they do not address the Speaker. The Speaker is like a good child at a dinner table. He speaks when spoken to.

Senator Cools: Absolutely, absolutely.

Senator Frith: Look at all the new people who know all about what happens in the Senate. Look at them all.

Senator Cools: A bunch of children.

● (2020)

Senator Frith: That book is the wrong colour, sir.

Senator Cools: Yes, that book is the wrong colour!

Senator Hastings: It belongs to the House of Commons!

Senator Frith: There are places in the rules where the Speaker is invited to play a role. There are places in the rules where the Speaker is requested in the same way that I have said, namely, he can be called upon when you are on your feet. But there are places in the rules where he is asked to participate.

Senator Barootes: You mean he is "required" to participate.

Senator Frith: Yes, in this case.

Senator Barootes: Look at Rule 15.

Senator Frith: And there are places where his—

Senator Barootes: Like Thursday night when you were disorderly!

Senator Frith: —participation is invited. When you look at the rule you will see that his participation is limited as defined in the rules. What is exactly asked for in rule 26 is perfectly consistent with the history and tradition of the Senate, namely, this is one of the cases where we, the senators, ask the Speaker to play a role. The role that he is asked to play is to give his opinion as to which was first. The Senate then says that a motion can be made—and it does not have to be made—to say, "No, Mr. Speaker. Thank you for making that choice, but we want to make the decision. Therefore, we make the motion and you must put the motion." That is what the whole brouhaha was about on November 22.

Senator Simard: O.k., professor, you may sit down now.

Senator Frith: Senator Molgat put the motion, moved the motion and delivered it in writing. It was that the honourable Senator Waters be now heard. But the Speaker refused to put that motion, which he is required to do under the rules.

An Hon. Senator: That's your opinion.

Senator Frith: I then moved a motion to adjourn—and we have heard about that.

The whole record of all these events that took place—that is, the whole record in the *Minutes*—was:

> The Honourable Senator Murray, P.C., moved:
>
> That the original question be now put.
>
> The Honourable Senator Molgat moved:
>
> That the Honourable Senator Waters be now heard.

The next thing that should have been in the *Minutes*, if the Speaker had done as he should have done, was: "the motion being put after debate was resolved" in the affirmative or the negative. If after the debate a vote were called and the vote was won,—and no doubt it would have been won by the government side—then Senator Murray would have been heard. If not, then Senator Waters would have been heard.

An Hon. Senator: Wait a minute!

Senator Frith: That is exactly what the rule is there to provide. In refusing to put that motion the Speaker is arrogating to himself authority that he does not have, has never had in the history of the Senate—

An Hon. Senator: I am sure that he had it.

Senator Frith: —and is attempting to deprive senators of the right that they have under the rules. This record shows it.

Senator Cools: Absolutely.

Senator Frith: That is why the record and the events of that night were, in the pure sense of the word, "disorderly", because they were against the order provided for in the rules by reason of the Speaker taking unto himself authority that no Speaker in the Senate has. All he was to do in that case was to put that motion, but he refused to do it. He was put there by the Prime Minister, as all other Speakers are put, but he at that point—

An Hon. Senator: All other senators, too.

Senator Frith: —this is the first time in my experience that any speaker has absolutely refused to perform his duty as is required under the rules.

Senator Simard: Sit down, Professor.

Senator Frith: That is why those proceedings should be clarified. That is why the proceedings on that night were all out of order.

Some Hon. Senators: Hear, hear!

Hon. Duff Roblin: Honourable Senators, I have not been taking a very active part in discussions on points of order recently. I am not sure that I should on this occasion either. But in my opinion the statement made by my honourable friend who just spoke so completely ignores the truth of what happened on that evening as to bear hardly any recognition of that kind.

Some Hon. Senators: Hear, hear!

Senator Roblin: I wish to start by making a reference to the duties of the Speaker. If we were to take as a literal statement of the Speaker's duties the description that has been offered by my honourable friend, we would seriously misrepresent his responsibilities. One of the things that he is charged with doing here, regardless of anything else that goes on in this house, is to maintain order. All we have to do is to look at rule 15, which I shall read to you, which describes how he is to do this. Rule 15 states:

> The Speaker shall preserve order and decorum, and shall decide points of order, subject to an appeal to the Senate. In explaining a point of order or practice the Speaker shall state the rule or authority applicable to the case. When the Speaker rises, all other senators shall remain seated or shall resume their seats.

Some Hon. Senators: Hear, hear!

Senator Roblin: Cast your mind back—

Senator Phillips: Do you have a T.V. camera lined up, Senator Frith?

Senator Roblin: —a minute or two to the proceedings of the Thursday night in question and recall exactly what happened.

One of the things that happened was that the Leader of the Government rose in his place to make a motion with respect to a government order. The regular courtesies of this House—and, indeed, the practices of any legislative chamber of which I am aware—is that when the Leader of the Government rises on an occasion of that nature he is entitled to be recognized by the Chair.

Senator Frith: In the right place. The " Orders" had not been called.

Some Hon. Senators: Hear, hear!

Senator Roblin: But what happened on this occasion is that when he rose several others members rose as well.

An Hon. Senator: Listen!

Senator Frith: Why didn't you?

Senator Roblin: I was able to listen with my mouth closed.

An Hon. Senator: You did not interrupt him.

Senator Frith: You were about the only one who was listening.

Senator Cools: You were the only one on the other side, then!

Senator Roblin: I expect to be able to make my speech here with the house observing a certain amount of decorum, although I admit these days that it is sort of foreign to our nature to behave as we used to in a civilized fashion.

Senator Cools: The Speaker changed that.

Senator Roblin: But what happened on that occasion is that when the Leader of the Government rose to his feet to speak and other senators did at the same time, before the Speaker had a chance to deal with the matter in any way what occurred? A rush of senators from the other side of the House—about half the senators sitting over there in my opinion—

Senator Simard: Shame.

An Hon. Senator: Shame.

Senator Roblin: —went down to where the Speaker was standing and endeavoured to intimidate him or to have him do what they wanted him to do.

An Hon. Senator: Exactly.

Senator Roblin: In my experience—which has limitations—I have never seen conduct of that kind in a legislative chamber.

Senator Frith: We had not seen anything like that from the Speaker either.

Senator Roblin: It was disgraceful in every respect. If the members opposite do not like what the Speaker is doing they may challenge his ruling and conduct a vote and a discussion in an orderly fashion.

Senator Olson: Like having the doors locked?

Some Hon. Senators: Hear, hear!

Senator Roblin: If my friends opposite thought that the Speaker was doing something which they objected to there is a mechanism that we are familiar with to deal with the question.

Senator Frith: Yes, and that is rule 26.

Senator Roblin: It is not berating the Speaker. It is not rushing down to where he is seated or standing to shake their fists—

Senator Cools: There was no rush.

Senator Roblin: —and to scream at him—

Senator Hastings: No!

An Hon. Senator: Shame!

Senator Frith: We did not do that.

Senator Roblin: —or to shake a little red book under his nose. If *Hansard* had been able to record all the things that were said by ladies and gentleman opposite to the Speaker as twenty or so of them gathered around his—

Senator Hastings: There was no profanity.

Senator Roblin: No profanity? You do not have to be profane to breach the rules of decent conduct in this place.

• (2030)

Therefore, it seems to me that the description we've been given as to what happened shows what happens when you abandon the regular rules of procedure and the proper conduct of proceedings in the Senate.

If you do not like what the Speaker is doing, the solution to the problem is not to rush down and berate him or attempt to intimidate him and, indeed, to sabotage the work of the Senate.

Senator Frith: That is not where the sabotage was. The sabotage was from the Speaker.

Senator Roblin: It is a scene which I hope I never have to experience again. To have my honourable friend stand there and give his explanation or his commentary on how he sees things is perfectly in order, but for him not to admit the physical facts of what happened is a mistake. He should have been frank and candid about that.

Some Hon. Senators: Hear, hear!

Senator Roblin: He should also have recognized that the task of the *Hansard* people to record what went on on that occasion was indeed a difficult one. They were not able to record because no one could hear themselves speak. The Speaker could not be heard with all the hubbub, the noise, the complaints, the berating that was going on which prevented the work of this house from continuing.

Senator Frith: He brought it all on himself.

Senator Roblin: Maybe he did, but even if he did, even if I agree with my honourable friend, which I don't, the solution to the problem was not to rush down and try to intimidate him in the way it was done.

Some Hon. Senators: Hear, hear!

Senator Roblin: The solution would be to follow the practice of Parliamentary procedure, which we all know. That is why we conduct ourselves here usually with a certain degree of self-discipline and gentility. It is hard to justify the type of conduct we witnessed that night, even if you do not approve of what the Speaker is doing, when you have a remedy in your hands to deal with the matter in a more appropriate way.

I do not know what the point of order is that my friend is speaking to because we have at the present time a motion properly moved and seconded and read to the chamber by the Speaker with respect to the previous question. That is the matter that is before us at the present time. If my friend wants to complain about the conduct of someone on another occasion, I suppose he has the right to do so, but the point of order, I suggest, has nothing to do with the procedure before us now.

Some Hon. Senators: Question!

Senator Frith: There is no question, for goodness sakes, it's a point of order.

Hon. Gildas L. Molgat: Honourable Senators, I rise on the point of order which Senator Roblin has just spoken to. There is one point on which I can agree with him and that is that the job of the *Hansard* people that night was undoubtedly a difficult one. I do not in any way fault the *Hansard* reporters for what ended up in *Hansard*, nor for what appears in the *Votes and Proceedings*, because the situation was very difficult to follow. However, there is no question that what appears in *Hansard* and what appears in the *Votes and Proceedings* is at odds. There is a difference in those two positions.

We ought to clarify that for the sake of the record, and for the sake of how we handle ourselves here in the future. We ought to be looking at the verbatim proceedings. The advantage of that is that it can be backed up by the tapes of our proceedings which can be referred to if there a question arises. Those tapes are available and we can refer to them. However, I think it is important that we do get the *Votes and Proceedings*, which are the final record of this house, in proper order. I believe that is what Senator Frith was pointing to, that there is a discrepancy and that we ought to clear it up.

I think one of the fundamental problems we have in our discussion—here let us not say misunderstanding but a different understanding—is as to what the role of the Speaker is in the Senate. I can perfectly well understand that people who come from a provincial legislature, or from the House of Commons, and have only recently been in this house, do not appreciate the very fundamental difference between the role of the Speaker in the Senate and the role of the speaker in other houses. And this is part of the problem we have been involved in for some time. It is not just what happened last Thursday, but what happened earlier this month, and back in October, when the speaker's actions were completely contrary to the rules. There is no question about that. The rules do not provide for what happened at that time. The Speaker does not have that authority in this house. This house operates on the basis that it has an appointed Speaker and this house has no choice as to who that Speaker will be. By the same token, this house—

Senator Beaulieu: You were the first ones here!

Senator Molgat: Would you like to make a speech? Get on your feet and join us. Your turn will come and I will be happy to hear from you.

So there is that very fundamental difference. I saw Senator Forrestall a while ago rising with the green rule book from the House of Commons. The rule book from the House of Commons has no reference to what we do in this house and we simply cannot go back to that point because it has nothing to do with how we operate. The rules in many respects are perfectly clear insofar as how the vote is to conducted in this place and when and how a vote is to be called.

Senator Roblin refers to Rule 15. Well, the first rule for Mr. Speaker is to follow the rules of the Senate. That is rule number one. Don't talk to me about a quorum or all the rest of it. Rule number one for Mr. Speaker is to follow the rules and Mr. Speaker in this house has not been following the rules. Mr. Speaker has been following the instructions of the Prime Minister of this country, that is what he has been doing.

Senator Hastings: And Harvie Andre.

Senator Molgat: He has been going against the rules of this Senate in order to get the Government's agenda put forward. Let us go back to what happened last Thursday evening. Senator Robin says it is perfectly normal for the Speaker to recognize the Leader of the Government. Since when? Show me one instance in our rule book where it says that. Show me one iota of a comment in that regard. More than that, show me a precedent that establishes that the Speaker must recognize the Leader of the Government.

The rule is clear, the leader recognizes the senator who first rises. If there is a disagreement, it is up to the honourable senators to let Senator so and so be heard. What happens is the Senate decides. That is a perfectly normal procedure and exactly the way our rules are intended to be. It is not up to the Speaker to decide what we do in this place. It is up to the senators to decide.

Let us look at the specifics of what went on the other night. Senator Waters said the day before that he intended to propose a amendment. More than that, at 17 minutes to 6 o'clock on Thursday, Senator Waters in his place repeated it.

Senator Simard: That is not important. That has nothing to do with this.

Senator Molgat: He repeated that he intended to move an amendment. "I am telling the Senate now and I am telling Mr. Speaker now that I will be on my feet when the vote is finished and that I intend to move an amendment." Can reasonable individuals—leaving partisanship aside, say that Mr. Speaker, with that double warning, one of them twenty minutes before the event, can suddenly decide that he does not see Senator Waters but sees Senator Murray? Let us be fair. Senator Murray popped up like I have never seem him pop up before. Except when he rushed up here to attack me later that evening. That is the second fastest I have ever seen him go.

● (2040)

This brings me to a point that Senator Roblin spoke about and I want to clear up the record on that one. Yes, I was there in front of Mr. Speaker with my rule book open like this and my motion like this. This is the original motion I wrote at that time. It is quite clear that I moved under Rule 26 that Senator Waters be now heard, and I signed it. I stood there in front of him and did that.

An Hon. Senator: You had no right.

Senator Molgat: I defy Senator Roblin to show me any instance of profanity at that point or any instance of shaking a fist. Yes, we argued with Mr. Speaker but there was no shaking of fists and there was no profanity. The profanity came later that evening and it came from the Leader of the Government, not from this side. Make no mistake about that. Senator Roblin brought the matter up this evening and I

wanted to put the record clear and straight. There was no shaking of fists and no profanity by members on this side.

Let us get back to the rules. Senator Murray was doing that night what he has to do. He is the Leader of the Government in this place and he has to get a bill through. I do not blame him. He has his job to do. So he popped up like a jack-in-the-box as soon as Mr. Speaker gave him the opportunity and wanted to move his motion. Senator Waters had given advance notice of his motion and was ignored. Surely under those circumstances the situation was clear, the Senate should have made a decision as to who had the right to speak first.

I do not blame Senator Murray for what he was doing. He was doing his job. Yet we still come back to the rules of the Senate and they are clear. The Senate decides who is going to speak. It is not the Speaker who decides that. He may recognize a speaker but the decision is taken by the senators. That is the point. Our problem right now is that some people are trying to operate this place on the basis of rules that do not belong here. They are not following the rules and precedents of this place. At this moment we do not have a proper rendition in the *Votes and Proceedings* of what actually went on that evening. I believe we have to correct that. If we do not, we will have an incorrect historical record of what went on in the Senate.

Senator Frith: Honourable senators, just before the debate continues, Senator Roblin made a comment about my not being frank about what took place afterwards. I want to say this. I ask honourable senators and others to think about our behaviour in the context of, say, the Grey Cup. The quarterback fades back. You have all the pass receivers covered. The quarterback throws the pass and the referee catches it and starts running for the goal line.

The rules of football do not allow you to tackle the referee. I ask you, what would you do in those circumstances? Are you going to wait until the referee carries the ball over for a score, or are you going to break the rules and try to tackle the referee?

Senator Simard: Cheap shot again.

Senator Frith: You bet it was a cheap shot. It is going to be a very expensive shot as you will find out at the polls.

Hon. Gerald R. Ottenheimer: Honourable senators, I have listened with interest to the point of order raised by Senator Frith and commented upon by Senator Molgat. I particularly enjoyed the reading of *Hansard* by Senator Frith. I think he did a better job on the dashes than on the exclamation marks. I listened to Senator Molgat's contribution. Essentially their submissions are a commentary or analysis or explanation from their point of view of what transpired on Thursday. It was a criticism of some of the things which happened Thursday night. They expressed their difference of opinion with respect to the niceties of language used by different senators. They expressed their difference of opinion about the niceties of gesture by different senators. However, the essence of their submissions was a criticism of Thursday's procedure.

[Senator Molgat.]

Senator Roblin has explained his viewpoint on what happened Thursday afternoon and Thursday evening.

There are just two points I would like to make. It is my personal opinion, and I do not know if it is shared by many honourable senators on this or the other side, but irrespective of one's views about what our rules are or are not, or what authority if any, persuasive or otherwise, other parliamentary practices might have, it is my personal opinion that our rules were designed or evolved in an atmosphere where the adversarial or confrontational nature of the Senate was much different than it is now. I certainly do not say it was not adversarial or confrontational because the very idea of government and opposition means confrontation. My point is, however, that the rules which evolved or were developed, and were quite adequate in an entirely different political atmosphere, are in my opinion no longer adequate today. Then if they are inadequate—

Senator Hastings: Then you write your own rules.

Senator Ottenheimer: Oh, mind readers opposite. Thank you. The honourable senator is a mind reader.

When you have finished I will continue, because I make a point of not interrupting other honourable senators and I do not think it is too much to expect the same. If someone asks a question I certainly do not mind answering and I make it a point not to interfere with other honourable senators. Surely that is a courtesy we owe one another and should observe.

The point I was making before the gratuitous interruptions of my honourable friends opposite was that, in my opinion, the rules which evolved in a different atmosphere, a different set of circumstances, are no longer adequate. That is not to say anything good, bad or indifferent. It is merely to say that the situation in the chamber has changed and to expect that rules which were applicable in a totally different situation will necessarily be adequate today is not, defensible.

• (2050)

Senator Frith: The only thing that has changed is the Speaker.

Senator Ottenheimer: If that is the case, then I think all of us are put in a very difficult, perhaps untenable—it has got to be tenable as long as it is there—and in a very ambiguous position. If the rules are inadequate for the situation in which we find ourselves—I do not mean at this very moment but during the past period of time—then we are all losers. If the rules are inadequate, then certainly the minority's position is perhaps undermined or is not clear; the majority's position is, I think, undermined or not clear; and the presiding officer's position is undermined or not clear. We are all, I think, losers. The institution and its component parts are all losers.

The final line on my viewpoint is that we should activate—not in order to settle matters tonight or tomorrow but certainly in the near future—a rules committee which may make an examination and make recommendations with respect to making the rules more realistic in terms of the political situation or the nature of the adversarial and confrontational

position which now exists and which did not exist at a certain time in the past.

The other point I wish to make is that the point of order, as made I understand by Senator Frith and as spoken to by Senator Molgat, was their criticism of what transpired on Thursday or of the procedures on Thursday. I have no doubt that at some time in the future that might make a very interesting subject for dissertation for someone writing a master's degree or, perhaps, writing a grade-five examination. The point is, in reality and not in historical commentary—and there is nothing wrong with historical commentary—it appears to me that, irrespective of what happened on Thursday, irrespective of different people's view of what happened on Thursday, of what should have happened, or what should not have happened, or whether there was refinement of gesture and language or whether there was less refinement of gesture and language, if we are to deal with the here and now, the fact is that tonight Senator Murray moved, and he was seconded by Senator Doody, that the original question be now put. Irrespective of what happened on Thursday—and I do not say it will not be very helpful for the Senate to be aware of things that happened on Thursday, or to be aware of certain shortcomings in either our procedures or our observance of them, or the rules and precedents by which we go and all of that—the fact is that, in the here and now, it was moved by the Leader of the Government and seconded by Senator Doody that the original question be now put.

I have not heard it said by either Senator Frith or Senator Molgat—and I may have missed it—that they are challenging that motion, or that it is not in order. I have not heard them say that that motion put tonight at 8 o'clock by Senator Murray is out of order. It may have been said but I have not heard it. It appears to me that what the point of order concerns itself with is a discussion of what happened on Thursday: The inadequacies or adequacies of the procedures; and different points of view about the appropriateness of what happened or did not happen on Thursday.

I am not saying that that may not be a very fruitful area for examination, but to deal with the here and now, it is my understanding that, irrespective of what happened on Thursday, there is a motion by the Leader of the Government, appropriately seconded, before the house and I am not aware that anyone has challenged that that is in order.

Some Hon. Senators: Hear, hear!

Hon. H.A. Olson: Honourable senators, the thrust of Senator Ottenheimer's contribution to this debate seems to me that he would like to know what is the here and now and what are the rules for the here and now. That is what we want to know too.

Senator Buckwold: Not the hereafter.

Senator Olson: Is Rule 26 still operative or not? Honourable senators, I do not want to go over the record as recorded by *Hansard* again or the *Minutes of the Proceedings* of that day again because it was read very fully and very carefully by Senator Frith. What is clear is that what happened first of all was that Senator Frith called 6 o'clock and was completely ignored even though it was after 6 o'clock. The second thing that happened is that the Speaker claimed that he was required to call the Orders of the Day. Well, if he had called the Orders of the Day, the very next thing was to recognize that it was after 6 o'clock and the session should have been adjourned until 8 o'clock and that was not done. There is no question about that. Does that mean that Rule 12 is no longer operative either? Apparently that is the way it is.

Senator Ottenheimer's argument is that we should let bygones be bygones. I know what is going to happened, honourable senators, and so do you. Senator Murray is going to refer to this as a precedent. That is what he said he was going to do about the other precedent when he and whoever else was with him said they were going to change the rules in the middle of the game. I am sure you all remember what happened on October 4. Somebody decided—and the only one we have it in writing from is Senator Charbonneau—that they were going to end the debate, that they were going to end the long established practice and the right of both Whips to come into the house, and that he was going call the vote at 5:30 p.m. Afterwards they said, "That is a precedent and we can use that from now on." Not only did that not happen but they did not even wait until 5:30 p.m. The doors were locked when some of the senators came down here. They made the excuse that the Whip was there telling senators not to go in. All the Conservatives who had advance notice were all lined up in here and the rest of us or, perhaps, a few of us, were at the door. Whether we were trying to get in or not is irrelevant. The Speaker had no business to send that letter. He had no authority. That is the problem we are faced with now with regard to the situation last Thursday evening.

Senator Simard: You have a problem; we do not have a problem.

Senator Olson: Yes, I have a problem.

Senator Frith: You have a problem but you just do not know it.

Senator Olson: I think, and some other honourable senators have pointed out, that we ought to know what the rules are going to be. We do not want to come across a situation where there is turbulence and difficulty and then the rules are changed. That is what happened last Thursday night and that is what we are complaining about in this point of order. Our complaint is that a motion made properly under Rule 26 was not acceptable. There was an argument with the Speaker for many minutes, maybe even an hour, that he was absolutely, unequivocably obliged to accept a motion under Rule 26 and to put that motion before he recognized anyone.

It has been argued that he had notice twice or thrice—but at least twice—from Senator Waters that he intended to move the motion in amendment but then, in spite of that, Senator Murray jumped up, for whatever reason—I guess he wanted to get his motion through—and it is the consequence of that that is important. By not accepting, or by failing to accept, a motion made under Rule 26, the consequence was to deny

honourable senators a right to be heard at all. Senator Waters and Senator Lawson had not been heard at all. That is the consequence we are concerned about and, if that is to stand, it is a precedent for future actions.

I see Senator Murray is not here just now but Senator Doody is and he may try that any time.

Senator Doody: Moi?

Senator Olson: That is why the point of order is so important. Is Rule 26 still valid? It will not be if you got away with it last Thursday.

Honourable senators, we need to clear this up and we need to make sure that, in the future, that what it says in Rule 26 is that the Senate shall decide if more than one senator rises at the same time.

Senator Grafstein: Ask the honourable senator why the mace is not pointed toward the government. Why is the mace not pointed towards the government?

● (2100)

Senator Olson: That is the problem, and the argument that Senator Ottenheimer makes is almost comical. It is so ludicrous. You know that has happened. The other thing he says, well, I wrote something down here, but I wrote it rather fast. I do not know if I can read it. He says,

> **Senator Ottenheimer:** The rules today are no longer adequate for today. So we have to change them.

Senator Ottenheimer: Do you not think it is a good idea?

Senator Olson: You change them in advance.

Senator Ottenheimer: Change them on the run.

Senator Olson: Surely the members on both sides of the house have to know when you are going to change the rules and how you are going to change them and what you are going to change them to. You are making the argument now that what happened last Thursday night was a violation of the rules. Do I take it that that is what you are arguing? You are not so sure. You would be a good ally. Why don't you argue that we ought to know if and when a motion under Article 26 is going to be acceptable in this house.

Senator Frith: Do not embarrass him. He knows that that should have been put. He knows the rules.

Senator Olson: No, but it would be good for him to be a supporter of the members on this side who like to follow the rules or at least know what they are.

Senator Ottenheimer: I am a supporter of the rules of law.

Senator Olson: See, honourable senators, we are making progress.

Senator Frith: You don't think the referee should catch the ball and run for the goal line.

Senator Olson: A while ago he said that the rules do not seem to be adequate for the times. So we had to change them.

[Senator Olson.]

Senator Ottenheimer: Besides we have to give the referee a glove.

Senator Olson: Well, honourable senators, I do not want to take any longer about this, but I thought the argument that we just change the rules any old time, that they do not seem to be adequate for today, was really pretty weak. But now Senator Ottenheimer is telling us that that really is not a very good argument. We should at least follow the rule of law while the law is there. If you do not like the law, we change the law. So that both sides know ahead of time. So everybody knows. Do you not think that all the players ought to know the rules of the game and that all the players should stick to the rules of the game? Even Senator Ottenheimer is agreeing with me.

Honourable Senators, I think that we need to settle this, straighten this matter out, and if Senator Murray and Senator Ottenheimer would just get up and say, "Well, we intend to honour Article 26 of the rules in the future," and make sure that they do, it would strengthen greatly the opportunity for senators on both sides of the house to know what the rules are going to be, and that they are going be honoured in all circumstances and not just set aside when it is convenient to do so. So, honourable senators, I hope that we can get that sorted out, because at the moment, if we are going to recall what happened last Thursday night, Article 26 of our rules is not operative at all. You see, it does not matter, whether Senator Murray was up first or not—and he was not. Senator Waters was standing before you got up, but can you say, "Well, maybe the speaker did not see him first." But, he put the house on notice. Supposing they were both up, maybe they rose so simultaneously that you could not tell who was up first. Then, Article 26 provides for that, because it says clearly,

> When two or more senators rise to speak, the Speaker shall call upon the senator who in the Speaker's opinion rose first; but a motion may be made that any senator who has risen "be now heard" or "do now speak".

That is the problem. That motion was put right then, right on time, and was not accepted.

Well, honourable senators, is that the way you want the Senate to run? Is that what we have to accept from here on? If we do not get that precedent rubbed off the books, someone is going to refer to it and say, "Well, these are the new rules." Like Senator Ottenheimer says, "We have got to have new rules from time to time." Is this the disappearance of Article 26? I certainly hope not, and I hope also that if we are going to change the rules that we do not do it in the middle of the game like we have done two or three times.

The Hon. the Speaker: Senator Kelly was trying to have the floor.

Hon. William M. Kelly: I was trying to have the floor.

Senator Hébert: I thought I was there first. I can wait a minute or so.

Senator Barootes: It is unusual punishment.

Senator Kelly: I, perhaps, am standing at the wrong time, but I do have a brief speech, a very tiny speech, to make on the

bill itself, and in that there is a motion—I am sorry, hear me out. If there is a motion before the house, and I understand there is—

Senator Doody: It is O.K.

Senator Kelly: Honourable senators, what I am hearing now really is a committee of the whole discussing how the rules should be drawn in the time ahead. I do not know what that has to do with the motion that is before the chamber right now.

Some Hon. Senators: Hear, Hear!

Senator Kelly: I am not denigrating the need for what has been discussed. I am fully in support of everything that has been said in terms of the need to have rules, but I do not know what that has to do with the track we are now on.

Senator Hébert: Let us finish the point of order and we will see after.

Senator Kelly: Honourable senators, with respect, can any one of you clearly identify what the point of order is? We are talking about what happened last week, and so on.

Senator Hébert: They must have talked about something. I want to talk on the point of order and maybe you can make your speech in a few minutes. It will not be long.

Senator Kelly: Could the senator say what point of order he is talking on?

Senator Hébert: On the point that everybody has been talking about since 8 o'clock. The same one.

Senator Simard: Read it.

[*Translation*]

Senator Hébert: Honourable senators, we have been attempting to piece together the events of last Thursday. I do not ordinarily get involved in discussions on procedure, since there are already enough experts in the field on both sides of the House.

Hon. Jean-Maurice Simard: In your case, it is hot dog stands!

Senator Hébert: Well, we are accustomed to rude remarks from you, so I guess a few more will not hurt.

So, as I was saying, I have a great deal of respect for procedural experts. I even, occasionally, listen with some interest to the points raised by procedural experts opposite, like Senator Roblin, for instance.

But this evening, I must admit I found his little sermon profoundly irritating. He seemed to be saying, in explaining last Thursday's events, that the Liberal senators had acted like hoodlums.

Senator Simard: Well, it is the truth.

Senator Hébert: . . . That they had made hostile gestures at the Speaker and others, had made unpleasant remarks, used foul language, and what have you . . . and that, of course, the Conservatives who were also on their feet to defend their speaker had all behaved like little angels.

Senator Simard: Well, it is the truth.

Senator Hébert: Well, it just so happens that I was standing close to the Speaker over the three hours that these events took place. I did not say a word. I was listening to discussions between the Speaker and Liberal experts who were there trying to help him understand a rule.

At one point, I saw the leader of the government in the Senate leap from his chair and run as fast as he could to Senator Molgat. His face was so red that I thought he was going to have a heart attack. And he hurled the most unbelievable insults at him—I heard him, although I did not say a word, and I was absolutely flabbergasted to hear what Senator Murray was saying; indeed, I was so outraged that I went and sat down at one of the desks, picked up the little card that they usually put under the glasses and copied, word for word, everything Senator Murray had said.

As for fists being raised and the hostile gestures that Senator Roblin accuses us of having made near the Speaker's chair, the only person I saw making gestures like that was Mr. Forrestall, who was standing right there, jostling everybody. So, honourables senators, on November 22, an exchange took place. Senator Molgat, always a gentleman, attempted to explain what had occurred. He said that he had tried to apologize to Senator Murray, who left because he obviously did not want to hear what he had said the other day.

As far as I am concerned, Senator Murray's response—now, I am no procedural expert, but the facts are the facts. I know what I heard. And a lot of others senators heard it as well. If they are here, I am certain they will rise to say that they, too, heard what I heard.

So, when Senator Murray denied having said certain things, he did not tell the truth in this House. He was not fair to Senator Molgat. And I do not like that. He never uses that kind of language. But I would like to tell you exactly what I heard. Senator Murray can leave, because as I am sure he will recall, he is the one that said these things. He knows what I am talking about. So, I will read you what I wrote down—I wrote it in English. He said to Senator Molgat:

• (2110)

[*English*]

> Sober up, by Jesus Christ . . . .If you want violence, you will get violence. You sober up. You pig. You Goddamned son of a bitch.

[*Translation*]

That is what I wrote that very evening, two minutes after having heard these remarks.

Senator Simard: Two minutes later, you had already forgotten them.

Senator Hébert: Just be quiet now and let me read this to you—I will even read it in English just so it will be perfectly clear just how much Senator Murray twisted the truth in trying to save his own neck. I would have forgotten all about that little card if I had not heard Senator Roblin sermonizing us about how we behave like hoodlums, when in reality, the

hoodlums were on the other side of the House. Senator Murray said:

[*English*]

Yes, I did say, "Sober up!"

[*Translation*]

He seems to have forgotten the "Jesus Christ", but anyway . . .

[*English*]

As the honourable senator suggested, that was said in the heat of an exchange in front of the Speaker's Chair when I thought that the honourable senator was attempting to usurp it. We had words.

I call that words. He goes on to state:

I apologize for having said that.

That is to say, "Sober up". He goes on to say:

I withdraw it unequivocally.

By that he means saying "Sober up". He goes on to say:

I did not threaten violence, but I did say that we were heading to violence and I did ask, "Do you want violence?"

The real sentence is: "If you want violence, you will get violence." That is a bit different. It is so different that there is not much truth in what I read as having been said by Senator Murray.

Senator Simard: Come on. Sober up.

Senator Hébert: I am sorry that that nice gentlemen, Senator Roblin, was not here to have heard that he was defending that kind of language and the kind of gesture that came from Senator Murray and Senator Forrestall.

Senator Simard: Goodnight.

Hon. John B. Stewart: Honourable senators, I think it is unfortunate that Senator Roblin called back to our memories the episode of last Thursday evening.

Senator Simard: Are you ashamed of yourself?

Senator Hastings: No.

Senator Simard: Are you ashamed of all your remarks?

Senator Stewart: No, Senator Simard. It is unfortunate that the words that Senator Murray evidently spoke have been brought back onto the record of the house; but let us leave that for now.

On Thursday last an attempt was made by Senator Molgat to use a rule of this house, namely, rule 26. It is a rule that is not unique to this house by any means. It is a rule that is used in the House of Commons. I have seen it used a fair number of times. There is no room for doubt as to what our rule means.

I put it to you, honourable senators, that if there is any room for doubt, that doubt should have been resolved by Speaker Charbonneau in favour of the small minority in this house. I am speaking here of Senator Waters. True, he is a member of a political party; but he is a member here of the Senate as an individual, independent of either the Progressive Conservative Party or the Liberal Party.

[Senator Hébert.]

The function of rules in a game, or anywhere else, is not only to facilitate the operation but also to assure that the weaker party is not overrun by the might of the majority. There is a difference between "right" and "might."

The purpose of "right," whether it is laws to protect property or the liberties of people, is to protect the weak from the strong. That is an important point, particularly when we are dealing with one senator who, under the existing provisional order, did not have the right to move an amendment but who, under the standing rules of the Senate, had an undoubted right to move an amendment if he got the floor. What we saw here last Thursday was clearly a conspiracy to deprive Senator Waters of his undoubted right—

Senator Simard: No.

Senator Frith: Yes, exactly.

Senator Fairbairn: Absolutely.

Senator Stewart: —to speak—

Senator Frith: A harpoon has hit Moby Dick over there, I see.

Senator Simard: Keep quiet, Professor.

Senator Frith: Yes, there is Moby Dick again.

Senator Stewart: —in this chamber and to exercise his rights as an appointed member of the Senate. That is what was happening, and that is why some honourable senators were aroused.

So, honourable senators, whether we look at the English version of rule 26 or the French version, there is no question about the meaning of the rules. But if there was any room for doubt, that doubt should have been resolved in favour of Senator Waters.

It is a sad day when we can no longer rely on the Chair to protect an individual senator from the juggernaut of the majority.

Some Hon. Senators: Hear, hear!

Hon. Joan Neiman: Honourable Senators, I should like to say just a few words with respect to this point of order. I could not help but agree with Senator Roblin's comments when he said that in all the years he has been here he had never witnessed a series of incidents such as we have seen in the last couple of months. I must agree with him on that.

• (2120)

It has been quite extraordinary. I know that over the years this chamber has been called "an old boy's club", and I think with good reason; but the good part of that is that it operated under rules. Some of the rules are obviously archaic and arcane and are in need of change, but at least we respected the rules that were here. I can remember arguments, even acrimonious arguments, from time to time about interpretations, but eventually they were resolved and we went back to following this little red book. Occasionally we felt the need for making a change.

I do agree with Senator Ottenheimer. I think it is time, especially in view of recent events, for us to have a complete study and overhaul of the rules. Senator Kelly, I do not know if you were here when Senator Ottenheimer made his intervention. He is the one who raised the question of changing the rules in the future. However, we are discussing what happened, presumably under the rules which are now in force, whether we like or not.

What concerns me is what good would it do if we could change the rules every day? I am prepared to agree to changing the rules, but if the government decides that it can simply ignore them when it is inconvenient or when it has some other priority, then what is the point? We might as well stay with what we have and break the rules as we go along when we do not like them.

I find it astounding, after the events of the 4th of October, and the absolute disregard for the rules on the part of the government, with the active of support of our Speaker at that time, that anyone has the colossal nerve to say we are guilty of anarchy and guilty of breaking the rules. I think we are guilty of breaking the spirit of the rules at some time, but at what point do you say to the majority, enough is enough? We have to get a message through to you that if that is the way you are going to play the game, we have to try to do something; we can only be kicked around for so long.

What we have to understand is that this rule book is for everyone in this room. If we change it—

Senator Simard: Which rule book was used on September 24 with Senator Buckwold? Which rules was he using, by the way?

Senator Frith: It was Chairman Buckwold's chairmanship and his decision. The Speaker upheld that.

Senator Neiman: Senator Simard, I know you are in difficulty when you interrupt in the middle of someone else's remarks.

Senator Austin: Which you do very often.

Senator Neiman: It's all right. I hope you are sincerely repentant, I really do. All I am saying is that we should all try to follow the rules, and this is a classic example. You are misinterpreting exactly what happened last Thursday night. If you look at Hansard you will know exactly the sequence of events. You will know exactly what the Speaker did or did not do. However, Senator Ottenheimer said, "Senator Murray moves the question, seconded by Senator Doody." There is no such indication. Of course, he did not. I know Senator Doody in his heart was supporting his leader, but he did not get the words out and they are not there.

All I am saying is that I think it is time we got back to the rules. The Speaker himself, when we were acting, as he has said, in an unruly manner, helped by a few people on your side—I was glad to have the company; I was feeling a little harassed—he blurted out, "If we followed the rules we would be here for three weeks".

Senator Leblanc: I heard that!

Senator Neiman: And you don't want to do that; and the Speaker was trying to support you in that. But that simply is not good enough. If we want to change the rules, then, by all means, let us do it; but, in the meantime, let us keep to them. There is omething else I am very concerned about—

Senator Simard: You are a good lawyer but you have a poor case.

Senator Frith: Listen to who is talking!

Senator Simard: You are trying hard.

Senator Neiman: I have to try.

Senator Austin: You are setting new records for interrupting speakers.

Senator Neiman: There is only one other point I would like to make. I think it is extremely important that the *Minutes of The Proceedings* be corrected, and at the appropriate time and as soon as possible I will make whatever motion is necessary to see that *The Minutes of Proceedings* are corrected to conform with *Hansard*.

Some Hon. Senators: Hear, hear!

Hon. Allan J. MacEachen: Honourable senators, I want to follow up on a point that has been raised by Senator Neiman, which I thought to be the fundamental point raised by Senator Frith. At least, it is the point with which I am concerned in this series of comments. Quite apart from the debate and comments that have been made about the proceedings of Thursday last, each of us has his own recollection of what happened. I think it is unfortunate that Senator Roblin intervened and revived it in our minds that evening, because it led to further comments and further additions from this side of the house, which were fully justified. We have our recollections of what happened, and they can remain with us for our own purposes or for our own writings; but there are official records of the Senate, and what bothers me, and which is the point made so clearly by Senator Neiman, is that there are fundamental discrepancies in the account of the debates and in the account of what are called the *Minutes of the Proceedings of the Senate*. The official record of the Senate is the *Minutes of the Proceedings of the Senate*. That is the document which tells us what happened, and there are discrepancies between the two accounts. I want to know how we can remedy these discrepancies. I will mention two. The debates make it very clear that Speaker Charbonneau called the Order of the Day. The official record, the *Minutes*, omit that. Why? A future historian or someone who wants to look at what happened here will pick up the official record and find that the Orders of the day were never called. Then that person goes to the Senate *Debates* and finds that the Speaker said, "I am calling for Orders of the Day." I think we ought to have some way of reconciling these two different accounts, or the omission in the official record.

The second point is, I think, even more extraordinary. I can find no reference whatsoever in the *Debates of the Senate* to a motion having been moved by Senator Molgat. The person who picks up the Senate *Debates* will say, "What was the

controversy about, because I cannot find in these debates that Senator Molgat moved a motion that Senator Waters be now heard?" I can't find it. Have you been able to find it? I look at the official *Minutes* and we see that the Honourable Senator Molgat moved: "That the Honourable Senator Waters be now heard." There may be explanations for this. Perhaps the Senate reporters missed something that was picked up by the Table Officers who are responsible for the *Minutes*.

Senator Simard: If something is missing, are you blaming us?

Senator MacEachen: I am not blaming anyone at the moment, Senator Simard.

Senator Frith: If you would listen, he said the exact opposite.

Senator MacEachen: I am asking why there are important discrepancies between the two accounts contained in our records. I believe that it would be quite appropriate for Senator Neiman, or another Senator, to make a motion so that these discrepancies can be cleared up or an explanation given. Why is it, to put it simply, that the *Debates of the Senate* has absolutely no record of Senator Molgat moving a motion and the Minutes say that he did a motion?

There are other anomalies that I will not go into, but those are two glaring ones. There was a ruling made by the Acting Speaker on the motion put by Senator Frith to adjourn the Senate, because, in the view of the Acting Speaker another motion had already been put. So a person who wanted to find out what happened will look to the Acting Speaker and find that the Acting Speaker concluded there was a motion put and that it was before the House. But when he looks at the official records, he will find there is absolutely no mention of it. I believe that at least we are entitled to have some concordance between the two accounts of those proceedings, which are not the accounts of individual Senators but the official accounts that will be available to persons who in the future will want to look at what happened. Let me tell you, honourable senators, if they look at the official accounts they will find misleading, incomplete and contradictory accounts.

I know perfectly well that the events of last Thursday will be an important event in the history of Parliament. It will attract a lot of future attention. It will attract a great deal of attention in the future and people are entitled to have a record. It may be that when Speaker Charbonneau returns it will be possible to have a method by which these accounts can be reconciled. If a motion is not necessary, we will not press with a motion; but, if it is necessary, we will.

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I think I should say, first of all, that many of the points that have been raised tonight on this question of order, as Senator Frith described it, could have been, and probably should have been, raised last Thursday.

Senator Hastings: They were.

[Senator MacEachen.]

Senator Murray: Or even since then, or even at some future time. We did not have the minutes until two days later. We had the minutes earlier this week. We had the *Minutes*, as I recall, on Monday, did we not?

• (2130)

Senator Doody: Yes.

Senator Murray: They are being raised tonight but in what context? Senator Neiman and the Leader of the Opposition indicate that at the appropriate time they would, if necessary, move a motion. There is a motion before the house. That motion is my motion, seconded by Senator Doody, that the original question be now put. The original question being Senator Kelly's motion that Bill C-62 be read the third time.

Senator MacEachen suggests that in view of what he sees as discrepancies between the *Minutes of the Proceedings of the Senate* and the *Hansard*, that a way should be found or could be found or might be found to reconcile these discrepancies. I suggest it is up to him to suggest the remedy if there is one. Meanwhile, as I say, there is a motion before the house and I trust we are going to debate it, the motion being that the original question be now put.

However, I cannot, in the spirit of Senator Frith's narrative, resist discussing what happened on Thursday night, really on two points. One is the question of Senator Molgat's motion, which followed mine, "that Senator Waters be now heard." I suspect that what happened is that Senator Molgat walked up to the Chair and delivered the motion by hand but he never really got it out verbally from his place in the Senate. In any case, he was apparently not heard by the *Hansard* reporter. I was.

I want to say a word about this motion, about any motion that a member be now heard.

Senator MacEachen: Are you on the point of order now, Senator?

Senator Murray: Well, I am entering into the spirit of the narrative we heard a moment ago.

Senator MacEachen: So you are on the point of order?

Senator Murray: I am on whatever it is Senator Frith was discussing.

Senator Doody: The subject matter.

Senator Murray: Senator Frith was very careful. With that great care he takes and these fine distinctions he sometimes draws he did not say: "I rise on a point of order". He said: "I have a question of order" and he launched into his narrative. So in that spirit I would like to say something about the practice in relation to the recognition of senators and I would like to refer honourable senators to citation 302 of *Beauchesne's* at page 99 of the fifth edition.

Senator Frith: Stay away from the Senate rules at all costs.

Senator Murray: Surely the honourable senator does not deny that *Beauchesne's* can shed some light on our rules as it can on the rules of other parliamentary bodies.

Senator Frith: If they read right.

Senator Murray: Let me read this:

> (2) A motion that a Member 'be now heard' must be moved before the Member recognized has begun speaking.

I was on my feet, I presented my motion, it was heard by the *Hansard* reporter, it was heard by the Speaker. In other words, once the senator has begun to speak, having been recognized, that senator has the floor and it is not open to another senator to move that a third senator do now speak or be now heard.

Senator Frith: So Rule 26 only applies to mutes.

Senator Murray: I had begun speaking when Senator Molgat attempted to move his motion.

Senator Frith: That has nothing to do with Senate rules.

Senator Murray: In any case, I had moved a motion. The duty of the Speaker was to put the motion. He tried to do so but was prevented by the storm around the Chair. He tried to put the motion and he cannot be interrupted by a motion that another senator be heard while he is putting a motion that he has already heard from me.

I do want to say a word about the rule governing the motion for the original question. This motion is provided for in the Rules of the Senate, Rule 36(3).

Senator Frith: Now we go to the Senate rules.

Senator Murray: A motion for the previous question, as it is called, is provided for in our rules and it is very well known in all of the democratic parliaments that any of us have ever heard of.

Senator Frith: It is usually put after debate has begun. There is no debate yet. You are cutting it off before he speaks.

Senator Murray: I beg your pardon. It is normally moved by the government after there has been a lengthy debate and a number of amendments. My goodness, we had just voted on the eighth amendment put forward by my honourable friends opposite.

Senator Frith: We have not debated the main motion.

Senator Murray: On Thursday night when I presented my motion we had had second reading debate, we had had report stage, we had had eight amendments voted on at third reading. It is a classic situation where the government would move the previous question.

The purpose of moving the previous question after a debate, after a number of amendments have been moved, is to cut off further amendments and to proceed to the final debate.

Senator Frith: You usually get a little debate on the main motion.

Senator Murray: Honourable senators, we have had eight amendments, which is an extraordinary thing in itself, at third reading. That is extraordinary. Especially from a party that decided to forgo its opportunity to move amendments at report stage.

The main purpose of that motion, which is provided for in our rules and the rules of all democratic parliaments, is to cut off further amendments and proceed to a final decision. Some honourable senators are saying, "well, Senator Waters indicated that he wanted to move an amendment." Indeed he had. Indeed, Senator Lawson had indicated the same thing. However, I never made any secret of what our plans were in that respect. We would try to work out an accommodation similar to the one that the Liberals had had to enable the Independent senators to move their amendments, failing which I was going to invoke the previous question.

Quite frankly, it does not matter whether one or two or a dozen senators wanted to move amendments. That does not impede the government from moving the previous question and letting the Senate decide. That was the situation that we found ourselves in on Thursday night when I moved the previous question.

So, honourable senators, I can only say that while there has been some talk of a motion at the appropriate time, while there has been some talk of finding a way to reconcile what troubles Senator MacEachen and Senator Neiman about some discrepancies between the *Minutes* of that day and the *Hansard* of that day, we have not heard any suggestion that my motion that the Speaker put at 8 o'clock or a bit after tonight is anything but in order.

My motion is properly before the house. The debate should begin on my motion unless honourable senators are seeking a ruling on some matter they have not yet articulated from the Speaker. So I would suggest that in the interests of good order, it being almost two hours since we commenced this little exchange over what took place last Thursday, the time has come to debate the motion I have moved, seconded by Senator Doody, which the Speaker put to us at a quarter after eight this evening.

• (2140)

Some Hon. Senators: Hear, Hear!

Hon. Allan J. MacEachen: Honourable senators, we have not contested the regularity of the motion which has been put by the Chair. We have not raised a point of order on that. We have raised a point of order on the account of events of last Thursday as contained in the official records. Senator Murray said it was my obligation to suggest a remedy. Well, I do have one remedy which may be more cumbersome than another which I have in mind. It is to move a motion. One could easily move a motion under privilege which would give the Senate an opportunity in Committee of the Whole to try to reconcile these accounts. But, if that is unacceptable, or if further thought ought to be given to it, then we could consider having some explanation provided by the Clerk of Senate which could be conveyed to us by the Speaker. If it were found satisfactory, we could then ensure that the revised editions of these documents would reflect the changes, because it is not a theoretical matter. I know persons who have already looked at these documents and have asked, "What happened?" They are finding differing accounts. I think it is important, if only to preserve some self respect, to have at least the official documents in order. If behaviour is alleged to be disorderly, per-

haps we could have the documents reflect order. That is what I have in mind.

If my second proposal were given consideration, I would defer moving a motion.

Hon. Duff Roblin: Honourable senators, I think my honourable friend has made a reasonable proposition which is that we should ask the Clerk of the Senate carefully to review what evidence there is that he can look at to see whether he would suggest any changes to the records that might, perhaps, be more acceptable to members generally.

I would think we should accept my honourable friend's suggestion and ask the Clerk to do that and to report to the Speaker as soon as he is able to do so.

Some Hon. Senators: Hear, hear!

Hon. Gildas L. Molgat: Honourable senators, I rise briefly because I want to put on the record that I do not agree with Senator Murray's interpretation of rule 26. I am not going to debate it at this point, but I do not want it to be taken that he has made a statement that is unchallenged.

Senator Murray: It is *Beauchesne*.

Senator Molgat: I do challenge his reading of Rule 26.

The Hon. the Speaker: Honourable senators, it is moved by the Honourable Senator Murray PC, seconded by the Honourable Senator Doody, that the original question be now put.

Is it your pleasure, honourable senators, to adopt the motion?

Some Hon. Senators: Yea.

Some Hon. Senators: Nay.

Hon. Peter Bosa: Honourable senators—

Hon. Senators: Hear, hear!

Senator Bosa: —Thank you for that ovation.

Honourable senators, I rise to take part in this debate on the third reading of Bill C-62, otherwise known as the "goods and services tax."

The debate on the GST is the most controversial debate that has taken place in the Senate. Never in the history of the red chamber have there been so many people, political parties and provinces urging senators to defeat this regressive tax. Just look at the number of petitions and letters that we, on this side of the chamber, have received to get an idea as to how deeply felt is this issue.

The Senate is fulfilling its mandate that the Fathers of Confederation envisioned.

Some Hon. Senators: Order! Order!

Senator Doody: Senator Molgat, this is not a pretty view.

Senator Bosa: In fact, honourable senators, the Senate is going beyond its mandate because it is not only speaking on behalf of the regions and the minorities, but it has also taken an unprecedented new role, that of reflecting the views of the majority of Canadians who oppose and despise this tax, and their voices are falling on deaf ears.

[Senator MacEachen.]

There was an article—

Senator Corbin: Order!

Senator Doody: There is a meeting going on over there. Just wait for them to finish.

Senator Hastings: Take your time. Read slowly.

Senator Doody: There is another meeting going over there. Senator Wood is canvassing. I think we have their attention now.

Senator Bosa: Honourable senators, I was about to read an article from a newspaper in order to place evidence before senators as to how deeply felt this issue is and how opposed it is. I will recite some statistics from an article that appeared on November 1, 1990 in the *Toronto Star*. It states:

> More than three quarters of Canadians oppose the proposed goods and services tax, according to a Gallop poll released today. Seventy-six per cent said they don't want the 7 per cent federal tax to replace the 13 per cent manufacturers sales tax—

I believe they must have meant the 13.5 per cent manufacturers' sales tax. It goes on to state:

> —the highest opposition yet recorded by Gallop.
>
> This is the third time in 13 months Gallop has found Canadians overwhelmingly oppose the tax. A January poll found 74 per cent against the GST, up from 72 per cent in September, 1989.
>
> In today's poll only 16 per cent favor the tax while 8 per cent have no opinion.
>
> The tax is unpopular even among declared followers of the governing federal Progressive Conservatives: While 40 per cent favour the tax, 48 per cent are opposed.

Even the Conservatives who support this government are against this particular type of tax. The article goes on as follows:

> Today's results are based on interviews with 1,041 adults, October 10 to 13. Results from a national sample of this size are considered accurate within four percentage points, 19 in 20 times.

This government with its majority in the House of Commons has rammed through this legislation by imposing closure and cutting off debate through time allocation.

Senator Hastings: And again tonight.

Senator Bosa: With the appointment of 8 additional senators, the government now has a majority in this chamber, a move that was strongly opposed by Canadians as a whole.

Honourable senators, I have another article that I would like to put on the record. It is from the *Gazette* of October 25, 1990. The headline reads:

> 79% oppose the PM's move to add eight senators: poll
> Half support veto power for Senate.
>
> Canadians are angry at Prime Minister Brian Mulroney for his recent packing of the Senate with eight

additional senators to ram through the goods-and-services tax, a new Gallop poll indicates.

The survey found that 79 per cent, or four out of five respondents were opposed to Mulroney's appointment of the senators to overcome the Liberal Party's control of the upper chamber.

• (2150)

Only 13 per cent agreed with Mulroney's move and 9 per cent had no opinion.

The packing of the Senate was unpopular even among declared supporters of the Conservative Party. Among stated Tory backers, 48 per cent were opposed and 51 per cent in favour of the appointments.

Here we have another area of disagreement among the ardent supporters of the Conservative government.

Senator Hastings: What was the per cent? 79?

Senator Bosa: It says 48 per cent were opposed and 51 per cent in favour of the appointments, but these were all Tories.

The survey was conducted October 10th - 13 among 1,041 adults. It is accurate within four percentage points, 19 in 20 times.

Support for packing the Senate was marginally higher in Quebec than in the rest of the country — 26 per cent of Quebec respondents were in favour while 58 per cent opposed and 17 per cent had no opinion.

While —-

Senator Hébert: Almost 60 per cent opposed in Quebec?

Senator Bosa: Yes, 60 per cent opposed in Quebec.

While opposed to packing the Senate, Canadians increasingly believe the Senate should continue to have the power to turn aside the House of Commons-passed legislation.

This issue is prominent in the current debate over the GST since the Senate, although technically having the power to reject legislation passed by the House of Commons, is by tradition thought to have no moral authority to do so since it is an appointed, not an elected, body.

Almost half of respondents in the survey, or 48 per cent believe the Senate should continue to have the power to turn aside legislation passed by the Commons. 40 per cent thought the Senate should lose the veto, and 13 per cent had no opinion. In 1988, only 41 per cent of Canadians felt the Senate should be able to veto legislation passed in the Commons.

In fact, in a Gallup poll released this summer more than two-thirds of respondents or 68 per cent, said the Senate should use its power to block the unpopular GST legislation.

The current system of appointing senators, however, is viewed with increasing dismay by most Canadians.

The survey found that only 5 per cent of the public favour an appointed Senate—the lowest level in the 46 years that gallop has polled Canadians on this issue.

Support for an elected Senate has never been higher, with 54 per cent of respondents supporting an elected upper chamber, up from 51 per cent earlier this year.

Support for an elected Senate was marginally weaker in Quebec, where only 39 per cent of respondents favoured the move.

So, Senator Hébert, you can see the two significant different opinions that emanate from Quebec when it comes to the Senate.

Senator Hébert: Yes.

Senator Bosa:

More and more Canadians appear to favour abolishing the Senate, a position supported by almost one third, or 32 per cent of respondents.

This marks an increase of 10 percentage points since January.

The proposal to eliminate the Senate had highest support in Quebec where 43 per cent favoured the move.

Nationally, abolishing the Senate had the highest support in 1944 when 36 per cent of respondents favoured getting rid of the upper chamber.

So now we have eight new appointments on the government side, and they have the majority. With the complicity of the Speaker, this government has usurped the rules of the Senate on two occasions which forced members of the opposition to employ methods which are not traditionally used in this chamber in order to defend its rights and privileges. These precedents have created the suspicion that the government will try some other method or some other trick to muzzle the Opposition further from speaking on behalf of Canadians on third reading.

I have received many letters from individuals, briefs from a province, letters from municipalities, and I would like to share with members of the Senate some of the opinions that have been passed on to me. I would like to start with one letter which is from the city of Quesnel in British Columbia. It says:

Dear Senator Bosa: Quesnel City Council members, as "grassroots" political representatives of over 8,000 constituents urge you to use your influence and power as a member of the Senate of Canada to deny approval of the federal government's Goods and Services Tax bill that is presently before you.

An overwhelming majority of the citizens of our community opposite the imposition of the proposed tax, favouring instead a genuine and sincere effort by the government to cut spending to reduce the burgeoning deficit.

Certainly you and your Senate colleagues must realize the opportunity before you to demonstrate in the most basic terms to each and every Canadian citizen that our Senate does have a place and a purpose within our democratic system.

We urge you to force the government to reconsider what is undoubtedly the single most unpopular and unnecessary proposal in many years.

My council recently voted unanimously to reduce taxes in this municipality in 1990 by 2 per cent — not much — but certainly a step in the right direction . . .

Please listen to the people, for it is the people that you and the government represents.

Yours very truly

Michael L. Pearce, Mayor of the City of Quesnel.

I have another one here from a member of parliament who was a staunch Conservative until recently. His name is David Kilgour and he has written a letter to me and it says:

Dear Senator Bosa:

Proposed goods and Services Tax.

I am convinced beyond doubt that implementing the proposed GST as a remedy to problems created by the MST—

which is the manufacturer's sales tax,

—would be significantly worse in its consequences for most Canadians than the present "disease". For one thing, as the Canadian Federation of Independent Business points out, Canada will be the only nation on the planet with a two tier sales tax in nine provinces where some items are "federally exempt only, federally and provincially exempt or federally and provincially taxed".

Some people claim that there are 48 countries in the world that have applied some form of goods and services tax, but none of these countries is a federations or a federal state with the exception of West Germany, but the provinces of West Germany or the now united Germany do not have powers of taxation. What they do is carry out the programs of the federal government. Consequently, it is much easier to apply a tax in a unitary state or country or in a federal state like West Germany where the provinces do not have powers of taxation.

Senator Fairbairn: Senator Bosa, I wonder if you would accept a question. Did you say there were 48 countries?

Senator Bosa: I understand.

Senator Fairbairn: You would not have the names of those countries by any chance?

Senator Bosa: I do not have — do you want me to answer now?

Senator Fairbairn: Sure.

Senator Bosa: I do not have the names of the countries, but I know that most European countries have it as well as New Zealand which is cited as an example from time to time. It has created havoc in that country.

Senator Fairbairn: I wonder if you perhaps have those names back in your office. At some point maybe you could give them to me and I could include them in my speech when I enter the debate in the house.

Senator Bosa: I would be pleased to do that.

[Senator Bosa.]

Senator Fairbairn: Thank you.

• (2200)

Hon. Peter Bosa: The letter goes on to state:

From the standpoint of city Canadians, the urbanologist Jane Jacobs wrote six years ago about the presence in prosperous cities of a very large number of small, independent producers selling countless services and products to each other. One major problem with the VAT, she wrote, is that "no neater little tax contrivance could be imagined for favouring large, relatively self-sufficient enterprises such as multinational corporations with their many subsidiaries and many internal transactions while penalizing symbiotic production. (By favouring those who can produce in-house and avoid the tax) VAT needlessly twists the knife in the very vitals of city economies." I share her point of view on this fully.

Among many rural organizations, The Alberta Association of Municipal Districts and Counties (AAMDC) issued a paper outlining its concerns, stressing:

—The GST would significantly adversely affect the ability of AAMDC as well as the Alberta Government itself to provide many essential services. The large additional costs of collecting the tax are incalculable at this time.

—As farming is a way of life and vital industry in Alberta, this new tax would force our farm producers to hire bookkeepers, a cost many cannot afford.

I understand our Wheat Growers Association predicts the GST would increase the cost of producing grain on a 1,000 acre farm from $36,380 to $39,654 in Saskatchewan, from $55,630 to $60,636 in Manitoba, and from $52,790 to $57,541 in central Alberta.

Senator Fairbairn, they mention that for every 1,000 acres it would increase the cost of production. The letter goes on to state:

Jim Puckett, director of the Canadian Feed Industry Association's Saskatchewan division, warns that "cash flow problems caused by delays in collecting rebates could be the final straw for many farmers who have operated with borderline profitability for the past decade".

Most business people who support the GST are, of course, in large enterprises, especially within our financial services industry. Yet is it not in the financial interest of our banks, trust companies and brokerage houses to have such a system imposed? The lag time between collecting the GST and turning it into the government, which is inherent in such a system, seems likely to push a lot of cash temporarily through their accounts.

Effect on Middle and Low Income Earners

Instead of looking at the Canadian Bankers Association, the Business Council on National Issues (BCNI) and their enthusiastic approval of the GST, the Senate should look at smaller business, which has been the real locomo-

tive of economic growth in recent years, and what it has to say. In a recent survey conducted by *Small Business* magazine, only four per cent of small business respondents felt that the GST should be kept whereas 51 per cent said to "scrap it" and another 45 per cent responded: "change it". Whereas British Columbians lead with 58 per cent opposed to the whole idea, Ontarians came in with a strong 47 per cent opposed to the tax.

A host of independent studies of the proposed tax have criticized it as well. Ben Sevack, president of the Canadian Research Committee on Taxation, stated that "The GST or any consumption tax is a bad tax. It punishes Canadians for consuming and it erodes the tax base as consumers buy less. This leads to inching up the rate so it is not a question of percentages. Even 1 per cent is too much." Robin Boadway, a Canadian tax policy expert at Queen's University, believes that implementation of the GST "risks undermining Canada's structurally sound income tax system."

Moving to Canadians generally, even with an unindexed credit every several months, the GST will be harmful to low income Canadians in every province. The vast majority of salaried Canadians would be worse off under the GST.

Some opposed to the GST believe it is being used as a "pay off" to large corporations for their continued support of Mulroney government programs. Tom D'Aquino, president of the BCNI (which represents, as you know, the CEO's of our 150 largest companies) stated, "If they do that (drop the GST rate to seven per cent), they'll do exactly what we want them to do." The rate was subsequently dropped to seven per cent, and Michael Wilson entertained no further changes in the rate.

I should also stress that Michael Wilson has evidently admitted that several billions of the revenues now raised by the present MST are in "business inputs". If eliminating that tax on some items bought by businesses for their own use would release funds for increased investments, is not most of the estimated $4 billion made available for these investments to be replaced by money from the hard-pressed pockets of Canadian consumers generally?

Impact on Outer Canada

There are numerous other points which should be discussed in detail. The especially negative effect on our tourism, restaurant, trucking and fishing industries, the fact that New Zealanders appear to be leaving their country in larger numbers since their GST was implemented and the rate increased, the inevitably adverse effects on our non-profit organizations, the probable inability of the GST at the seven per cent rate to decrease our deficit and mammoth national debt, the administrative nightmare and cost it creates for more than one million small businesses across Canada, its inflationary effects and strong probability of a renewed wage-price spiral, and its significantly more severe impact on Outer Canadians as both producers and consumers than on southern Ontarians because of the new tax on transportation services.

The government should focus its concern less on the financial position of our larger companies and more on our middle and low income citizens who already shoulder a disproportionate percentage of federal income taxes. Only 10.4 per cent of federal tax revenues are expected to come from business contributions during 1990. This is down from 14.4 per cent in 1985, and 18.6 per cent in 1980. I refer here as well to a recent exchange on the record at a Finance Committee meeting.

• (2210)

When asked if corporate income tax should be eliminated, Don Blenkarn replied "Yes", and Murray Dorin added "Absolutely". Is your's a government for large business only?

That was the question that was put by the interlocutor.

In short, I urge you to do everything you can to delay this bill until after the next general election. It is simple sophistry to argue that the present proposal corresponds to the one hinted at by Michael Wilson during the 1988 election campaign.

It is a good letter written by David Kilgour.

Senator Fairbairn: A good Member of Parliament.

Senator Bosa: I have another letter—

Senator Corbin: You said that was David Kilgour, the MP?

Senator Fairbairn: From Edmonton.

Senator Corbin: The Member of Parliament they kicked out of the Tory caucus in the House of Commons because he would not support the GST?

Senator Bosa: Kilgour, MP, Edmonton South East.

Senator Corbin: I guess that is how they treat their members.

Senator Bosa: I have a letter from the City of Sarnia addressed to me personally, concerning the proposed goods and services tax. It is dated April 25, 1990 and reads:

> At the April 17th meeting of Sarnia City Council, concern was expressed about how much the proposed Goods and Services Tax will cost Canadian municipalities. After some discussion, the following resolution was adopted:
>
> > THAT Sarnia City Council appeal to the Canadian Senate and all M.P.'s to enter into meaningful discussion with The Right Honourable Brian Mulroney and The Honourable Michael Wilson and impress upon them the hardships the Goods and Services Tax (GST) will create for municipalities; and that they press for exemption from the GST for every Canadian municipality.
>
> Sarnia City Council would appreciate your support for a zero-rating exempt status for the municipal sector.

It is signed Ann Tuplin, City Clerk. Honourable senators may be aware that the municipalities, as well as businesses in Ontario, had a new tax imposed on them in the last several months which is called the Health Tax. Two per cent of the payroll goes to finance medicare. At onetime each one of us in Ontario paid the premiums directly. These premiums are now paid by the business community, municipalities and institutions. The city of Sarnia is concerned about the GST because it is an additional burden to some of the taxes it is already paying.

Senator Fairbairn: It is like the City of Lethbridge, which I mentioned on Monday night—$200,000.00 more a year because of the GST.

Senator Bosa: How big a municipality is Lethbridge?

Senator Fairbairn: 60,000 people.

Senator Bosa: Municipalities do not produce money. They have to collect it through municipal taxes which, in turn, are then imposed on homeowners. Forty-five per cent of their taxes goes towards sustaining education, and the balance goes to provide services such as garbage collection, welfare, and other services that municipalities usually provide.

Senator Fairbairn: It is tough.

Senator Bosa: I have another letter, from British Columbia. It is addressed to me personally. It reads:

> I am writing to you in regard to the G.S.T. the Mulroney Government is trying to impose on Canadians. This is a totally unfair tax to the people of Canada. We are already overtaxed as it is. Please do whatever YOU can to defeat this tax. I would appreciate hearing from you about this. Thank you.

It is signed June Gamble. There was a Member of Parliament from Ontario by that name.

Senator Fairbairn: John Gamble. He ran for the leadership.

Senator Bosa: Yes, he ran for the leadership of the Conservative Party.

Senator Fairbairn: He might have been a better leader than Mr. Mulroney.

Senator Bosa: I have another letter here, again addressed to me. It is from Etobicoke, Ontario. It reads:

> Last month the National Party Council presented a case to the Senate Committee on Banking, Trade and Commerce that Bill C-62 be amended to allow yogourt to be zero rated. You will remember that it was the N.D.C.'s contention that yogourt be treated in the same manner as other basic groceries and dairy products. As the attached newspaper article demonstrates, there is a growing consumer concern and a recognition of the need to repair this confusing anomaly.
>
> While we have been assured by everyone that a solution is being considered, we urge you to act now while there is still an opportunity to fix this flawed legislation.

[Senator Bosa.]

> It is signed, Respectfully yours, Graham P.M. Freeman, Chairman and Chief Executive Officer.

I have a letter from Jack Sheriff, 246 Main Street, Wolfville, Nova Scotia. Honourable senators can see that I have received letters from across Canada, although I do not see myself as a high-profile Senator.

Senator Murray: You are very well known.

Senator Bosa: I have received letters from British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, and now one from Nova Scotia. The letter reads as follows:

> Since the present government has rammed the bill through the House of Commons in the face of almost universal opposition to the bill, it is now the responsibility of Senate to represent the will of the people and either kill the bill or stall it until (or help force) an election with the GST as the central issue.

Since this is the province from which the leader comes, I just wonder whether he has received a similar letter. He seems to be engaged in a conversation with Senator Nurgitz. Perhaps he did not hear the solicitation that was made.

Senator Fairbairn: Read it again.

Senator Bosa: The first part of the letter urges the Senate to either stall the bill or to force an election in which the main issue will be the goods and services tax. This letter is from the province from which our esteemed leader of the Government in the Senate comes, and I just wonder whether he has ever met this gentleman, Jack Sheriff. Senator Buchanan comes from the same province.

Senator Corbin: What is the address?

Senator Bosa: The address is 246 Main Street, Wolfville, Nova Scotia, B0P 1X0. The letter continues:

> Power has gone to the head of Mr. Mulroney. He is no longer paying attention to the voters. He believes he can do no wrong, especially at mid-term.

Was he not elected in Nova Scotia at one time?

Senator Fairbairn: Yes.

Senator Bosa: When he sought public office, a member of Parliament resigned his seat.

Senator Corbin: He is the present Minister of Public Works.

Senator Fairbairn: Elmer MacKay.

Senator Bosa: The letters continues:

> So where does democracy and autocracy begin?
>
> When does a majority of votes in the House of Commons override the will of the people? At what point does the convenience of a mid-term political strategy dictate and contradict the expressed dissatisfaction of the Canadian people?
>
> What is responsible government?
>
> At what point, when a government is irresponsible, unfair and wrong-headed, does the Senate express 'sober second thought', assume responsibility and take action?

These are strong words.

● (2220)

The time is now, Mr. Buckwold.

The Bush and Mulroney tactics of stone-walling, brain-bashing and brain-washing are totalitarian tactics. Canadians are upset and overwhelmed by the tyrannic measures of this government yet are bewildered by the question of "how do you fight City Hall?" Tory strategy is that once the GST is in, the measure is carved and set in stone. Millions of our tax dollars have already been spent on propaganda and ads to tell us how workable and effective the GST is. Businesses are being deluged with documentation to demonstrate how to file the GST as though it's already been implemented. But it is not yet a *fait accompli*. Moreso than any previous government has dared to tread, this government is treading and it is treading too far. The buck must stop somewhere. The buck (or ball) is now in the Senate's court.

As you know, the Japanese government tried a similar ramming technique. The Japanese voters cried halt, and the GST was stopped.

My accountant has acknowledged how terrible a tax this is and suggests that the GST on top of an income tax is not only grossly unfair but insane and killing for small businesses. As if I don't already know it! I hear it daily from my customers.

Both Dennis Mills and the Institute for Research on Public Policy have put forth alternatives. The government refused to listen. Will the Senate? I enclose a copy of a recent newsletter referring to Neil Brooks' report. I assume you have a copy of Mr. Mills' alternative. I trust the Senate will not only listen but pay attention and respond to these alternatives.

There should be a call for an election. Short of that, there should be a national referendum on an issue that will so drastically and disastrously affect the personal pocket book and the collective economy of every Canadian.

Canadians don't want the GST. Short of an election, confronted by an autocratic government, who represents the majority of Canadians at this point in the face of a monolithic, bureaucratic force? The Senate! And you, Mr. Buckwold, and your committee.

The challenge is yours. I trust it will not be deterred by charges of partisan politics but be up to the challenge of helping ensure that Canadians enjoy the right of representative government.

Mr. Mulroney has finally gone too far. Arrogance obviously has no limits. He is prepared now out of sheer perversity to push through the GST at any and all costs, even if it destroys us at the same time. It is up to the Senate to find a way out of this dreadful dilemma because, clearly, even if Mr. Mulroney recognizes his folly in pursuing this course, he also clearly has become so deeply mired and committed that he feels obliged to proceed pell-mell into the abyss and lacks the grace and the face to pull out.

Help him, Mr. Buckwold. And help us. Or God help us all! Stop this misdirected man and stop the madness by stopping the GST bill.

You and your members have the brains and the tact to do the right thing as opposed to the political thing. Canadians are counting on you. You may be sure that you can count on Canadians to support you.

I rarely write letters. But I cannot stand idly by and watch my business and other businesses go down the drain. Canadians have a right to vote on this issue. The government is dealing with OUR tax dollars and proceeding with the GST when they know it is opposed by the majority of tax payers. There is no mystery about this. Mr. Mulroney's standing in the polls continues to plummet with each passing day. Yet Mr. Mulroney doesn't seem to get the message. Please GIVE it to him! This I beg of you, Mr. Buckwold, and all members of the Senate, whatever your political stripe.

My previous letter (copy enclosed) went to every Member of Parliament, every member of the Senate, and every Premier in the land. Now I address you and all members of the Senate with this second plea. I pray my plea does not fall on deaf ears.

It is signed by Jack Sheriff.

Senator Corbin: What is the date of that letter?

Senator Bosa: April 25. I have a brief here from the legislature of the Province of British Colombia.

Senator Corbin: Back on the West Coast?

Senator Bosa: Back on the West Coast.

Senator Simard: Order, please, Senator Corbin.

Senator Gigantès: Senator Simard is talking of order.

Senator Bosa: This letter is addressed to members of the Senate of Canada:

Dear Senators:

Please find a copy of the recent debate in the British Colombia legislature on the goods and services tax. As you may be aware, there was unanimous support by all Social Credit and New Democratic party members of our legislative assembly for the resolution that this house absolutely and unequivocally is opposed to the proposed federal goods and services tax and urges the Government of Canada to immediately withdraw the GST legislation in the interest of all Canadians.

The full debate appears in the attached excerpted pages from *Hansard* of Tuesday, April 10, 1990. Also attached is a copy of a press release issued by my office on the same topic on April 13, 1990.

As indicated in the public statement, I am hoping that our Senate will provide the opportunity for the House of Commons to have a second look at the necessity of this tax as it is presently structured.

Thank you for your attention.

Sincerely,

Grace M. McCarthy, MLA, Vancouver-Mountain

Was she not a minister at one time?

Senator Fairbairn: She certainly was. She ran for the job of premier.

Senator Bosa: Was that prior to April of this year?

Senator Hastings: Yes.

Senator Bosa: The statement reads as follows:

McCarthy calls for emergency debate on GST. Asks Senate to act.

If I might digress for a second, in 1978, when we were in the midst of a constitutional debate, there was a special Senate committee formed of which Senator Stanbury was the chairman. We had hearings and heard from the provinces, individuals and constitutional experts on what sort of reforms should be instituted in the Parliament of Canada to make it more reflective of what Canadians want. We had a delegation from British Colombia headed by a minister, and that province proposed that we adopt a system of government such as they have in West Germany. They have the Bundestag, which is the equivalent of our House of Commons, and they also have the Bundesrat. The Bundesrat is supposed to be like the Senate of Canada except that the members of the Bundesrat are provincial ministers and they meet infrequently. It does not function the same way as does the Senate of Canada. We meet, deliberate, consider and improve.

● (2230)

Senator Hébert: Day and night.

Senator Hastings: Are they elected or appointed by the parties?

Senator Bosa: The ministers that go to the Bundesrat are elected by the provinces or the "Landers" as they are called. The Bundesrat debates how much money the province needs to carry out the programs of the federal government. It is a party process but, as I said earlier in this debate, the provinces have no power of taxation.

British Columbia is proposing this type of change in the Upper Chamber. Of course, there are many suggestions made about changing the Senate but no one seems to take into account that if you change the Senate it will have an impact on the House of Commons. It is rather like flooding a valley without taking into account the total environmental impact.

Senator Hébert: If you appoint too many senators you have to elect more MPs.

Senator Bosa: If you increase the representation in the Senate you have to increase the number of members in the House of Commons.

Let me read the press release of Grace McCarthy. It says:

Victoria—The Members of the Senate of Canada will receive copies of the Legislature of British Columbia's unanimous resolution opposing the federal government's proposed Goods and Services Tax, according to a statement issued today by Vancouver Little Mountain MLA, Grace McCarthy.

She made the statement at the close of the week that saw her earlier call on the British Columbia Legislature to approve a resolution saying that the B.C. House was "absolutely and unequivocally opposed to the proposed federal Goods and Services Tax and urges the Government of Canada to immediately withdraw the GST legislation in the interests of all Canadians."

Said Mrs. McCarthy during the debate, "There are many ways that this question can be resolved in Ottawa," and that would be, "when it goes to the Senate, to have the Senate turn it down."

Now she intends to make sure the Senate has ammunition for its cause by ensuring that each Senator gets a copy of the unanimous British Columbia resolution.

Honourable senators, British Columbia is not the only province that objects to the GST. Alberta has launched a legal challenge in the courts.

Senator Fairbairn: Yes, and they are joined by the provinces of Ontario and British Columbia.

Senator Bosa: There are three provincial challenges.

Senator Fairbairn: They are challenging the constitutionality of it.

Senator Bosa: She goes on to say:

The British Columbia Resolution against the GST was passed unanimously on Tuesday, April 10 with both the New Democratic Opposition Members voting with the Social Credit Members on the motion.

Honourable senators, I have a copy of the *British Columbia Debates* and we can look at what arguments they used. There is a heading, "Motions without Notice" and then another heading "Proposed Federal Goods and Services Tax". It then goes on to state:

MRS. McCARTHY: Mr. Speaker, I'm happy that leave has been given to suspend the rules that you are duty-bound to uphold, in order to allow this debate. Accordingly I move, seconded by the first member for Saanich and the Islands (Hon. Mr. Couvelier): "Be it resolved that the Legislative Assembly of British Columbia is absolutely and unequivocally opposed to the proposed federal goods and services tax and urges the government of Canada to immediately withdraw the GST legislation in the interest of all Canadians."

I want to begin my comments on this motion by saying that there are many ways that this question can be resolved in Ottawa. One would be for the House to turn it down and, of course, that has not happened. The other would be when it goes to the Senate, to have the Senate turn it down. But this debate is important, because it says to the Canadian public and to our fellow British Columbians that we in this House are wishing to have our clear decision, our clear comments, made on the GST, which

has been presented by the federal administration—probably the most unfair tax and surely the most burdensome tax to have come forward to the Canadian people since the income tax was brought in in 1917.

I'm sure there aren't many who would not agree that this tax is going to place an unfair burden on consumers across this nation, a burden that was formerly carried by the business community and one which the small consumer cannot carry.

British Columbians have paid their way. We have paid our way in Confederation. We have given our fair share, and sometimes we think we've given more than our fair share. British Columbia has kept its fiscal house in order. No other jurisdiction in Canada has been able to match our record of growth while controlling expenditures. Therefore it's particularly galling to have the freewheeling, free-spending federal administration—both this government and preceding federal governments—with their insatiable appetite for more money, more expenditures, telling us that they need even more money through taxation, through the GST. One has to wonder. Do they need more money for paintings for the National Gallery?

I suppose that is a reference to the painting that drew a great deal of criticism on which the gallery spent $1,700,000.

Senator Fairbairn: Yes, I remember that.

Senator John B. Stewart: Senator Bosa, may I ask a question? You have just now referred to expenditures for which this money might be used. Do you recall that in the appropriation bill which came to us from the other place in the spring of 1989 we were asked to give approval to the use of Governor General's Special Warrants for certain expendituress which ministers of this Mulroney Government described as "urgent in the public good". Do you recall that some of the expenditure which ministers of the present government were prepared to describe as "urgent in the public good" included payment for a $20,000 survey of the shrubs of 24 Sussex Drive?

The Prime Minister himself has described that as foolish. Nevertheless, his ministers advised the Governor General to sign a Special Warrant so that payment might be made.

There was also a payment for the purchase of a picture. Your reference to a picture is what reminded me of this.

Is it not quite possible that the people to whom you were just now referring in your interesting address have this kind of payment in mind and that this is the kind of payment for which they are not prepared to pay a tax on goods and services? Do you not think that those kinds of payments made by the present government in the spring of 1989 and described as "urgent in the public interest" are precisely the kind of payments which serve to discredit this attempt to impose a new tax on goods and service?

● (2240)

Senator Bosa: I agree with you fully. Just think of the expenditure of $1.7 million for a painting in the National Gallery, which many painters painted. However, when I refer to painters, I do not mean artists. People who paint houses and people who paint automobiles have claimed that they could do the same for a lot less than that, and also I recall the $20 thousand that the honourable gentleman referred to, which tends to create a deal of criticism and cynicism amongst the citizens, particularly when new taxes are imposed. They seem to recall these expenditures which, in their opinion, are unnecessary and wasteful.

If I many continue with the intervention made by Mrs. McCarthy. She goes on to say:

> You know, when we first heard about the GST, our Premier spoke to the federal administration and told them that a better way to present a new tax regime to the people of Canada would be to do so after they cut unnecessary expenditures in the federal administration. Our Premier told the federal administration to live within their means. Mr. Speaker, can I tell you that today, since I first presented this motion to the House, we have spent $113 million just on servicing the national debt, just in interest?

This goes back to April. It is certainly a lot more than $113 million now. So $113 million has been spent today by the federal government, and she means $113 million a day just to service a national debt.

> When they first suggested the GST, the Minister of Finance (Hon. Mr. Couvelier) went to meeting after meeting in Ottawa. The Ministers of Finance met and tried to bring some sense to the federal administration, and said over and over again that this was the kind of onerous tax the Canadian people and British Columbians could not tolerate. The record is clear that both the Premier and the Minister of Finance have given the message to an unhearing federal administration.
>
> I wonder when enough is enough. When are we going to say enough is enough to the federal government? How long will British Columbians, who have long been fiscally responsible, tolerate the kind of expenditures we have seen?
>
> I want to say that we are here today to try to save Ottawa from making a great mistake. Do you know that even Ottawa recognizes that this tax is going to be inflationary? Even the federal Minister of Finance tells us that this is going to be one of the greatest inflationary taxes we've ever seen. This in a year when we in this province are looking forward to a buoyant economy, but when the rest of the nation is saying that we are going to have difficulties in the year ahead. When every economist in the country is saying that we are going to have problems, the federal government gives us more. This is an inflationary tax.
>
> British Columbians are fair people, and when the federal administration calls on us for more money . . . . I think British Columbians, if they knew it was fair, certainly would abide — although probably not gladly — by the decision of our federal masters. Surely they would say:

"Well, we asked for some of these services; we have to pay for them." I think that's fair, but we have been paying dearly for the services.

Our tax administration in this country is not a reasonable one. Had the people in Canada been asked to reduce the debt through the tax, which was the way it was introduced a very long time ago by the federal administration . . . .had they truly been going to reduce the deficit, I think that even in that case we would have said: "Well, we're going to get away from this incredible debt. We're going to reduce that debt which was handed to us, that national debt which is now $380 billion, costing us $113 million a day to service, $41.1 billion annually just to service . . . ." Had we even been asked to give to the GST to reduce the deficit, I think that perhaps Canadians would have said: "Well, we've spent the money. It's in the deficit". But no, Mr. Speaker. We find out now that it is only for more services, which the federal government deem will keep them in power longer.

I suppose that is referring to the daycare centres that this administration promised during the last election that they intend to carry out.

Senator Stewart: Perhaps, Senator Bosa, they are referring to by-elections such as the one which was brought on in Quebec to bring Lucien Bouchard to the House of Commons.

Senator Bosa: I see. The Honourable Senator Stewart has a better memory than I have.

Senator Hastings: What did it cost? $500 million?

Senator Bosa: I had forgotten that particular aspect.

Senator Hastings: Wasting money on Bill C-62, yes.

Senator Bosa: I have to tell you this. I do not believe it will stay at 7 per cent.

Senator Simard: That has nothing to do with the rebate; does it? Are you talking about the rebate?

Senator Bosa: Yes, this is a debate that took place in the legislature.

Senator Simard: I am talking about the rebate, not the debate.

Senator Bosa: Oh, the rebate. No,no.

Senator Hastings: We will get to that. We will get to that.

Senator Simard: Are you not talking about that?

Senator Hastings: We will get to that later.

Senator Bosa: So Mrs. McCarthy goes on to say:

I have to tell you this: I don't believe it will stay at 7 per cent. I believe that, as in every other jurisdiction in the world, jurisdiction after jurisdiction—and particularly with this federal government—this tax will increase to again satisfy the insatiable appetite of the federal Treasury Board.

The collection process which has been explained by Ottawa will mean that every small business in this province and across this nation will be encumbered by extra bookkeeping costs and added hours. In may not seem important to people who figure out these kinds of things in the bureaucracy, to the federal politicians who are out on the hustings trying to sell the GST and to Mr. Wilson in the federal administration, but I can tell you that it is an onerous thing for a small business to have to purchase equipment—and many will have to purchase different cash registers just to deal with this tax.

Senator Stewart: It has to be passed on to the consumer.

Senator Bosa: Who else?

Senator Hastings: And the consumer will pay tax on the increased prices.

Senator Bosa: That is right.

Senator Hastings: Plus provincial tax.

Senator Simard: Order, order!

Senator Hastings: "Order", he says.

Senator Bosa: To continue with Mrs. McCarthy:

Do you realize that every small business across this nation, every British Columbian in a small business, which represents more than 95 per cent of all the business in this province—the greatest employer in our province and across this nation is small business—will now have to be encumbered by the costs of what we are told are hundreds and hundreds of tax collectors.

I believe 3,900 tax collectors will be hired to administer this tax. Mrs. McCarthy continues:

Thousands and thousands. It's a bureaucracy that will grow and grow and again consume more of our people's dollars.

The throne speech has called the GST unnecessary, and so it is. Business groups have said that the increase in the large corporation's tax rate comes at a very bad time. "One of the things that has been sustaining our economy is business investment, and this tax increase affects that to the tune of $200 million," said Tim Reid, president of the Canadian Chamber of Commerce. "By increasing taxes to pay for the lower GST rate, the government is taking its hand out of one of our pockets to put it in another." We're tired of having the heavy hand of government in the pockets of our small business people, in the pockets of our consumers, in the pockets of our householders and in the pockets of the senior citizens who need to have security for the future.

The repackaging of the GST has taken place in the last few months. They've taken it from 9 per cent to 7 per cent and thought the Canadian people would buy it.

• (2250)

I think that's one of the saddest commentaries, that we should even consider that we should be bought off by two per cent.

> I do have a solution. I do believe Canadians and British Columbians would accept a line on the income tax form which addressed reduction in the deficit being carried by the federal administration. I think we would do our part. I think a line on the income tax form—no more bureaucracy, no added inspectors—that said 2 per cent, or whatever it would take, on an annual basis would be our contribution to pay for that which we have enjoyed in the past and on which we are paying incredibly high interest rates today.
>
> I would suggest that if we did that it could be a solution. It would have to be allocated to the national debt.

This is exactly what Senator Lawson was proposing, namely, that the excess funds that are raised through the GST be used to pay the deficit to reduce the national debt. Mrs. McCarthy goes on to state:

> This GST is going to add to our national debt, and we will not get out of the mire of indebtedness for our children and our grandchildren for years and years to come.

Hon. Stanley Haidasz: The GST is demoralizing the Canadian people.

Senator Doody: Don't interrupt.

Senator Haidasz: It is a good interruption. You are ruining our country.

Senator Doody: Bad manners.

Senator Simard: Order.

Senator Hastings: Senator Simard is calling "order" over there. Get those fellows in order over there.

Senator Hébert: Put Senator Simard in the chair and then we will have order.

Senator Simard: You listen to Senator Doody.

Senator Bosa: She goes on to state:

> If our members in this House and our families ever see the end of the national debt, it would be a great surprise going with this kind of fiscal policy. It can't happen because they spend faster than they collect and the interest rate adds up to a mountain of debt.

Senator Hastings: Go over that again.

Senator Bosa:

> If our members in this House and our families ever see the end of the national debt, it would be a great surprise going with this kind of fiscal policy. It can't happen, because they spend faster than they collect and the interest rate adds up to a mountain of debt.
>
> I am pleased to move this motion. I would hope that together in this House, in a spirit of cooperation for the good of the people of British Columbia, we can give a message to the House of Commons and to the Senate in Ottawa and to the federal administration that we do not want the GST.

Senator Hastings: And it is a message to the unelected majority in the Senate, too.

Senator Bosa: Yes.

Mr. Clark then said:

> I am pleased to rise in support of the motion put forward by the government side. Unfortunately, the House of Commons passed the GST motion. It was implemented, essentially, a few hours ago.

I think he was wrong when he said that it was implemented. I think he meant that it was passed. He goes on to say:

> Where was the government for the last three years fighting the GST? Where were the emergency debates in the House? Where were the motions in the House to fight the GST so that we could go on record as opposing the GST when it mattered, not when it's safely passed in the House of Commons? On this side of the House, Mr. Speaker, we have consistently and aggressively opposed the GST. It's regressive. It's an odious tax. We have raised it repeatedly.

Obviously this man is an NDPer. He is criticizing the government of British Columbia for having raised a debate against the GST only after the House of Commons had approved it. In other words, they are accusing Social Creditors of being hypocrites.

Senator Hébert: Well, they have a point there.

Senator Bosa: He continues:

> I'll talk about the record in a minute. The New Democrat Members of Parliament have led the fight in Ottawa against the GST.

I should like to put this on the record so that we can have both sides of the debate that took place in the legislature of British Columbia. We will then have a better perspective of their point of view.

Senator Hébert: It is very important that we have that.

Senator Bosa: We might then say a few words about the NDP, who wish to take full credit for fighting the GST—even what we are doing apparently is to their merit.

Mr. Clark goes on to say:

> In particular, a debt is owed to a former Premier of British Columbia, Dave Barrett, who fought for hours against the kind of tactics that we've seen by the Tories in Ottawa to impose this on British Columbians. But they stood alone. No members of the government appeared before the federal Finance Committee to register their opposition, unlike other governments in Canada. We haven't seen any leadership against the GST from Socred members.

So, Senator Hébert, that means that they never made representations—as some other governments did—to the finance committee when they were considering this taxation. He goes on to state:

> Three years ago, when the GST was first contemplated, the federal Tories talked about a sales tax on food. I put a

> motion on the order paper that this government join with the Opposition to oppose a sales tax on food. It was never called by the government.
>
> So we raised it in Question Period, and this side of the House asked the Premier, on the record—and we can get the *Hansard*—to oppose the federal government's attempt to put a tax on food.

We can get a copy of *Hansard*. He goes on to say:

> The government chose not to support the Opposition's motion. They chose to stay neutral on the question of taxing food. We asked that three years ago, and we heard no support from the government. We heard silence on that question, even though, when we raised it, all parties in Nova Scotia had moved a similar motion and adopted it.

So the Nova Scotians adopted it. Should we ask Senator Buchanan about that?

Senator Stewart: Yes. By all means.

Senator Bosa: Senator Buchanan, I was wondering if you were listening to the debate that took place in the British Columbian legislature.

Senator Doody: We have tried to listen, but Senator Hastings keeps interrupting.

Senator Bosa: No, he is not interrupting me. He is asking me questions from time to time to clarify a point that I might not elucidate properly. I am grateful to him for asking me.

Senator Doody: Well, then, keep on elucidating.

Senator Simard: He was attempting to clarify something so that he will stay awake.

Senator Bosa: I am rereading this for Senator Buchanan's information.

Senator Hastings: There is Doctor Simard again.

Senator Bosa: The more interruptions that occur, the longer it will take me to finish.

Senator Stewart: Yes.

Senator Hastings: His time is restricted.

Senator Bosa: It is an NDPer speaking to a motion that was put by Mrs. McCarthy for a unanimous resolution condemning the GST and appealing to the Senate to fight this tax. He is criticizing the Socred government that they awoke only after the tax measure was passed by the House of Commons. He goes on to say:

> So we raised it in Question Period, and this side of the House asked the Premier, on the record,—and we can get the *Hansard*—to oppose the federal government's attempt to put a tax on food. The government chose not to support the Opposition's motion. They chose to stay neutral on the question of taxing food. We asked that three years ago and we heard no support from the government.

[Senator Bosa.]

• (2300)

> We heard silence on that question, even though, when we raised it, all parties in Nova Scotia had moved a similar motion and adopted it.

I was wondering if Senator Buchanan was aware that this particular matter was raised in the British Columbia legislature?

> All parties in Alberta had moved a motion and adopted it. In this House, we couldn't get this administration and this Premier to go on record opposing the tax on food.

Senator Stewart: Senator Bosa, don't you realize that Senator Buchanan has spoken quite clearly, quite emphatically, in Nova Scotia again and again denouncing the goods and services tax? His position is well known in Nova Scotia. People in my part of the province, Senator Bosa, are going to vote against the Progressive Conservative Party because they know that this is a bad tax and they believe it is a bad tax because of what Senator Buchanan has said. Do you not understand that?

Senator Hastings: On the flight to Ottawa from Halifax, did he hit his head or something?

Senator Simard: Look to the future, please.

Senator Corbin: Senator Bosa, excuse me, but I cannot help commenting on the remark I just heard from Senator Simard. He says to look to the future. He spoke on just about every Liberal amendment to this legislation and where did he look? He was looking back at the past every time. Now he tells us to look to the future. Don't be intimidated by Senator Simard.

Senator Hastings: What kind of future is there when there is no light at the end of the tunnel?

Senator Corbin: A point of order! I do not say this for myself, nor do I say it for Senator Bosa, but we have reporters who are trying to take notes. I have been observing the reporters. They have a hard time hearing what is going on because of the background noise all over the chamber. It is on this side of the house to some extent, but it is especially on that side of the house. I think we owe it as a courtesy to the people who work for us to keep the noise level down and to respect the rule which says, if two Senators have to speak, they should go below the bar or out. Let us for a change be decent and make the task of the people who work for us day after day a little easier. Surely we can do that, can't we?

Some Hon. Senators: Hear, hear!

Senator Corbin: If you want to amplify that point, go ahead. As a matter of basic decency, let's hear it.

Senator Denis: If we want to make any remarks, let us rise and make the remarks one at a time, and I am going to follow that suggestion myself from now on.

Senator Bosa: I am glad this point of order has been raised, particularly in light of the difficulty the Hansard reporters have in recording several voices speaking at the same time. In addition to that they have to put up with my accent which might render their task a little more difficult than they should be prepared to accept.

Senator Doody: I know what you mean, I have the same problem.

Senator Cogger: You have an accent, too.

Senator Hastings: What about Senator Simard's accent? He talks all the time.

Senator Bosa: If I may continue, Mr. Clark went on to say:

> Why, Mr. Speaker, did they not fight the GST when it was first introduced instead of now, belatedly, after it's passed in the House of Commons? Because they secretly support it. The Tories in Ottawa are pursuing the same right-wing agenda that we have seen under Social Credit for years: higher taxes on working people, higher taxes on seniors, higher taxes on the poor and tax cuts for the rich and for corporations.
>
> Under Social Credit, medicare premiums have been doubled; 600 fees have been increased,—

I do not understand what they mean by, "600 fees have been increased." Perhaps they might have meant 600 per cent, but it certainly does not come out that way in this Hansard from British Columbia.

> —many over 100 per cent; licences and permits have been increased under Social Credit, under this administration. We have seen Pharmacare user fees of $5 for senior citizens in British Columbia. We have seen income taxes increased in British Columbia. We have seen small business taxes increase under this administration. And now they claim that they are opposed to the GST for doing precisely that.
>
> At the same time, under this Social Credit administration we have seen corporate income taxes cut to among the lowest in Canada. We have seen the high-income surtax that Bill Bennett brought in eliminated in the first budget under this administration, at a cost to the treasury of over $30 million—tax cuts for the richest citizens of British Columbia under Social Credit and tax increases for everyone else; tax cuts for large corporations and tax increases for small business.
>
> This government's philosophy is very clear. They believe the rich don't have enough money and the poor have too much. It's exactly the same agenda we see under the Tories in Ottawa. And the GST fits with this agenda. But they know it's not popular, so they stand and say they are opposed. But their actions belie their true intentions. The Minister of Finance suggested that if the federal government dropped the GST to 5 per cent, then the provinces would agree to a joint 10 per cent GST. He said that; it's quoted. It's on the record: a 10 per cent GST would be acceptable.
>
> Mr. Speaker, it's like the old joke and I won't repeat it. It's not the principle of the tax they're opposed to; they're just dickering over the price. They agreed to a 10 per cent GST. We heard it from the Finance Minister.
>
> Then the Minister of Finance stated on March 7, 1990: "Negotiations are underway with the federal government aimed at setting up a system of sharing expertise to collect the GST." They're now negotiating, Mr. Speaker; they're discussing with the federal government how best to implement the GST. That shows their true colours. They're not opposed to this tax. They're opposed publicly, but they have senior staff members meeting with senior members of the Tory government on how best to implement it. They're negotiating to implement the GST.
>
> On March 26 in the House of Commons, the Hon. Michael Wilson states: "The facts are that we are meeting with the provinces. Those meetings have been taking place quite recently. In fact, there was a meeting with the provinces to discuss the GST as recently as last Friday." That was in answer to a question about whether they were meeting to discuss the implementation of the GST.
>
> I checked, and senior officials from the British Columbia government met on March 23 to discuss the implementation of the GST with the federal government. That shows you their true colours. The province is cooperating. They should not be cooperating with the federal government through their staff levels or their political levels to implement the GST. They should refuse to meet on any level with the federal government on the implementation of the GST. They are in complicity.
>
> Mr. Speaker, I want to make another point that demonstrates another reason why the government really isn't opposing the GST the way they could if they showed some leadership on this question. The province stands to make a windfall profit that people don't realize, because the current 6 per cent retail sales tax by the provincial government will be applied on top of the 7 per cent GST imposed by the Tories. In other words, the provincial government stands to gain 7 per cent more revenue from their social services tax. On $1.852 billion in revenue, that means the province stands to gain $130 million in provincial revenue and windfall profits from the implementation of the GST.

• (2310)

> No wonder they're silent on this issue, unless and until it becomes a political issue and they know they have to come out against it. That's why they haven't committed themselves to fighting the GST and why they haven't refused to cooperate. If they were serious, they would not only cooperate, but they would tell British Columbians that the $130 million they are piggybacking on and that they are going to collect on top of the GST will be immediately returned to them in the form of a tax credit—a tax cut—so they don't profit from this regressive and odious tax.

Senator Haidasz: Honourable senators, may I ask Senator Bosa a question? I would like to ask the senator how many provinces in Canada stand to gain windfall profits as a result of the GST?

Senator Doody: Nine.

Senator Haidasz: I do not think so, but I wonder whether Senator Bosa can tell us. If not, perhaps some other learned senator in this chamber at 11:20 p.m. can answer my question. I think these windfall taxes are unfair to the Canadian taxpayer. They are not just over-taxed but they are immorally taxed, crushingly taxed.

Senator Hastings: Brutally taxed.

Senator Haidasz: May I get an answer to my question?

Senator Doody: It is up to Senator Bosa.

Senator Haidasz: If he cannot answer this statistical and moral question, perhaps some other senator in this place can.

Senator Simard: On a point of order. Is the Acting Speaker taking note of the speakers? I suspect we have had at least three speakers on the other side tonight. I understand no senator is allowed to speak more than once and we have had Senator Hastings, Senator Haidasz and Senator Corbin.

Senator Haidasz: On points of order. All I am doing by standing up and asking a question is to seek information. It is not a speech, it is a question. I would ask Senator Simard to be fair.

Senator Hastings: That is impossible.

Senator Simard: Heed the Chair's ruling.

Senator Haidasz: Apples are apples and oranges are oranges, do not mix things up. The matter of provincial windfall taxes is very important and should be addressed in this chamber before we take a final vote.

Senator Doody: Senator Corbin has a point of order.

Senator Corbin: Senator Simard suggested that Mr. Speaker take note of members rising. It is not for Mr. Speaker to do that. The record is kept by the officials of the Senate, not by Mr. Speaker.

In any case, when we rise, we do not rise to speak formally on the motion. We rise on a point of order or to put questions, and questions can only be put with the permission of the honourable senator who has the floor. He has not sought the floor to make a speech. Senator Simard, you have been in politics how many years here in Ottawa and in New Brunswick?

Senator Simard: Long enough.

Senator Corbin: Then you should know the rules. Keep quiet.

Senator Simard: We were told this afternoon that the rules in New Brunswick do not apply in the Senate. Make up your mind over there.

Senator Bosa: Honourable senators, I was asked a question by Senator Haidasz as to how many provinces will gain a windfall profit by applying their sales taxes on top of the GST. As far as I know there are only nine provinces with a sales tax. Alberta does not have a sales tax. It will be difficult to answer the question at this time because the GST has not been implemented.

[Senator Doody.]

I recall during the Ontario provincial election of a few months ago that Premier Peterson made a statement that he was going to reduce the sales tax from 8 per cent to 7 per cent because some politicians were accusing him of trying to piggyback the GST on top of the sales tax. As to what is happening in other provinces, I do not know. Perhaps Senator Oliver could enlighten us as to what is happening in Nova Scotia. Perhaps Senator Doody could tell us what is happening in Newfoundland.

Senator Doody: When the time comes.

Senator Bosa: Perhaps Senator Cogger from Quebec.

Senator Doody: Newfoundland is lined up four-square behind the GST.

Senator Bosa: I would like to continue with Mr. Clark's dissertation in the British Columbia legislature. He goes on to say:

> I want to talk for just a minute about the tax because it falls disproportionately on those who can least afford it. It particularly hits women. It hits the poor disproportionately, as most Tory and Socred taxes have done over the last few years. Women represent 60 per cent of the poor in this country. The largest proportion of poor people in British Columbia are single women with children. That is true in every province, none more so than British Columbia. We have seen that time and time again. That is who it is going to hit the hardest.

Senator Haidasz: Honourable senators, I just want to make another comment. That is why the GST is an immoral tax, for that very reason which Senator Bosa has just informed us about.

Senator Doody: Was that a question? You promised it would be a question every time you stood up.

Senator Haidasz: Or a comment.

Senator Bosa: Mr. Clark continues:

> In addition, the other area of the economy that will be hit the hardest—and all economists agree—is the low-wage service sector. Again, it's an area in which women unfortunately predominate in terms of that job ghetto in British Columbia. Again, when the service sector is hit hardest under the GST, it means that it hits hardest on women in British Columbia.
>
> I want to talk briefly about some facts with respect to the GST that show the GST is not necessary.

• (2320)

Honourable senators, I do not think this is funny although I hear some people laughing. It goes on to state:

> —and that we can have fair taxes and a balanced budget in British Columbia and in Canada. If the amount of direct taxes paid by corporations had increased proportionately to the increase in direct taxes paid by individuals between 1950 and 1988, corporations would have paid $63.4 billion in taxes in 1988. Thanks to the shift in the tax burden under Liberal, Tory and Socred administra-

tions, we saw corporations pay only $11.4 billion in direct taxes last year. In other words, if corporations paid the same in proportionate terms as individuals, the federal government would have $52 billion more in revenue. If they had been forced to pay that $52 billion, the federal government would have run a surplus of $31.5 billion instead of a deficit. If they'd paid the same proportion as they paid in 1950, there would be a surplus in British Columbia, a surplus in every province and a surplus in Canada. Instead, in Canada and British Columbia we have among the lowest corporate income taxes in the world. The highest corporate incomes taxes are in Japan and West Germany, the two most successful economies.

Senator Haidasz: Why can we not be the same?

Some Hon. Senators: Oh, oh!

Senator Bosa: It goes on to state:

Government expenditures over the period '50-88 increased 55 times, but taxes paid by individuals increased 74.8 times. Corporation taxes increased only 13 times. In other words, it's not government spending that has fuelled the deficit; it is the government's refusal to tax corporations at the same rate they tax individuals.

It is a deliberate ideological agenda by Conservative governments in Ottawa and by Social Credit governments in British Columbia that has shifted the tax burden dramatically away from the rich, away from corporations and onto the backs of everyone else. The GST fits with that agenda, and that's why they haven't been as aggressive against it as we have.

Then Mr. Vander Zalm took the floor and this is what he had to say:

First of all, Mr. Speaker, I too of course oppose the GST, as do all members on this side certainly, and I expect similarly so on the other side.

Perhaps I should begin by responding to the charge that possibly no more can be done. The NDP takes the view that it's all lost in any event. I too am pessimistic, but I would remind all members of the House and the people of our province that if we had a proper and reformed Senate, we would still have a further chance.

I can't help but remind the member who spoke just before me that his party has consistently come out against the Senate. Only recently there was a speech by the member for Esquimalt-Port Renfrew (Mr. Sihota) saying that he would, as his party would, abolish the Senate. If we have no Senate, then all the decisions will be made in the Commons, which, as we know, is very much weighted towards Quebec and Ontario. There wouldn't be a hope at all for western Canada and particularly British Columbia. So if we want to talk about protecting British Columbians, the NDP should reconsider its position that we must abolish the Senate. It is the safety valve. It could be the safety valve today on the GST proposal.

I'd like to go over some dates, because the member who spoke before me is obviously not aware that this proposal by the federal government was first made in 1986. As a matter of fact, the Minister of Finance in 1986—before me and before the present Minister of Finance (Hon. Mr. Couvelier)—went to Ottawa to oppose what was then called a business transfer tax. Again, on October 31, 1986, we made representations in Edmonton to the ministers there assembled, opposing the GST or, as it was still called then, the business transfer tax.

On June 15, 1987, in Ottawa, the options were put forth by the federal government: a federal-only value-added tax, a joint federal-provincial value-added tax and a federal-only business transfer tax. We opposed it in June 1987. On December 10, 1987, in Ottawa, there was a general discussion on the national sales tax. We again opposed the GST in December 1987. On March 9, 1989, there was a general discussion on the national sales tax, again in Ottawa. A federal paper was presented. British Columbia again opposed the GST. On December 7, 1989, at a further conference in Ottawa, we again opposed the GST. On March 27, 1990, at a meeting in Ottawa to discuss all the implications of this, again we opposed the GST.

I have with me a press release from the Ministry of Finance dated August 25, 1989: "...very concerned about the inflationary impacts..." We again opposed the GST. On October 17, '89, our Minister of Finance presented, with others, a paper to the first ministers and outlined the negative impact of the GST and urged us as a body of first ministers to oppose the GST. At the first ministers' conference, November 9, 1989, the only speech of all those presented by the Premiers at the conference that specifically opposed the GST and urged the federal government to reconsider came from the Premier of British Columbia. We again opposed the GST.

As a matter of fact, when we discussed this in April 1989 among first ministers, British Columbia was the only province that presented an alternative. We said: reduce the federal bureaucracy by 25 per cent and consider some of the programs presently in place—perhaps to that extent, or to a maximum of 15 per cent—and you won't need a GST, you won't need a manufacturers' tax and you'll take care of the deficit. That was widely reported, but I would again remind all in the House that the NDP made no comment, because reducing the bureaucracy is obviously very foreign to them. But we did have an alternative.

When we first heard about the GST proposal—or with the other names that were first given it—we were, of course, extremely disappointed, and we were certainly very much opposed. I suppose part of the—

Who is filibustering now? I hear voices from the other side.

Senator Simard: It was not from this side. It was from your side.

Senator Bosa: I feel sorry for Krystyna, the Hansard reporter; she may be having a difficult time trying to hear what I am reading.

This exerpt goes on to state:

> I suppose part of the disappointment came because it was presented by the Conservative government in Ottawa, and we would perhaps expect such to be more in keeping with socialist philosophy.

Honourable senators, here is the premier of British Columbia accusing Conservatives in Ottawa of having socialistic tendencies because the position of the GST is so contrary to the philosophy of people to the right of centre. He went on to say:

> As we look throughout the world and see where the GST was imposed, it was generally, if not always, initiated by a socialist government. Where we saw it initiated by a socialist government—whether it was New Zealand, the Netherlands, Sweden or many other socialist countries earlier on when socialism was somewhat catchy, before all of the happenings in eastern Europe and elsewhere in the world—it began as it did in Sweden, at about 10 or 11 per cent. Today in socialist Sweden the rate is 23 1/2 per cent.

• (2330)

> That will happen in our province, in our country, if we allow this. If this happens, if the federal government proceeds—whether it's them or some more socialistic government that follows—we'll see the same thing. It will simply be increased time and time again. We are very much, and always have been, opposed to the GST.
>
> As a matter of fact, our record shows that we have continually fought to decrease taxes. I appreciate the acknowledgement by the second member for Vancouver East (Mr. Clark) in his remarks on the throne speech last year, when he too talked about the GST and said, "For a government that reduced the sales tax as you've done it, from 7 to 6 per cent, you must . . ."—

Senator Hébert: Honourable senators, the reporter cannot hear. As a point of order, why don't you go in the reading room. People cannot take notes here. They cannot hear because there is too much noise on your side.

Senator Phillips: We will talk louder.

Senator Hébert: You may talk louder, but I am not the one that is suffering. I listen very easily, but it is the reporter who cannot hear what the Senator is talking about.

Senator Phillips: I do not care.

Senator Hébert: You do not care about reporters? If you care, you should be silent.

Senator Hastings: You should be polite.

Senator Bosa: It is still Premier Vander Zalm speaking, and he is saying—I am repeating the paragraph that I read before because there were so many interjections, to make it easier.

[Senator Simard.]

Senator Cogger: I thought you were referring to the question from the member from Vancouver East. Is that not what you just said? The member from Vancouver East asked a question. It was not Mr. Vander Zalm. He does not represent Vancouver East.

Senator Bosa: I appreciate—

Senator Phillips: You see, some of us are listening.

Senator Doody: He is trying to be helpful.

Senator Bosa: I appreciate the question that was put by Senator Cogger, but if I must point out to him that it is Premier Vander Zalm speaking and he is saying the following:

> As a matter of fact, our record shows that we have continually fought to decrease taxes. I appreciate the acknowledgement by the second member for Vancouver East, (Mr. Clark)—

You see he is referring to Mr. Clark.

Senator Hastings: Have you got it now?

Senator Cogger: Yes.

Senator Simard: When did Premier Vander Zalm make that statement? When did he make that statement? Was it before or after he sold Fantasy Gardens?

Senator Hastings: When did he sell that?

Senator Simard: It may have something to do with it. I was thinking—

Senator Bosa: He made that statement on April 10, 1990.

Senator Simard: Oh.

Senator Bosa: Anyway, he goes on to say—

Senator Simard: At the time it was made?

Senator Bosa: He was referring to Mr. Clark.

> —in his remarks on the throne speech.

Senator Cogger: Mr. Clark is a member of Vancouver East?

Senator Bosa:

> In his remarks on the throne speech last year, when he too talked about the GST and said, "For a government that reduced the sales tax as you've done it, from 7 to 6 per cent, you must be opposed." Of course, the response was in the affirmative. I appreciate the recognition.

So for the benefit of Senator Cogger, Premier Vander Zalm was thanking the member from Vancouver East, Mr. Clark, for the remarks that he had made. Premier Vander Zalm continues, and he says:

> When I was last in Holland—

You know, he comes from Holland, Premier Vander Zalm. He was born in Holland.

Senator Fairbairn: Yes.

Senator Bosa: It continues:

> —I experienced my cousin coming home from the vet. I've told this story a number of times, and I would like to tell it again because I think it's indicative of what has

happened in socialistic countries. His little dog had been attended to by the vet, and the vet presented a bill for 300 guilders.

This is still Mr. Vander Zalm. It has nothing to do with Mr. Clark from Vancouver East.

Senator Fairbairn: I am interested in your story about the little dog.

Senator Bosa: I will continue:

When the cousin went to pay the bill with a credit card, the remark was made: "If you pay with other than cash, it's 400 guilders, because only if you pay cash can I do it for 300 guiders." Certainly, the socialists, if the've studied socialism in other countries, would be familiar with this. That is what's called an underground economy.

Hon. Michel Cogger: Senator Bosa, would you entertain a question?

Senator De Bané: Speak in French.

[*Translation*]

Senator Cogger: There is something I want to understand. Something drew my attention, you see, my wife is from Holland. Would you please explain to me what your story about a Dutch citizen going to the veterinarian with his little dog has to do with the debate on the GST. That is not clear in my mind. I would even venture to say that it is quite irrelevant.

[*English*]

My wife is Dutch and we do refer to guilders every once in a while.

Senator Bosa: As I was saying, Premier Vander Zalm, referring to his experience when he returned to Holland, said that he spoke to his cousin who told him a story—

Senator Cogger: About his sick dog. His cousin had a sick dog.

Senator Bosa: He said that his cousin took his dog to the veterinarian.

Senator Cogger: For 300 guilders.

Senator Bosa: And the veterinarian told him that the cost of whatever he did to the dog was going to be 300 guilders. So Vander Zalm's cousin took out a credit card and was going to pay by credit card. At this stage the veterinarian intervened and said, "If you pay me by credit card, it is $400 guilders. If it is paid in cash, it is $300, but if you pay with a credit card, it is $400." Mr. Vander Zalm's point, as I understand it in the way he made it in the British Columbia legislature, is that the GST has a tendency to create an underground economy.

Senator Cogger: Ah, it is quite clear now. In other words, Mr. Vander Zalm's cousin's dog is against the GST. Is that the point?

POINT OF ORDER

Hon. John B. Stewart: Honourable senators, on a point of order, Senator Bosa has the floor. He is giving examples of the kind of influence the GST may have upon transactions. He has given us an example, and I think that, in the interest not only of the Senate but of the government, it is desirable that we have a reasonable debate on this topic. Now, let me say this, honourable senators. The point is often made that Bill C-62 has been with the Senate for many months. Senator Murray said that earlier today, but I think if you go back and survey what has happened, you will see that the truth of the matter is that we have had very few hours of concentrated debate upon the bill itself.

Senator Cogger: Whose fault is that?

Senator Stewart: Let me tell you, Senator Cogger, on my point of order, that if you go back and look, you will find that the second reading debate took about five, or five and a half hours on May 1, 2 and 3.

● (2340)

I have to be a bit vague on that because I am depending on the *Hansard* margin time entries. Senator Doody may have the exact figures of how much time was taken on May 1, 2 and 3.

Senator Doody: You say that second reading was in May?

Senator Stewart: The second reading.

Senator Simard: It was in November.

Senator Stewart: In the Senate?

Senator Simard: It was in May, yes.

Senator Stewart: It was in May, on May 1, 2 and 3.

Senator Doody: I do not have it.

Senator Stewart: I am referring to second reading in the Senate. The Bill then went to committee.

I know that Senator Simard thinks that I attended meetings of the committee, but that is not true.

Senator Simard: You are talking about the committee, are you not?

Senator Stewart: We then came back here after a summer break proposed by the government—that is, the three-month summer break. We were then confronted by a report from the committee. After the attempt by the government to push the bill forward failed, a special order was made. We then had a short debate on the report of the committee, which report was

rejected. We then went onto amendments on specific topics. Only now are we focusing upon the general topic of the third reading.

Senator Simard: That is your fault.

Senator Bolduc: Yes it is, Senator Stewart.

Senator Stewart: May I complete my point of order? I will then be happy to deal—

Senator Bolduc: I thought you were making a speech.

Senator Simard: He is.

Senator Stewart: No. What I am saying, honorable senators, is that analysis shows that we have not had much of an opportunity in this Chamber—perhaps members of the committee have—

An Hon. Senator: Only 300 hours.

Senator Stewart: No. That is not quite true. We as ordinary senators have had very little time on the general proposition that the bill be now read a third time. There has been a limited time—that is, approximately 60 hours—available on those amendments. If you take the ten amendments and multiply them by six, that is all the time that was available.

Senator Simard: It is your fault.

An Hon. Senator: How much more time do you need?

Senator Cogger: Is that your point of order? I should like to respond to that.

Senator Stewart: Well, let me finish. My point of order is that we are now addressing the question of the third reading directly, albeit through the smokescreen of the "previous question". Senator Bosa is making a presentation for our enlightenment. Some of us may not like it, but he is doing his duty.

Honourable senators, it is highly desirable and in the interest of the government and the public that we understand the full implications of this bill.

One of the problems with the Meech Lake Accord, honourable senators—Senator Bosa will remember this—is that when that accord was under discussion in the Senate and we had notable witnesses, most members of the Progressive Conservative Party, the party that was supposed to be supporting the Meech Lake Accord, did not even bother to attend let alone ask questions.

An Hon. Senator: What is your point of order?

Senator Cogger: What is the new point of order?

Senator Stewart: My point of order is that when we have an important item of public business before us we should avoid trying to divert the discussion in ways that trivialize and prolong the debate.

An Hon. Senator: Hear, hear!

Hon. Michel Cogger: Thank you, senator Stewart. I will now respond.

Senator Stewart: That is my point.

Senator Cogger: May I now respond?

Senator Stewart: Yes, of course.

Senator Cogger: I will respond now. I find it incredible that you, Senator Stewart, should stand up at 10 minutes to midnight to lecture us on this side of the House while senator Bosa, whom I love dearly—I have spent a lot of time with senator Bosa and I have a lot of respect for him—is talking to us about the dog of the cousin of Premier Vander Zalm paying a visit to a veterinary in Amsterdam, or whatever. That is supposed to be the serious stuff that will advance the debate on the GST?

Senator Hastings: The dog is opposed to the GST.

An Hon. Senator: Hear, hear!

Senator Cogger: We can take you on at midnight, at one o'clock, two o'clock, or three o'clock in the morning. We will debate seriously when you guys get serious. But when you talk to me about the dog of the cousin of Premier Vander Zalm, we will have fun. No more sermons.

Senator Stewart: I am not suggesting that the kind of intervention that senator Cogger has made now is nonsense; rather I am asserting it. Senator Bosa is giving us a good, homely example of the kind—

Senator Cogger: He has been reading the debates from the House in British Columbia for the last hour.

Senator Hastings: It is the witching hour!

Senator Cogger: He is not here to debate.

Senator Stewart: Senator Cogger, of course, does not want to listen. Senator Bosa is giving us a perfectly good example of the kind of underground economy that will be encouraged by the tax.

Senator Simard: Sit down.

Senator Stewart: We will be confronted by this situation if the tax ever becomes law. There may be good points to this tax. Obviously there are serious difficulties. We should understand the good points. I hope members of the government will rise in their places to defend the bill. They have been utterly quiet so far as far as the merits of the bill are concerned. On the other hand, we are aware of our duty to expose the difficulties. That is the nature of the parliamentary process.

The trouble with this government is that since 1984 government members of the Senate have been unwilling to invest time and energy in explaining government measures. That has been a large part of the trouble here. We have not taken the time to arrive at the kind of consensus that should be a result of the parliamentary process.

Senator Cogger, you are not at all promoting the cause of the government that you support here tonight.

An Hon. Senator: Nor are you, for the Opposition.

Senator Cogger: Please proceed with the dog, the visit to the vet, and any other country that you want to mention.

[Editor's Note: For continuation of proceedings see Issue No. 115C.]

THE SENATE

Thursday, November 29, 1990

• (2350)

[*Editor's Note: Continuation of proceedings from Issue No. 115B.*]

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE ACT
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMEND—MOTION FOR THIRD READING—DEBATE CONTINUED

Hon. Peter Bosa: I suppose that Premier Vander Zalm was trying to underline the fact that the GST has gone to the dogs as well. By that I mean that it applies to the dogs. But I never thought that quoting this example of the potential for an underground economy would cause so much barking in this Chamber.

Let me continue with the debate.

Senator Cogger: We were at the visit to the vet.

Senator Bosa: We are finished with that. We already left the veterinarian.

Senator Cogger: Did he pay by credit card or cash?

Senator Bosa: Mr. Van Der Zalm continues to say:

> Certainly the socialists, if they've studied socialism in other countries, would be familiar with this. That is what's called an underground economy. That's in fact what would happen. We would see an underground economy where people would pay with cash for goods and services in order to avoid paying the GST. Once having paid with cash in order to avoid the GST, . . .

—everybody loses. The government loses and a new initiative in the underground economy takes place. He continues:

> This is fairly prevalent in socialist countries and probably is part of why there has been such a downfall of socialism throughout the world.
>
> We know as well that this will lead to a giant bureaucracy. There will be a tremendous negative impact on our tourism industry; it will hit the poor, as the former speaker said; and it will definitely be very inflationary.
>
> We've met many a time in Ottawa and elsewhere on this matter. It was suggested by the finance critic from the NDP that meeting about this was wrong and that no meeting should be held. But I would suggest that in all our attempts and all our meetings we've not only opposed it, but we've also argued that the provinces should at least be more aware of what they are proposing or how they are proposing to implement it. Because if they're determined to proceed, we should, as much as possible, reduce the negative effects of this tax—and there will be many.
>
> Mr. Speaker, I know that the NDP is also opposed to this tax. They've said so, and I believe it. But I suppose there is a difference between the opposition as we've expressed it and the opposition as we hear it from the NDP, which might be expressed in some of these articles that I've brought with me today. One is a statement by a very prominent socialist New Democrat, David Schreck. His suggestion was that what we could do in the country—be it federally or provincially—was to continue to go into debt. He said:
>
> > "The public debt is no monster. The monster the Conservatives have created is made up of myths. Public debt is a loan within the family, like advancing your children's allowance. Clearly there have to be some limits to debt, but the available debt shows that Canada's debt is not out of line by historical standards. In 1989 the indicator of debt is not a reason to be alarmed."
>
> I have heard this said before by other socialists.
>
> I would also read quickly from a statement made by a Mr. Krog on Vancouver Island, who is a lawyer in Parksville, and a candidate for the NDP socialists: "If we are going to be honest with the people in the next election, that's what we're going to have to tell the people. We'll have to raise taxes for our programs." So they're talking about raising taxes.

The speaker intervenes and says:

> Order, please. I'm sorry, but under our agreement with the House Leaders, that will terminate the Premier's remarks.

Mr. Lovick then intervenes and says:

> Well, well, well. Isn't this an interesting phenomenon? We are making history here. We are witnessing something that looks suspiciously like a rerun of Alice and Ralph from "The Honeymooners". We are suddenly seeing the first member for Richmond (Hon. Mr. Vander Zalm) and the first member for Vancouver-Little Mountain (Mrs. McCarthy) talking together again and voting on the same side. Wonderful stuff!
>
> And it gets even better. It also reminds one of another television show, the one called "Church Chat," because when we watch this activity and see both sides agreeing on this particular motion, we have to say: "Isn't this

special." You know it's special only because this is the most artificial, phony, contrived debate we have yet seen in this chamber. This resolution comes to us at beyond the eleventh hour, and it comes from a gang of people over there who have suddenly discovered the reality of the political winds ablowing. This group of folks, these Socreds—who are really Tories on training wheels—are suddenly going to make the grand announcement that they don't like their big brothers and sisters anymore. They disagree. Come on. Spare us that, please.

If you believe as passionately and powerfully as the two members opposite appear to, where were you when we raised the question in the Legislature on two occasions? Where were you when the Leader of the Opposition wrote and said: "Let's have an emergency debate so we can present a unified front in Ottawa." Where were you? If your opposition is so powerful, one must wonder why most of us have never heard of that opposition. Let me suggest to you, Mr. Premier: bite the bullet and come out of the closet. Come on, let's do it. Come out and tell us what you really believe.

It is impossible to look at the opposition as embedded in this motion without believing and feeling strongly, based on evidence, that there is more than a touch of hypocrisy here. What we are looking at, remember, in the GST is fundamentally a shift in the burden to middle-income and lower-income people and away from the higher sector. That is a pretty clear and simple enunciation of a neoconservative agenda, precisely the same agenda that all of those folks over there have enunciated and defended on more than one occasion.

I would suggest to you that you have a look at your own record in the chamber, members opposite, and see what you've had to say about your solutions to solving economic problems, because they are neoconservative as the Tories have ever been. You have the same agenda.

What I notice also in your opposition is that I had to search hard to find what you were opposed to. The Premier went on at great length telling us they were opposed, but he didn't say why. Similarly, the first member for Vancouver-Little Mountain didn't really say why. They just hide behind the old argument: "We've got to reduce the debt and the deficit." That's their only argument, and I wonder if it's the case that maybe part of their opposition—one of those many quiet meetings none of us heard about—is actually based on the fact that the GST isn't big enough. Maybe they wanted more. We don't know, because we have never seen what your position is. What's wrong with the GST? Let's take a look at it. Let's see what's wrong with the thing.

The predicament we have with the GST is that it is carrying on that fine tradition called corporate welfare—hang on, Mr. Premier, I want you to hear the word—that socialists pointed to in this country in 1973-74. That's the predicament we still have in this country. And guess who's talking about it now? Not just a bunch of people on the left, but folks like columnists in the *Financial Post*. The *Financial Post* is talking about corporate welfare, and they are suggesting that what has happened is that government grants to businesses which in many cases have no need for them, which are profitable, which are successful, have become so endemic in our system, so much a part of the system, that we're not even scandalized by them anymore.

Moreover, that same analysis points to the fact that we could take away all of that corporate welfare activity and it wouldn't make a darn bit of difference in terms of employment or keeping Canadians employed. But the Tory government, wedded to the neoconservative agenda? Not likely. And this government, with its friends in the Tory caucus in Ottawa, trying to tell us it has suddenly become converted to the cause against the GST? Give us a break, to use a phrase. How are we to believe that?

Let's have a look at some other arguments. The other arguments that are developing about what's wrong with the GST are coming from mainstream economists who demonstrate to us very clearly that this tax, besides being unfair and regressive, is probably going to have precisely the opposite impact intended, in economic terms. We know it's going to be inflationary. That's given: you can't do 7 percent extra tax without that. If we have an inflationary tax, invariably it will lead to greater wage demands; wage demands inevitably will lead to higher interest rates; higher interest rates will lead to higher unemployment; and higher interest rates—guess what, surprise, surprise—would increase the federal deficit, because a good chunk of the federal debt is made up of interest payments on the debt. The point then, Mr. Premier, is that this tax, regressive as it is, will do exactly what it isn't . . . on this part of the equation we can meet.

• (0000)

But when we look at what we ought to do to replace the GST, this is where we part company, Mr. Premier. And I for one am proud to part company, because your answer, in terms of what we ought to do . . . I quote your member for Vancouver-Little Mountain—understandably from Little Mountain; the member from Shaughnessy. The argument is the oldest one in the book. It's Victorian morality written all over again. It says: live within your means, cut your spending and we'll all survive nicely. But it ignores, sadly, the fact that this tax is going to impose much more hardship on the lower end of the scale than it will on people in that bracket over there—I say, pointing to the member opposite.

The problem is that this tax is a continuation of a Tory taxation policy which is regressive and which is part of an ongoing process of making our entire tax system in this country less progressive than it was before. Nobody on that side of the house, however, is saying anything about what's wrong with the tax in terms of the impact it will have on those least able to bear it. You haven't given us any arguments at all of that sort. We could do some

things, but I wonder how many members opposite would be able to handle the bold policies in fiscal and tax reform that we ought to have in this country. I would like to suggest that if the members opposite were really gutsy and really believed that this tax was so insidious and so evil, they might consider something like an amendment to the resolution. I know that's out of order, so I'm not moving an amendment, Mr. Speaker. But I would suggest that this resolution, this motion, if it wants the wholehearted support of members on this side, would say something like this: "Be it resolved that this Legislative Assembly of British Columbia is absolutely and unequivocally opposed to the proposed federal goods and services tax and urges the government of Canada to immediately withdraw the GST legislation in the interests of all Canadians, in addition to eliminating all corporate tax deferrals and immediately initiating a system of fairer taxation." That's what we should have. That's what we don't have, sadly.

There are ways we can solve our debt and deficit problems in this country, but we can do so in a fair way, not the Tory way. Sadly, this government, by its actions day after day and year after year in this House, demonstrates that it is committed to the same agenda, the same attitude and the same ideology as the Tories—because they are Tories.

It's interesting to note, that there was a story recently published that talks about the number of people who make healthy campaign contributions to the federal Conservative Party; and if one looks at that, one discovers all kinds of prominent British Columbia companies, the great majority of which, I think it's safe to say, have friends on that side of the House, friends of that government.

We can also pose the question, of course: how many members on the other side of the House are currently holding two membership cards? How many failed Tory candidates do we have over there? How many people do we have over there who aspire to higher office, like the current Justice minister in Canada? You can pretend all you want that you disagree violently with the Tories, but the reality is, as we all know full well, that you're the same folks.

That is the end of the debate in the British Columbia legislature. I thought it would be worthwhile putting it on the record because we saw in this debate both the views of the Premier of British Columbia, a former cabinet minister of that government, and two members of the opposition. Notwithstanding their enormous differences in political philosophy, they came to a unanimous agreement on approving a resolution appealing to us to oppose this tax.

Senator Simard: That is just federal bashing. What else is new?

Senator Bosa: These are the supposed Socred friends of the Tory government.

I have an awful lot of letters here that I can read into the record indicating feelings which have been expressed to me personally. For example, I have a letter from the Alliance of Canadian Travel Associations dated April 12, 1990. It says:

Dear Senator Bosa:

As the Senate prepares to debate the Goods and Services Tax, I feel that as the National President of the Alliance of Canadian travel Associations (ACTA), I must once again bring to your attention, Senator Bosa, the specific concerns of our 3,200 members regarding the way the GST has been applied in the travel industry. We have tried repeatedly to discuss changes with the Government that we feel are necessary to protect our industry. So far all of our concerns have fallen on deaf ears despite the fact that ACTA has not opposed the tax in general, just the way it has been applied to the travel industry. We hope the Senate may be able to accomplish some changes in the present legislation to offset the severe consequences the act in its present form will have on the travel industry in Canada.

Because you and your colleagues are long-serving members of the federal government process in Canada, I do not have to acquaint you with the details of Canada's travel and tourism industry, and numbers of people that depend on it for their livelihood, not the fact that tourism will be the world's largest service industry by the year 2000. Considering the impact that tourism should have on Canada's future, and given the potential to reduce our deficit with a positive inflow of tourism money, it is inconceivable to our members that every action taken by our present government is designed to reduce Canada's income from tourism by approximately $1 billion per year and will eliminate up to 25,000 jobs.

We hope that during your debate you will use every means at your disposal to correct the negative applications of the GST to tourism and travel in Canada. To assist you, I have attached the details of some of ACTA's major concerns. If I can assist you further at any time, please contact me at your convenience. As well, we would appreciate your office informing us of the dates of any public hearings on the GST so that we may attend and present our views.

And it is signed by A. L. Taylor, National President of the Alliance of Canadian Travel Associations.

In all the letters I have received there must have been three or four that were favourable or who supported the GST. Yet even those had some concerns about the manner in which it was applied.

• (0010)

I want to turn now to the proceedings of the Standing Senate Committee on Banking, Trade and Commerce for Wednesday, July 18, 1990. At page 57:36, the transcript of the proceedings reads as follows:

Mr. Joseph Lebovic, President, Urban Development Institute Canada: Mr. Chairman, and honourable sena-

tors, I feel honoured to represent our industry before such an auspicious committee. We have with us Mr. Paul Kennedy and Mr. Edward Barker, who will be reading the brief too you. That will make it easier for you and the translator, since they will not have to hear an accent.

I suppose that he too speaks with an accent. He went on to say:

UDI represents 700 builder-developers. Our goal is to improve communication between developers and also government bodies at all levels: municipal, provincial and federal.

In our brief you will see that to some extent we differ with the hone builders, but to a great extent we agree with most of the representations that they made. The basic difference is that we think that old houses should also be taxed.

We also wish to point out to this committee that our industry is not inflationary. Prices have dropped 10 to 20 per cent in Toronto. On that strength we made representation to the Minister of Finance, Mr. Wilson and asked for certain concessions. First, we asked that anything above 9 per cent should become a deductible expense to the homeowner for the simple reason that our industry is not responsible for inflation and therefore, having conquered that problem, we do not feel that we should be penalized.

I suppose that he was referring to interest rates because he said that anything above 9 per cent should be allowed to be deducted from their expenses because they say that they are not causing inflation. Then the transcript states:

The Chairman: Mr. Lebovic, if I am getting it straight, are you suggesting that any interest over 9 per cent paid by a person who has a mortgage on a house should be along the American system—that is, an exemption as far as income is concerned?

Mr. Lebovic: That is right. The whole thing should be deductible, but the government is saying that it is caused by inflation, for which we are not responsible, and therefore that portion should be deducted to make home ownership easier, especially for first-home buyers. On the technical questions, since I am one of the largest developers in the Toronto area, I would be happy to answer questions dealing with land development, how it affects housing, and the problems we are having vis-à-vis cost of land component to construction. In other provinces and smaller towns, the lot represents perhaps 25 per cent of the total cost of the house, which was the house in Toronto 30 years ago. Today, however, the lot price, which is beyond our control, represents as much as two-thirds of the total cost. Thank you, Mr. Chairman. Mr. Barker will continue.

Then Mr. Edward Barker of Price Waterhouse makes the following statement:

[*Translation*]

I should like to make it clear at the outset that the Urban Development Institute of Canada supports the goods and services tax in principle, but only if the government truly does achieve its stated goals of deficit reduction, developing a more equitable tax system and improving the economy.

We believe that home buying—new home buying or old home buying—is a basic right of every Canadian in this country. Whenever anything impacts the affordability of that housing, we like to make recommendations to those in power to ensure that affordability is not affected.

The goods and services legislation as it now stands will affect the affordability of housing in Canada.

[*English*]

Senator Simard: No, way.

Senator Bosa: Pardon?

Senator Simard: It is wrong. Senator Buckwold will know it was wrong.

Senator Buckwold: I am glad you were listening.

Senator Simard: We are and we will tell you every time you are wrong.

[*Translation*]

Senator Bosa: You disagree?

Senator Simard: Again, for the same reasons.

Senator Corbin: Would you start again, please?

Senator Bosa: Very well.

The goods and services legislation as it now stands will affect the affordability of housing in Canada. Our primary concern is the transitional relief provided to new home buyers. You may recall that there is a federal sales tax rebate if the house was under construction at the end of the year and it sold and closed and possession was transferred before April of 1991. However, if the tranaction occurred after April 1 no federal sales tax rebate is available to the purchaser. However, the purchaser would have to pay goods and services tax on that transaction. The result is double taxation.

Our primary concern right now is with the transitional relief. Inadequacy of the transitional relief will produce double taxation, will increase housing costs in an already depressed market and, this increase in the cost of housing will affect all home buyers, primarily first time buyers and low-income Canadians. It will also distort the housing markets across Canada. This is because the value of land is included in the tax base, as the previous presenters indicated.

When you include the value of land in a tax base and the value of land varies regionally, you are distorting the housing market. In other words, you are adding to the distortion. In fact, the proposed rebate to compensate purchasers for new house goods and services tax is not

based on true consumption when you are including the value of land in the tax base where regional differences do occur.

We have five recommendations that I should like to summarize right now.

[*English*]

By the way this can be found at page 57:37 of the proceedings of the committee in Toronto on Wednesday, July 18, 1990.

Mr. Barker went on to say:

We have five recommendations that I should like to summarize right now.

The first recommendation is that the federal sales tax rebate period be extended from the current three months to ten months.

Secondly, we recommend that the tax rate be modified for houses selling in excess of $450,000. Presently everything over $450,000 is taxed at 7 per cent. A lower rate on the excess would decrease the discrimination against the Toronto and Vancouver housing market.

Senator Simard: It is self-interest; self-serving.

• (0020)

Senator Bosa: Senator Simard is aware of what they are saying in the first recommendation. The first recommendation is that the federal sales tax rebate be extended from the current three months to 10 months.

Senator Simard: It is self-serving.

Senator Bosa: In other words, if a house is not completed during the calendar year 1990, but is completed before February 15th, 1991, then the builder is compensated by receiving back two-thirds of the federal sales tax that that builder paid during the previous year in order to complete the house. If the house is completed after February 15 but before April 1, then that builder is only entitled to a rebate of one-third of the federal sales tax that he had paid for building materials to build the house in question.

Senator Simard: That makes sense.

Senator Bosa: However, if the house is not sold prior to April 1, then it does not get any rebate at all, and this is an anomaly in this tax. I do not say that the government went out of its way to punish these people. Perhaps the government did not foresee that the tax would create such an onerous financial punishment for builders who are not able to dispose of their stock prior to the set dates.

However, as the honourable gentleman knows, the lowest period for the housing market, is in the winter, particularly in January, February and March. Canadians have, I believe, a disposition to start looking for housing when the sun starts shining, when it is spring, when the grass is green, so that they can see the environment of those buildings. Then they are likely to make a decision as to whether or not to buy. Certainly, the statistics show that there are very few dwellings sold during this present period of the year.

Mr. Barker then went on to say that the seven per cent GST applied on houses that are worth in excess of $450,000 is unfair because they are already very costly, and he also made reference to the cost of land. We know that land in metropolitan Toronto and adjacent areas has reached the sky limit. We talked about paying $200,000 for a 50-foot lot, and when you consider that the builder also has to pay the GST on the land as well as the added components of developing that land, that has a tremendously adverse effect on the ultimate cost of a house, and this affects more people, especially first-time buyers. People who already have a house might sell their house and then buy another one, so they already have a good start. Those who start out from the beginning have to pay the seven per cent tax in addition to the cost of the house.

I grant you that people of modest means will not be buying houses that cost more than $450,000. They are more likely to buy either a resale house, a secondhand house, a condominium, which might be lower in cost, or a townhouse.

Mr. Barker then goes on to say:

Thirdly, we recommend that the goods and services tax include in its tax base existing residential property-that is to say, resale housing.

In other words, they want to go further than what the government has proposed. They also want the sales tax to be applied to present stock; to houses that have already been built.

Fourthly, we recommend that the tax be based on additional consumption. If you sell a house for $350,000 and purchase a new house for $450,000, you should pay tax on the $100,000 difference, regardless of whether the house that you purchased is new or used.

I suppose that is one additional aspect of how the GST could apply, which is not included in the bill at the present time.

Fifthly, we recommend that there be various technical adjustments to the legislation. The first of those deals with the joint venture provision, which is included in the legislation presently, and which only applies to joint venture arrangements in the mining, oil and gas industry. We should like this provision to be extended to real estate joint ventures. The second technical adjustment is that federal sales tax rebates be provided to developers of commercial properties.

I do not understand. Perhaps Senator Hastings knows, or perhaps Senator Buckwold might enlighten us on how the oil, gas and mining industry is treated under the GST as opposed to the way in which the housing industry is treated.

Senator Hastings: Yes, Senator Bosa, I will have a great deal to say about that when I have an opportunity to address the Senate with respect to the GST. However, before I do so, might I draw the attention of the Speaker—if he could put his book down for a moment—to the fact that we have about five young people working here that are on the paging staff who I think are really not needed during the night, and I wonder if arrangements might be made by the Clerk at the Table to excuse that staff from now until whenever we may adjourn during the night.

Senator Doody: Certainly. I have no objection from this side of the table.

Senator Bosa: Are you addressing Mr. Greene?

Senator Doody: He will see to it.

Senator Bosa: Mr. Barker then goes on to say:

> I should like now to turn briefly to some of the background to those recommendations.

Senator Cogger, I am talking about the representation that was made to the committee by the Canadian Urban Development Institute.

Senator Doody: Beautiful B.C.

Senator Simard: We have travelled a hundred miles.

Senator Bosa: I did not hear what you said. I suppose you do not want to repeat it because it was not important. In any event, Mr. Barker goes on to say:

> I should like now to turn briefly to some of the background to those recommendations.
>
> We analysed the effect of the goods and services tax on both pre 1991 construction and post-1990 construction. Brethour Real Estate determined—and this is included in your package as Appendix A—that most house closings take place in September, August or October—

That is just what I was saying to Senator Simard a moment ago—

> The reason for that is that people purchase houses and arrange for them to close at the beginning of the school year. Our indication is that since 1985, 40 per cent of the transactions closed in August and September. Those figures are included in your documentation. If 40 per cent of the closings do not close in September, then the other closings are spread throughout the year. In January, February and March, which is the current transitional period for the FST rebate, the number of closings is the smallest of all the 12 months.
>
> We also determined that the health of the new home builders presently is not so good, difficult times are here. Presently, there are inventories of thousands of unsold new homes across Canada. There are also inventories of sold homes that will never close—at least to the current purchaser. These people have walked away the deal.
>
> Moving into 1991, there will be a great surplus of newly constructed homes that will have little chance of closing in the period January to the end of March. That is why our first recommendation states that the relief period should be extended from three months to ten months. Fundamentally, there is no logical reason for having a time limit on the FST rebate. In fact, we are puzzled as to why this provision was included.

This is what I referred to before. If the houses are not sold prior to April 1, 1991, the builders get no rebate of the federal sales tax, notwithstanding the fact that they have already paid this tax. Therefore, if the houses are sold after April 1, the GST applies, which means that they have been impacted with double taxation: First the federal sales tax and then the GST. This is what they are complaining of. I have not heard any response from the government side as to whether they are taking this matter into consideration, because it is really unfair. Which goes on to say:

[Senator Hastings.]

• (0030)

> Turning quickly to post-1990 construction, no one can predict the percentage increase in the cost of new housing. With the elimination of the FST, some savings will be passed through, but, fundamentally, we cannot picture a contractor on January 1, decreasing his square footage charge from $60 to $57. In the fullness of time there may be a reduction, but certainly not on January 1.
>
> Finally, we believe that the GST will distort the housing market especially in the City of Toronto. The goods and services tax provides a rebate for housing costs going up to $450,000, which is certainly great if you are in Trois Rivières or Kamloops, but of practically no use if you are in the City of Toronto or Vancouver. Therefore, the recommendation is that the tax rate applied to the excess above $450,000 be reduced from the current 7 per cent.
>
> Our third recommendation was that existing residential property should be included in the tax base.
>
> The fourth recommendation was that only the additional consumption be taxed in new or old housing. Let me repeat the example that I stated. If you sell your existing home for $350,000 and purchase a new home for $450,000, regardless of whether the new home is newly constructed or a resale, you should only have to pay tax on the $100,000.

That does seems to make sense, but this provision is not included in the bill.

Mr. Barker goes on to say:

> There would be no tax refunded to the purchaser. Similarly today, if you purchase a $20,000 car and sell it for $10,000, you do not get any tax back on that.
>
> If you do include existing residential construction in the tax base and only tax additional consumption, it is certainly more fair to all home buyers, not just purchasers of newly constructed homes, and it more accurately reflects true consumption. Who can say whether someone buying a $500,000 house as a resale is receiving anything less than someone who is buying a newly constructred house for $500,000 and has to pay $535,000.

The Chairman then intervenes. He states:

> You have been going on for nearly 20 minutes. We do have a series of questioners. We are not cutting you off in any way, but if we want to have questions, there will not be any time for them.

Mr. Barker then responds:

> I will close by saying that one of the technical adjustments that we would appreciate that the joint venture provision that currently exists for mining, oil and gas joint

ventures arrangements be extended to joint real estate ventures. This is found under section 273.

There are then a series of questions and answers. There are also questions put by Senator Hastings. He was the first one to put a question.

Senator Hastings: They were good questions.

Senator Bosa: He says:

Thank you, gentlemen, for the informative brief you have given us this morning. As you may have heard in my questions to the previous witness, my interest has to do with the impact of the GST with respect to the cost of housing.

I note that on page 2 of your brief you state that: It will increase the cost of housing and exacerbate the affordability to consumers, especially first-time buyers.

Again, that flies in the face of the propaganda that is being foisted on us by the governement with respect to the cost of housing.

On page 7 you are more discrete. You say that you will not say with certainty what the percentage increase will be that will result from the tax. You are a little more discrete than the Minister of Finance, evidently, but you might just as well state what you think.

What disturbed me greatly is your last sentence in the paragraph, where you state:

However, most of the members in our industry suspect that a contractor who has been charging $60.00 a sq. ft. to build a house will not drop prices to $57.00 on January 1, 1991 just because the Federal Sales Tax does not apply to the cost of materials.

The Minister of Finance has assured us by saying, "Do not worry about inflation, it will only be an itty-bitty 1.25 per cent."—

That is what is written here.

Senator Hastings: You mean "itsy-bitsy".

Senator Bosa: Yes, He states:

"1.25 per cent." That is based on the assumption that 100 per cent of the FST will be passed through to the consumers. That is the first assumption.

You are more practical than the Minister of Finance. You deal more with reality than does the Minister of Finance. In that sentence you are stating that it will not be passed through to the consumer, and I agree with you. When you take away those two assumptions—not one—his estimation of inflation goes straight out the window. I agree much more with you as to what will happen with respect to the FST. It will not be passed through to consumers, as he is allegedly assuring Canadians.

Mr. Barker responds:

I have one comment on that. Can you picture yourself as a contractor on January 1, or right now, setting your square footage price for January? You would not know what it would be. You may have 25 suppliers. You do not know how much they will charge you at that time. In the fullness of time things, for example, market pressures, may bring it down to $57, but in the short term there is no way you can know what to charge.

Senator Robertson then puts a question. She says:

I am sure I did not hear correctly, so I should like a clarification on this point.

What percentage of the cost of a home is the land? You mentioned that amount, Mr. Lebovic.

Mr. Lebovic replies:

It varies with districts, towns and provinces.

Senator Robertson: What is the figure on average?

Mr. Lebovic: On average, it goes anywhere between 20 per cent of total value to 66 per cent of total value.

Senator Robertson: It is 20 per cent to 66 per cent of the total cost?

Mr. Lebovic: The purchase price, yes.

Senator Robertson: Give me any idea of how many flips occur on the land before the homeowner actually owns it.

Mr. Lebovic: There are really no flips. You end up with a high cost of land because of the shortage of the land. For example, we are dealing with a local developer-builder who buys the land and has to go through the 160-odd procedures to have it sub-divided. That sometimes takes anywhere from 4 to 12 years. In that time he still has to carry these lands. By the time he gets to the point where he can service it—because he has to wait for a certain infrastructure that is beyond his ability; he cannot put trunk sewers in or build a highway—the situation is such that the demand and supply is so great that there are not enough lots on the market. Consequently—whether the developer-builder makes his markup or sells it at a lower price—the next purchaser will pass the increase on and increase the price of the lot.

What escalates the cost of the lots specifically in Toronto and in Ontario, is that the provincial government is not spending enough on the infrastructure to provide enough available serviced land, which creates a shortage and influences prices. The farmer who owns a piece of land that is at the point where it can be developed is now asking for over $250,000 an acre because he knows that he is the only one who has it. It gets to the point where, by the time I build a house, sell the land and the house and have to replace it, I am paying more than what I sold the house and the land for.

• (0040)

Senator Robertson: With respect, I would suggest that flips occur before you get into municipal costing. But our time is limited and I want to move on. For someone coming from the Maritimes, things have happened that I find astounding. Is it true that one group—I do not know if it is a holding company, or whatever—controls almost all the new available land in housing around Toronto?

Mr. Lebovic: Yes, that is a rumour.

Senator Robertson: Is it a rumour or is it a fact?

Mr. Lebovic: No, it is a rumour. A few groups control large tracts of land, but the largest landowner of available land that can be developed in the provincial government. It is in their power to do away with shortages by releasing their own lands for development or putting the land in a position where it can be developed. Compared to what the government can develop, the largest developer in Toronto, who controls a large tract of land, has a small percentage.

Senator Robertson: Of course, I will have to do some more homework—

Senator Cogger: Are you quoting our own Senator Robertson?

Senator Bosa: Yes, I am quoting Senator Robertson.

Senator Cogger: That is very interesting.

Senator Bosa: Yes, it brings to light one aspect of the housing industry that perhaps a lot of Senators opposite may not be aware of. I know that Senator Robertson is aware, because she was putting the questions.

Senator Robertson: Of course, I will have to do some more homework on the Richmond Hill area.

I should like to bring up one more subject which was raised in your brief. You are concerned about the high cost of money and the interest rates today. Those of us who do not live in Toronto or in the Triangle might suggest that the ridiculous escalation of prices in this area have been the main contributor to the high cost of living and, in turn, the main contributor to the high interest rates. Would you say that that is true? The corollary there is that if there is a dip here then the cost of money will come down.

I think that was a very good observation by Senator Robertson. The Chairman intervenes and says:

Blame everything on Toronto!

Senator Robertson: Well, these are the facts, Mr. Chairman.

Mr. Lebovic: But we are sitting in Toronto. The fact is that that problem has stopped. Houses have dropped by $100,000.

Senator Robertson: Yes, so interest rates have come down.

Mr. Lebovic: The fact that it went up to the extent that it did was not a matter of speculation, it was a matter of a limited supply. It is not in the control of industry to provide available lands for building. That is purely governmental. Therefore, if this thing did happen it is the provincial government that should be blamed.

Senator Marsden then puts a question.

Senator Marsden: I have two short questions for the witnesses. You begin and end your brief by saying that you support the GST under three conditions: deficit reduction, a more equitable taxation system, and an improved economy. The whole burden of your brief has been that the economy will not be improved, at least in the short term, and that this is not a more equitable taxation system. The Minister of Finance says that it is revenue neutral—

Senator Stollery: May I ask a question? What hearings are you referring to?

Some Hon. Senators: Oh, oh!

Senator Bosa: I am referring here to a deposition made by the Urban Development—

Senator Doody: He can start again.

Senator Bosa: I am referring to a deposition that was made by the Urban Development Institute in Toronto. I believe you were present.

Senator Stollery: Oh, yes, very interesting.

Senator Bosa: I am just in the process of completing the questions and answers of that presentation. In fact, to complete Senator Marsden's sentence:

The Minister of Finance says that it is revenue neutral, so it is not therefore deficit reducing.

You may favour tax reform, but why on earth would you say that you would favour this particular tax reform? Your brief is somewhat contradictory in this regard.

You may not have heard, because you were not here at the beginning, but I just wanted to make the point that even those who support the GST are asking for so many exemptions that the bottom line is they are actually against it. They say they support it, but they want land excluded from the GST, they want to tax old houses and resales and extend the period of rebate from April 1 for ten months so they can get rid of the stuff. They have a point there because, as you know, if a house is not sold prior to April 1st, the owner of the new house will not receive any rebate for the federal sales tax, and that particular house will be charged the GST. So they have paid the federal sales tax and now they are charged the goods and services tax, which is double taxation.

I do not mean to say that the government intended it to be that way. It might have been an oversight, and it might be corrected if this tax is ever implemented. However, it is cruel to tax an industry twice, particularly at this time when we are going through a very critical period.

Mr. Barker continues:

Mr. Barker: That is certainly your opinion. We believe that the goods and services tax will have a positive effect on the economy.

That is what he says, after having complained about all the other exceptions. He further states:

Look at the elimination of the FST in the export market.

Obviously, he does not understand the impact of the federal sales tax, because the federal sales tax is not applied to

exports. He asks us to look at what it will do for the export market.

> At present, 1 per cent to 1.3 per cent of the cost of all exports is FST. When you have a GST, that will no longer be there and therefore the export economy should improve. We feel that the tax may be more equitable in the sense that it will be spread among all consumers. If you buy a 40-inch colour television right now, because of the tremendous markups in that industry you are paying a much smaller FST burden that someone buying a 9-inch television. It will be more equitable. In fact, Mr. Wilson said on December 19 that it will reduce the deficit. If you go through the numbers in his presentations, he shows $1.3 billion in deficit reduction.

That is another contradiction, Senator Hastings. You may have noted, if you were there, that the Minister of Finance said this tax is revenue neutral, that it will replace the federal sales tax. This man contends that Mr. Wilson stated there is $1.3 billion in excess of what the government would be raising through the federal sales tax that would be applied to deficit reduction.

> **Senator Marsden:** But he also says that it is revenue neutral.
>
> **Mr. Barker:** He did say that it was revenue neutral at the beginning, but if you go through the numbers, right now the FST is $18.5 billion and his own calculations indicate that GST will generate $22.5 billion. There is $4 billion there.

Again there is a contradiction here. At one point he says there is a surplus of $1.3 billion. Now he says there is going to be a surplus of $4 billion. It continues:

● (0050)

> **Senator Marsden:** You are in favour of some kind of tax reform and you prefer this kind of tax reform, but you want substantial changes.
>
> On page 5 of your brief you point out that your institute can make—and I quote:
>
> > . . . a substantial contribution to the development of a fair and practical treatment of real estate within the proposed tax system.
>
> You then set out a whole series of fairly important amendments that should be made to this legislation to meet your concerns.
>
> Did you present your concerns to Mr. Wilson before the tax or subsequent to the appearance of this legislation?
>
> **Mr. Barker:** Yes, we did.
>
> **Senator Marsden:** Have any of your concerns been satisfied by the government?
>
> **Mr. Barker:** In terms of the FST transitional rebate, the original proposal was two months and it was extended to three months.
>
> **Senator Marsden:** But you are asking for much longer than that.
>
> **Mr. Barker:** Yes, because of the way the industry has gone in the last nine months, since the original change to three months.
>
> **Senator Marsden:** Do you have an indication that the government will give you any more comfort in terms of your concerns? Do you have any further meetings scheduled with Mr. Wilson? Do you have any indication that any of these fairly important amendments that you are proposing will be heard by the government?
>
> **Mr. Barker:** We have no meetings scheduled right now, but we do know that our joint venture proposal—that it be extended to real estate joint ventures—has supposedly met with the approval of the Department of Finance. How they will change that, I do not know. Right now the legislation states "oil and gas joint ventures or other prescribed joint ventures," so they could put it in a regulation.
>
> **Mr. Lebovic:** To elaborate on this question, the past president and myself met with Mr. Wilson a couple of months ago. We told him that the high interest rate was not our responsibility. At that time he was upset with the spending of certain provinces and the inflationary effect of that, and he was not concerned with our problems. Subsequently, we met with his staff, but we are not receiving much relief. That is why we are here now. We feel that we cannot do anything with the GST, but we are asking this body to find us some relief and give us some amendments, through the government, to help us out. If you want the truth, sure, we would rather have no GST on housing, but, based on the fact that we cannot do anything about it, perhaps they can save face by you asking them to make some amendments.

Senator Spivak has left. She would be interested in hearing several questions she put to the witness:

> **Senator Spivak:** I have a couple of questions for clarification and then a couple of other questions. I will give you them all at once.
>
> You are recommending that the value of land be excluded from the GST. Do you think this exclusion will help or hinder speculative activities? As I understand it, your recommendation to not exclude residential property is the recommendation for the additional consumption tax—that is, the upgrading tax, which was also recommended by the House of Commons Finance Committee.
>
> I should like to know how much the price of land has increased in the last five years as opposed to the previous five years—that is, in a ten-year period what is the difference in the increase in the land?
>
> My final question deals with the fact that your whole approach, or part of it at least, is based on affordability. Given the average income in Toronto, what do you think the average price of a home should be to meet a criterion of affordability, given the percentage a person now has to spend on housing? It used to be 25 per cent, but it may be more than 25 per cent now.

Mr. Lebovic: As far as house affordability is concerned, our institute does not think that society has an obligation to provide affordable housing. We feel that we have an obligation as builders and as a society to provide shelter for people. We do not think that taxpayers should subsidize people who buy an affordable house at $165,000, for which a person has to earn anywhere between $55,000 and $60,000. I do not think those are hardship cases and that the government should be involved in subsidizing those people and to create affordable housing. We have an obligation to create affordable shelter, but not affordable housing. We are not doing any favour to people by giving them individual houses at a reduced price, pay for heat and fancy mortgages which they cannot afford. Therefore, we would prefer to look after shelter affordability. The government has an obligation to provide shelter. However, to go through the machinations of providing affordable housing is not fair on the taxpayer.

Speculation does not come from our industry. Speculation comes from people who hold land. As soon as developers have an opportunity to develop, they will develop, sell the lots and build houses.

The fact that land cannot come on the market because of a lack of infrastructure is beyond our control. Therefore, a shortage is created and prices go up proportionately because of lack of services.

Your question is how much have they gone up in five years. In some areas, very little; in some areas, 100 per cent or more. What has caused this rise is a lack of infrastructure, roads and services, which is beyond the control of our industry.

Senator Spivak: I was not speaking of subsidies in my general questions about affordability; I was speaking about economic forces. As one senator pointed out, the Toronto market was overheated and perhaps the market forces that are now operating to lower the cost of houses are bringing it more in line with what people can afford. The point is that people could not afford to buy houses at that level and they had to come down in price. I was asking for a ballpark figure. Given the average income in Toronto, at what level should the cost of a home settle so that people with middle incomes can afford to buy a home? I understand people with lower incomes need to be subsidized.

Mr. Lebovic: Madam Senator, we are selling affordable homes for $1.2 million and $1.3 million. Some people can afford them. We are saying that if housing is not affordable, shelter is affordable. What the government has to do to bring down land prices is to provide the infrastructure. Since the government controls most the land and controls most of the ability to build sewage treatment plants and highways, there is nothing we can do about it. What causes problems in this province is that the money that used to be spent on infrastructures is being spent on the health care system.

Honourable senators, I have come to the end of my remarks.

Senator Doody: Oh, no.

Senator Bosa: If you insist, I can continue.

Senator Doody: Sure.

Senator Bosa: Should I quote a bit of Senator Simard?

Senator Fairbairn: Oh, I would, even though he is not here. He can read it.

Senator Bosa: To continue:

> **The Chairman:** I appreciate the evidence we have heard. I must admit I find it a little bit in conflict in the sense that you give a general endorsement of the GST and then present the committee with a variety of requests and recommendations that, in the opinion of some, might be a negation of what the GST is attempting to achieve.

This is exactly the impression I received. They said they were in favour of and supportive of the legislation; they were supportive of the concept, but they wanted so many exemptions that they, in effect, negated the whole purpose of the GST. The transcript continues as follows:

● (0100)

> Mr. Dennis Mills, MP.

Senator Buckwold: This is an interesting one.

Senator Bosa: Yes. Senator Simard said:

> Mr. Chairman, I raised a point of order and I have not received an explanation. I would like the chairman to tell us whether he has discussed with the committee the pertinence of having MPs heard by this group here, especially in a place such as Toronto where we have witnesses solidly for the next few days and we are already half an hour behind. I would like to make the suggestion that we skip to the next witness in order that we do not fall behind further since it is now eleven o'clock. However, perhaps you would like to tell me why, in travelling this country at a cost of $500,000, we need to hear from MPs when we should be hearing from ordinary citizens.

I find that intervention strange because you will recall that the first minister to appear before the committee was the Minister of National Revenue. I do not understand why Senator Simard would object to having a member of the House of Commons appear before the committee when we had the minister appear before us and he could have appeared before the committee in Ottawa. What is good for the goose is good for the gander.

Senator Hastings: It is interesting to note that Senator Simard said it would cost $500,000. By the time he was finished he had it up to $1,000,000.

Senator Bosa: Is that what it cost?

Senator Hastings: It cost $450,000.

Senator Bosa: $500,000 was an inflated figure.

Senator Hastings: So was $1,000,000.

Senator Bosa: Then Senator Stollery intervened and said:

On that point, I would like to remind you that, for as long as I have been in Parliament, Senate committees have always heard MPs.

Senator Cools: And premiers and mayors.

Senator Stollery: It is standard Senate procedure to hear MPs and it has been for years.

The Chairman: I am delighted to have Mr. Mills, especially because he has a very interesting presentation. I must admit, and I am very proud of it, that I personally wanted to hear Mr. Mills because he is the proponent of "the single tax" as an alternative. I am not asking Mr. Mills to say whether the GST is good or bad. I do not know what he is going to say on that, but I would like to hear about his alternative proposal to the goods and services tax.

Senator Simard: Mr. Chairman, you have not answered my question. I want to tell you, sir, that we have other ways of reading or finding out about Mr. Mills' publication. "The Single Tax" and I am not going to be part of an exercise of the Liberal party to promote one of its members and the sale of a Liberal member's book. That is not what is expected of this committee and I protest. I have had it with partisan rulings.

The Chairman: I note that Senator Simard has left the room. Ladies and gentlemen, as the chairman, I have to tell you that this does not particularly phase the chairman or the committee. We have had it at almost every meeting. We had it yesterday in Montreal when we had a member of the NDP speaking to us, and if there are any Conservative MPs who have the courage to speak to us, we would be glad to hear them too.

That was a very good answer. Mr. Mills, the MP from Broadview-Greenwood then commenced his presentation by saying:

Mr. Chairman, I appreciate the opportunity to present to you and the committee an alternative to the GST. At the outset, I would like to introduce my associates. On my immediate left is Mr. Tom Hodgson, President, Central Guaranty Trust Company; Mr. Lou Gallucci, who has been the coordinator of the national response on this project; and Mr. Finn Poschmann, who is the chief researcher for the Library of Parliament.

Mr. Chairman and senators, I want to state at the outset that this is not Liberal party policy. This is simply an open, honest attempt to advance the debate on tax reform. This is an honest attempt to meet the challenge that was presented to us by the Right Honourable Brian Mulroney, the Prime Minister of Canada, and the Honourable Michael Wilson, the Minister of Finance. I have to make sure that that point is known. As a member of Parliament, it is incumbent on all of us as parliamentarians to listen to our constituents. The genesis of this idea on tax reform is not my idea; it came to me from constituents, and it expanded from constituents in Toronto to constituents across the country.

I am not going to deal with the GST today. Everyone in the country knows the Liberal party position on the goods and services tax and, as a Liberal member of Parliament, I endorse that position.

However, I am here to try to put forward a constructive approach, because as you know, Mr. Chairman, the current system is so complex, inefficient and unfair that very few average persons on the street can figure out his or her tax return. In my riding, senior citizens come into my office and ask for help filling in tax returns. This will be the second spring I have done that, and I can tell you that I discovered I could not fill out these tax returns. There are also entrepreneurs who cannot fill them out. In fact, some of the best tax accountants and lawyers in the country will admit that the current sytem is so complex, cumbersome and, with exceptions to exceptions, it works against productivity in our country.

We put together a team of professionals. We are not all Liberals, but people who believe in Canada. We have worked for the last 15 months using the guidelines suggested by Doug Young, our finance critic, that we must develop a tax system that meets three criterion: simplicity, fairness and efficiency. After many months of working on forms and hearing from people across the country—from homeowners to small business people, tax accountants and tax experts—we believe we have come up with a system that will meet the challenge of the Minister of Finance and the Prime Minister of Canada. We also passionately believe that we have a comprehensive approach to the tax system that will obviate the need for the GST, meet all the fiscal requirements of the Government of Canada and also make us one of the most productive, highly motivated nations on earth.

I realize we have a limited amount of time to present an idea on which we have worked with hundreds behind us for 15 months. We certainly do not have the resources of the Minister of Finance, but we have had tremendous volunteer support from people across Canada, from all parties I might add. I would now turn to my associate Mr. Tom Hodgson, and ask him to explain "The Single Tax".

Senator Cogger: Whatever happened to Vander Zalm's bill?

Senator Hastings: It is against the GST too.

Senator Bosa: The veterinarians are also against it.

Senator Cogger: There is no respect for the underdog.

Senator Buckwold: Are you talking about the veterinarians?

Senator Cogger: Senator Buckwold should have been there. The discussion had to do with whether vets should be paid in cash or by credit cards and it was pointed out that dogs did not have credit cards.

Senator Hastings: Did the dog have Medicare?

Senator Buckwold: I thought you were talking about underdogs.

Senator Fairbairn: Carry on, Senator Bosa. Do not be distracted.

Senator Bosa: The next witness was Mr. Tom Hodgson, the president of Central Guaranty Trust Company. He said:

> I would like to make one editorial comment as a private citizen and not a member of Parliament. We are submitting to you that what is required is a significant structural change in the tax system.

● (0110)

> In the United States the federal deficit per capita is a little more than half of what it is in Canada and the United States government considers itself to have a deficit crisis. We take the position that talking about whether the GST rate should be 9 per cent, 7 per cent or 5 per cent is like talking to Nero about whether the violin should have four strings or five strings.
>
> The objective must be to have a tax system which ensures the solvency of the Canadian government and the prosperity of the Canadian people. We believe that neither the current income tax system nor the proposed GST achieves that.
>
> In Canada, the underground economy has grown to something between $50 billion and $100 billion, and every Canadian feels ripped off by the tax system.
>
> What is the single tax and why is it such an attractive alternative? The same margin of tax rate of 25 per cent applies to all individuals and corporations. All income is treated alike whether it is wages, interest income, dividends or capital gains. Individual tax credits which are equivalent to the personal deduction, age deduction, charitable contribution deduction, RRSP deduction, and child care tax credit ensure that the personal income tax system is highly progressive.
>
> To be specific, a family of four with a family income of $20,000 would have an effective tax rate of minus 9 per cent or a tax credit of $1,800. A family of four with an income of $30,000 would have an effective federal tax rate of 3 per cent. That rises to 14 per cent at a family income of $50,000 and 20 per cent at a family income of $100,000.
>
> On the corporate side, the system is equally simple. There is major simplification of depreciation rules, and dividend payments to Canadian residents are tax deductible by companies because they are being fully taxed in the hands of the recipients.
>
> Today's tax rules are so complicated that nobody understands them. One of the greatest national tragedies relates to the many thousands of Canadians, highly intelligent, hard working well-educated men and women who make their careers advising individuals and corporations on how to avoid income tax. With the single tax these services would not be required and those people could turn their attention to productive enterprises creating wealth rather than sheltering it. The concept of tax avoidance disappears. You either pay your tax with this form or you commit tax fraud.
>
> We believe that the impact on investment in Canada would be extremely positive, not because it represents any kind of a subsidy to foreign investment, but because it increases the attractiveness of the investment climate for Canadians and foreigners alike.
>
> We have said that the single tax is revenue neutral with the 25 per cent marginal rate. That is not really true. Using the 1988 figures, personal income tax collections would have declined by $1.5 billion and corporate tax collections would have increased by slightly over $2 billion. In total there is an increase in government revenue of some $500 million.
>
> The Fraser Institute of Vancouver, which has never been accused of being a Liberal Party organ, has estimated that over a 5-year period, after the introduction of the single tax, there would be an incremental increase in real growth in Canada of 9 per cent. Nine per cent on the current GNP of some $650 billion is a major increase in the tax base as well as the wealth of Canadians.
>
> When we say that the system is revenue neutral, we are ignoring the impact of the incremental growth. We are ignoring the productivity increases. We are ignoring any recapture of the underground economy. We estimate that the revenue impact of these items would be several billion dollars per year.
>
> Therefore, it is feasible to proceed with the single tax, avoid the GST completely, and phase out the manufacturers' sales tax over a three- to four-year period. With a solvent federal government a serious reduction in interest rates will occur.
>
> Mr. Chairman, I would now like to turn over to you Finn Poschmann of the Library of Parliament to describe the computer models we used in our proposal.

At this point Mr. Poschmann remarks as follows:

> Mr. Chairman, I should mention that Mr. Mills gave me something of a promotion. I am with the Research Branch of the Library of Parliament which Mr. Mills approached last year with a series of questions about the structure and incidence of existing personal and corporate tax régimes. His aim was to discover whether a broader-based system with the single marginal rate would match the revenue generating power of the current régime. Further integration of the personnel and corporate systems was also desired with the vital constraint that traditional notions of vertical and horizonal equity be preserved and, above all, could the proposed régime be a simple one. Mr. Mills wanted to know what a tax meeting those requirements might look like, and to have some estimates of the actual incidents especially in terms of high-income versus low-income families and of families versus single individuals.
>
> This is where Statistics Canada's Social Policies, Simulation Model came into play. The SPSM is a system which applies income tax and tax transfer formulae to

family income records. It works with a database consisting of financial summaries of 100,000 Canadian households. It is a fairly simple mathematical exercise to render national estimates based on this sub-sample. It is one of the very few existing tools which may be used to make reasonably precise estimates of the costs, revenues and distributional impact or incidence of tax policy changes.

The modelling procedure was to strip away many existing exemptions and credits and to apply the new tax calculation. Desired revenue and distribution targets were reached by fine tuning the values for the remaining credits. The figures for personal and child tax credits and the like shown on Mr. Mills single tax form were the result of this sort of process.

On the corporate tax side, rule of thumb estimates were derived from national accounts figures. The results suggested that a small but significant revenue increase would have been obtained under the single tax with a shift of 1 or 2 per cent in terms of federal revenue from the personal to corporate side.

Parameters were also found to tilt the tax burden slightly away from families with children and toward individuals. The incidence was also moved by a few per cent of total income toward high-income as opposed to low-income families.

It should be emphasized that the question is not whether or not such a system can work, because we know it can; it is a matter of determining what values for the various parameters of a tax régime can provide the sort of distribution or incidence we require. This was the purpose of the simulation exercise and the results of the simulation are reflected in the single tax as you see it now.

Then Mr. Mills says:

Finally, senators, my colleague, Lou Gallucci, who has received more than 10,000 responses in the last year—

Senator Hastings: Mr. Speaker, do you see a quorum?

The Hon. Speaker: Yes, I see a quorum.

Senator Hastings: Pardon me? Seventeen. Good.

Senator Bosa: I will repeat:

Finally, senators, my colleague, Lou Gallucci, who has received more than 10,000 responses in the last year from people across Canada—will give us a very short feedback of the reaction and the feeling that we are getting from the people of Canada.

• (0120)

Senator Buckwold: Senator Bosa, will you accept a question? I personally was interested in Mr. Mills presentation of the single tax concept. In the eyes of many, this is an idea whose time has come. It is nothing new. It is based on one flat rate of taxation for everyone with no exemptions, and a fairly high allowable level of income before taxes are even applicable. It is used in some smaller parts of the world.

I got interested in the single tax when I was on a visit to the Isle of Man. Isle of Man is probably one of the most prosperous areas in the United Kingdom. They operate as other jurisdictions do, namely, on the basis of a single tax. The result has been a tremendous influx of capital and very responsible business investment.

I am coming to my question to you in one moment. There has been a good deal of laughter by the Tories about the single tax. This really should not even be part of the goods and services tax discussion. For those of you who are interested in taxation, it is an interesting concept. It is a flat rate tax of about 25 per cent, which provides good exemptions for lower income people and would bring in more money than the graduated tax that we have today. That fact has been proved.

When we were conducting our committee hearings, obviously Senator Simard did not like this idea. Mr. Mills went to great length to disassociate himself from his parliamentary connection. Actually, there was no discussion on the GST as such; the discussion was on an alternative form of revenue.

The major objection to a GST is that the rich get richer, so our friends in the NDP are not very happy with a single tax. In other words, if everyone only paid 25 per cent and some people made $1 million per year, the rich would get richer. Now the rich get richer anyway, as some of my friends across the way illustrate quite dramatically.

Somehow the rich seem to have the ability to attract professional advisors on how to legally minimize their taxation. The exemptions that are provided to government legislation are such that very often those who are well off are able to avoid a good deal of taxation legally. therefore when you look at the concept of a single tax, it is a pretty good concept.

I wanted to get your reaction as to whether this country would accept the premise of a flat tax—that is, a single tax as it is called—in view of the political implications of a tax of that nature. Again I am emphasizing that the man who earns $40,000 would pay his 25 per cent; the man who earns $1 million would pay the same rate. Do you think this country would accept the concept of a single tax, in view of the sort of resentment that we always have that somehow, in the view of some, those with higher incomes do not pay their share?

Senator Bosa: Honourable Senators, Mr. Mills has made a very good case for this single tax to be accepted by Canadians. He has provided a formula whereby people at the lower end of the scale would receive credits and monies to compensate for the fact that they are in a lower bracket. He has explained that. I do not know if you were here from the beginning.

Senator Buckwold: I do not think that we have answered my question. I will try to make it clearer. Perhaps at this hour of the night I am not that clear.

We have a philosophy in this country that you have to soak the rich. I suppose that is generally acceptable. As illustrated by our income tax system, the higher your income, the higher the rates. But we are now talking of a single rate.

My question to you was: Do you think Canadians would accept that philosophically? That is the major problem. Cer-

tainly, our friends in the NDP have been against the proposal because the rate will not be higher for a millionaire than it is for a moderate income earner.

Senator Bolduc: You are making a speech.

Senator Hastings: He is asking a question.

Senator Buckwold: Did someone wake up over there?

Senator Di Nino: He is asking a question.

Senator Buckwold: You would not know the difference, anyway. Let us hear the answer, Senator Bosa, concerning the philosophical aspect of whether the country would accept a flat tax.

Senator Bosa: I was trying to reply to that question. Although Senator Buckwold is attributing to me an expertise on the single tax which I do not deserve, perhaps philosophically Canadians might not embrace the single tax concept because of the situation where a millionaire is taxed at the same rate as those of modest means.

However, if Canadians understood the purpose of the single tax, perhaps they might accept it. Some might still grumble about it because it is difficult to propose a new tax and have embraced, gohus bohus, by everyone. But the single tax idea, particularly for small business, would be very much appreciated, even by middle-income earners. Of course, wealthy people would appreciate it even more. This does not mean that the way that the concept has been explained by Mr. Mills would result in the poor being disadvantaged by this kind of tax.

[*Translation*]

Mr. Lou Galluci, Chairperson for the Single Tax Campaign: We have had the good fortune, as Dennis mentioned, of getting responses from approximately 10,000 Canadians asking questions about the single tax. They filled out the forms and were very interested in terms of how it would affect them personally or their businesses.

The first and most obvious component of the feedback was that Canadians want to participate in the debate on tax reform. It is not a question of saying they are for or against the GST, or if they like this tax system or they don't. They believe there is an opportunity here to work on a comprehensive tax reform package and they believe a single tax system is one viable option that the government should take a serious look at.

The response from the business community was most encouraging. They told us to stay on course and they also specifically highlighted how a single tax system would benefit their business or how it would affect their business overall. The first factor they talked about was the simplicity of a single tax. Administratively, it would be much easier to deal with a single tax program in their business from the point of view of bookkeeping and accounting.

Another point they raised was their relationship vis-à-vis Revenue Canada. They want to spend their time, money and effort conducting and operating their business; they do not want to spend time trying to figure out what their tax position is or dealing on an on-going basis with government debating what they do and do not owe.

The third point that was raised is that under the current system a variety of distortions are created in the marketplace. Basically, they are created by tax shelters and tax credits where good investment moneys end up in areas that are dictated by the tax laws as opposed to good economic sense. They feel there would be more money in the marketplace for productive investment if the system were completely clean, as a single tax system would be.

Another point which has been touched upon is the underground economy. Over and over we heard people stating that the underground economy is growing larger and larger, which means fewer and fewer tax dollars for Ottawa. It is convenient or becoming more convenient to cheat. They believe the single tax system would act as a disincentive to not pass moneys on to the Government of Canada, because if you know your worse case scenario is a maximum rate of 25 per cent it is not worth your while to do those cash deals.

• (0130)

[*English*]

Another point that was touched upon briefly was foreign investment. We have spoken to bankers involved in the international marketplace, and listened to their responses in terms of Canada being a good place to invest because people would know what their tax positions were.

The last point I wish to touch upon relates to business opportunities. Too often in this country, business opportunities are lost because the first question that is asked at the table is "What is our tax position?" A lot of time and money is spent on figuring out what the tax position is as opposed to actually putting a deal together. That is the response of the business community.

On the personal end, people found that, when filling out their income tax forms, low and moderate income Canadians would be in a better tax position, which would mean more dollars at the end of the day of disposable income versus possible tax credits. As Senator Denis pointed out, they appreciate the simplicity of filling out the forms, especially people on fixed incomes. They would not have to go out and hire professional help, which is in effect another tax. They appreciated the fairness that everybody has to pay tax. However, there is a disincentive today to work overtime because the taxpayer is taxed to such a high degree that there is no incentive to work—

Senator Simard: Which section are you referring to in C-62? I am having a problem finding the connection to your speech.

Senator Bosa: I would be pleased to explain. The government and the critics of the Liberal Senators and the Liberal Opposition, as a whole, have continually said that we do not have an alternative to propose to the GST. We are against the GST, but we do not have an alternative. This is a possible alternative that could be studied more closely in order to

provide an alternative to the GST. However, I do not know whether that is a pertinent subject on third reading.

Senator Hastings: Certainly, certainly.

Senator Simard: You may be a little late in your attempt to find an alternative to the GST, now that we are on third reading of the bill. I know Senator Buckwold was telling us that in May. He was still talking about finding alternatives away back in May. But we know what happened; you never found an alternative. You did not want to find an alternative. Senator Buckwold and his colleagues only wanted to hear people talk, and aspired to be the defenders of Canadians. You never looked for alternatives and when you were given alternatives or alternatives were forced on you, you just discarded them.

Senator Hastings: We did not insult witnesses, as you did.

Senator Simard: You misled them for four months into believing that you would find alternatives, but you never did. You closed the book on them, and within four hours, you will close the book on this House, too. You closed your minds in May, I suggest.

Senator Bosa, you are a very good Senator, you are an impressive Senator, you are a sensible Senator, you are a gracious Senator, but please let us not pretend that you are finding alternatives at 2 o'clock in the morning on November 29. You have not, and you will never find alternatives between now and seven o'clock in the morning, or between now and December, I suggest. Would you offer some comments on my remarks?

Senator Buckwold: The remarks are directed to me. The attack is on me.

Senator Simard: Of course the attack is on you, but I want Senator Bosa's comments.

Senator Buckwold: Then why will Senator Cogger not let me speak?

Senator Cogger: Are you closing debate for your side?

Senator Buckwold: I am not speaking.

Senator Cogger: Are you killing the debate?

Senator Hastings: He is speaking to your point of order. You raised a point of order.

Senator Simard: I was not rising on a point of order.

Senator Hastings: Then what did you rise on?

Senator Simard: Of course I was not. I was just trying to get him on his feet to offer a suggestion. That is not a point of order.

Senator Buckwold: Then, I will rise on a question of privilege.

Senator Doody: That's better. That's a bit of a novelty.

Senator Buckwold: It certainly is a privilege to be able, once again, to face my friend, Senator Simard, recounting all the same junk that he has been giving us for months.

Senator Simard: Did you or did you not tell us, and the rest of the world, that you were looking for alternatives? Did you or did you not? I am telling you, perhaps I should dig out some of those *Hansard* reports. This is what you told Canadians.

● (0140)

Senator Buckwold: We were looking for alternatives. We received suggestions regarding alternatives. We discussed alternatives. We said that there were some good alternatives and there were some poor alternatives. Some of them had a plus sign; some had a negative sign. We looked at them all.

May I draw to your attention that the Tax Foundation of Canada studied alternatives along with the GST, and they had a list, as we did, of the pros and cons of each of the various forms of alternative revenue collection for this country. None of them were perfect, just like you are not perfect in the eyes of some of us, although I presume you might have a slightly different opinion. But then, if there is anyone perfect in this world, I am sure it is Senator Simard.

Senator Simard: You will not get me that way. I have no intention of crossing the floor, either.

Senator Buckwold: Then if there is someone who is imperfect, you would qualify. Is that better?

I just wanted to indicate that I think it is unfair, unreasonable and absolutely uncalled for to attack the Chairman, as Senator Simard has done, when in fact, on looking through the committee reports, I would guess that at least half the witnesses presented alternatives. Indeed, some of them were a lot better than the GST.

Senator Simard: What did you do with those alternatives? When did we discuss those alternatives?

Senator Buckwold: We discussed them very nicely in our report.

Senator Simard: Which report?

Senator Hastings: The one you helped defeat. The one you voted against. The one you bellyached about all summer. And when you come to shutting the door, let me tell you who shut the door. It was your minister who shut the door in Toronto.

Senator Simard: You are speaking next, so you had better save your energy.

Senator Hastings: I have lots of energy.

Senator Buckwold: I appeal to the Acting Speaker to stop reading the paper and call the senators to order when I am rising on a point of privilege.

The Hon. the Acting Speaker: Honourable senators, I would be very happy to stop reading what I have been reading which, by the way, was the rule book. I would also be very happy, as requested by some honourable senators, to call all senators to order. I will now hear the point of privilege of Honourable Senator Buckwold.

Senator Doody: What a gentleman.

Senator Buckwold: I think I made my point of privilege, thank you.

Senator Bosa: Honourable senators, I will conclude my presentation of the alternatives that were presented on the single tax by Mr. Mills and his colleagues. During the intervention he made:

> They would not have to go out and hire professional help which is in effect another tax. They appreciated the fairness of it. Everybody has to pay tax, but there is a disincentive today to work overtime, because the taxpayer is taxed to such a high degree that there is no incentive to work those extra hours, whereas under our system people feel that there would be that added incentive.
>
> In summation, that is briefly and quickly our view of a single tax.

That is the end of the presentation on the single tax. There was another alternative, and I feel obligated to respond to that because we were accused that we did not provide alternatives.

Senator Simard: Senator Bosa, may I ask you a question?

Senator Bosa: Yes.

Senator Simard: Are you prepared to recommend tonight to the house, to your colleagues, any one of these alternatives which you have obviously studied? Are you prepared to make an amendment, or are you quite happy to leave it where Senator Buckwold left all his alternatives, on the table without any comment for future deliberation and consideration?

I am sorry, I am wanted on the telephone, but I will wait for your answer. I am very much interested to hear your answer. Perhaps that is Dennis Mills calling.

Senator Bosa: What Senator Simard is proposing is for me to propose, formally, that a substitute to the GST be adopted holus-bolus here at 2 a.m. That is patently unfair on his part. However, we do have some alternatives which the government could consider, and the Department of Finance, with all the resources at its disposal, with all its experts on taxation—

Senator Doody: I hope it is not a long distance call that is costing someone money.

Senator Simard: Would you tell them to call back in the morning?

Senator Bosa: We feel obligated, Senator Simard, to put on the record some of the alternatives which have been floating around which could be studied, which could be refined and which could have the effect of replacing the GST and making it a lot easier for Canadians to dish out some additional funds without going through the agony of the GST. This is from Professor Neil Brooks at Osgoode Hall:

> The debate about the proposed goods and services tax (GST) has been hampered by a lack of well-articulated and quantified alternatives.
>
> This article is an attempt to remedy this deficiency by comparing the government's proposed 7 per cent GST with an alternative that would also repeal the manufacturers' sales tax (MST).
>
> The proposed GST has created more public discussion and debate than any proposed tax change in Canada's history. The intensity of the public discussion is well-founded. The proposed tax will mark a fundamental change in the federal government's tax mix—the relative amounts of revenue the government collects from different tax bases.
>
> Compared to the proposed GST reforms, here's an income tax alternative that is straightforward:
>
> The MST should be abolished and most of the lost revenue could be collected through the income tax by increasing the federal income tax rates.
>
> If the MST were abolished, and no consumption tax substituted for it, only approximately $10.5 billion would have to be raised through the income tax.
>
> If left untouched, in 1981 the MST would raise $18.5 billion in tax revenues.
>
> However, if it is abolished, provincial revenues would also decline by about $0.8 billion. Provinces levy their retail sales taxes on the price of goods which include the MST.

• (0150)

> If the MST is abolished, the price of goods will drop and thus provincial sales tax revenues will decline.
>
> Thus for the change to be revenue neutral to all levels of government, $19.3 billion of revenue must be found:
>
> About $2.3 billion of the MST falls on goods purchased by the government sector. If the MST were abolished, and the reduced taxes reflected in prices, the government sector would need $2.3 billion less in revenue to finance its purchases.
>
> About $2.3 billion of the MST falls on alcoholic beverages, tobacco products and gasoline. There is little reason to reduce the tax burden on these; therefore, the relevant excise taxes would be increased to recover this revenue.
>
> If the MST were abolished, the refundable sales tax credit could be repealed: Savings—$0.9 billion.
>
> If the MST were abolished, and all tax and cost reductions passed on directly through prices, the consumer price index would decline by slightly more than 2 percentage points.
>
> This would save Ottawa $1 billion in transfer payments to individuals and provinces. It would also result in additional income tax collections of $0.2 billion because of reduced tax indexing effects.
>
> Finally, if the MST were abolished, there would be a substantial windfall to corporations.
>
> In 1991, more than $1.5 billion of the MST would be levied on exports. If the tax is repealed, corporate profits will be increased by this amount.
>
> Moreover, some large percentage of the MST levied on corporate fixed capital investment likely falls on corporate profits. Therefore, if the MST were abolished, it seems fair to raise the revenue collected through the corporate income tax by $2 billion.

The required $10.5 billion of additional revenues to be collected through the personal income tax could be raised by increasing the bottom federal income tax rate by 2.7 percentage points, the middle rate by 4.2 percentage points, and the top rate by 4.6 percentage points, and without changing provincial taxes at all.

On the assumption that the basic provincial rate is 55 per cent, and ignoring special federal and provincial surtaxes, one of the tables on this page shows the combined federal and provincial rates both under the present system and the income tax alternative.

The income tax rate increases needed to replace the MST are modest.

To make this point, a number of things might be noted: The highest rate would be about what it was in 1984 when the present government took office; it is more than 10 percentage points lower than the rate in 1981; it is more than 30 percentage points lower than it was throughout the 1960s.

Here are the main arguments for greater reliance on income taxes after getting rid of the M.S.T.:

It reduces the regressivity of the tax system.

The major criticism of consumption taxes is that they are regressive. Low-income individuals consume a greater percentage of their income than high-income individuals. Consequently, the effective rate of a tax on consumption declines as income increases.

The government has conceded the regressivity of the GST, but it argues that this regressivity can be offset by refundable sales tax credits at the lower income levels.

However, there are a number of problems with it.

First, the refundable credit can only remove the regressivity of the tax up to the point where the maximum credit is paid. At the point where the credit begins to phase out (at $24,800 under the government's proposal) and beyond, the tax remains regressive.

Consequently, no matter how generous the credit, middle-income earners will pay a larger percentage of their income in the tax than high-income earners.

There is no logic to placing the maximum burden of a new tax on people with middle incomes, particularly since studies have shown that they were the ones most adversely affected by Finance Minister Michael Wilson's 1988 personal income tax reforms.

Second, the proposed refundable sales tax credit is itself inadequate to remove the regressivity of the federal sales tax:

(1) The credit begins to phase-out for many individuals and families living below the poverty line, particularly those living in large cities.

(2) The government has stated that with the refundable sales tax credits, all families earning under $30,000 would be better off after the GST reforms. In fact, using StatsCan data, it appears that one-quarter to one-third of these families would be worse off even with the credit.

Another one-quarter to one-third would simply break even.

(3) As has been noted many times, because the credit is only partially indexed (for inflation over 3 per cent), it will lose its value over time.

Finally, and perhaps most fundamentally, it does seem strange to first impose a tax on low-income individuals and then give them a credit to offset it.

For one thing, this adds substantial complexity to the tax/transfer system.

More importantly, the refundable sales tax credit leaves low-income individuals much more vulnerable to political whim.

The credit is highly visible, while the additional GST that low-income people pay will tend not to be noticed.

It avoids the adverse over-all economic effects of introducing a GST.

A good deal of uncertainty surrounds the macro-economic effects of introducing the GST.

Although the government is predicting only a 1.25 per cent rise in the consumer price level, this estimate is based upon a number of highly optimistic assumptions: That manufacturers will pass forward tax reductions; that businesses will not attempt to increase prices to protect themselves from, or take advantage of, the uncertainty relating to the effects of the tax; that businesses will not pass forward the substantial costs of complying with the GST; and that labour will be prepared to take a one-time decline in real wage rates.

Under an income tax alternative, not only would all of these adverse effects of the GST on the economy be avoided, but inflation would decrease by more than 2 percentage points. That should increase consumer demand and, hence, employment. It could lead to a decrease in interest rates and, thus, the deficit.

It avoids the administrative and compliance costs of the GST.

Increasing the income tax rates under an income tax alternative would result in almost no increased compliance and administrative costs. Indeed it would result in a substantial saving of administrative and compliance costs since there would no longer be any need to administer and comply with the MST.

The government estimates it will have to triple its sales tax staff to administer the GST. Its estimated direct cost of implementing the tax is over $3.5 billion.

It rationalizes federal/provincial jurisdiction over taxes.

The GST represents a substantial intrusion of the federal government into tax room traditionally occupied by the provinces.

The two levels of government have been unable to agree on sharing a common sales tax base in most provinces, and as a result business people will be burdened with the problem of complying with two different types of sales taxes, requiring separate sets of records and duplicate procedures for tax collections, payment and compliance.

Simply increasing the income tax rates is a viable alternative to the GST.

Low-income households, on average, would pay less federal tax; high-income individuals would pay more.

Perhaps most significantly, the largest beneficiaries of such a change would be middle-income Canadians.

For example, the average consumable income of families in the $30,000 to $35,000 class would be about $270 greater under the income tax alternative than under the GST reforms.

If the government wished to make the alternative more progressive, two or three additional rate brackets could easily be added to the present three rate scale brackets. Moreover, in spite of the base-broadening reforms in 1987, the present income tax base is still full of loopholes that could be closed.

● (0200)

Further, as a complement to these reforms, if the government were to enact a wealth transfer tax, an additional $2 billion could easily be collected every year from Canada's wealthiest families. Income tax rates would then not have to be raised by nearly as much as I've suggested.

The implementation of the GST has provoked more controversy than virtually any other government policy initiative. In light of the many criticisms and of concerns expressed about it, to justify enactment of the GST, it should be necessary for the government to show that the additional revenues could not be more satisfactorily obtained from the income tax. This burden of argument has not been discharged.

These are the two alternatives that the government could undertake to study as a possible alternative to the present GST.

Honourable senators, you were most kind and very attentive to the intervention that I made. I have now concluded my remarks.

Some Hon. Senators: Applause.

Hon. Earl A. Hastings: Honourable senators, I welcome the opportunity to participate once more in this debate with respect to Bill C-62. I would first like to thank my colleague, Senator Bosa, for the contribution he has made this evening, and especially for the alternatives which he has placed on the record. Senator Simard seems to think it is the wrong time to place those alternatives or to remind honourable senators that those alternatives do exist; and I intend to speak to two or three of them at this stage of the debate.

My reason for doing so is because I still think that this bill should be defeated; and I am working for the defeat of the bill.

Some Hon. Senators: Hear, hear!

Senator Hastings: I hope, in the time that I have to speak to you, to convince you that there is still time to change, that there is still time to repent and turn from your ways and listen to the people. I feel particularly well equipped to speak to you of the work of the committee.

It was an honour to serve under the chairman of the committee, and I attended every meeting but one, as we committee travelled across Canada to seek the views of Canadians. Of course, the Conservatives did not want to hear the views of Canadians. They did not want the committee to travel and do its work; but we did, and we held meetings in Charlottetown, St. John's, Halifax, Moncton, Montreal, Toronto, Winnipeg, Regina, Edmonton, Yellowknife, Vancouver and Whitehorse. Of course, Senator Simard thought it was a terrible thing to go to Whitehorse and waste all that money to listen to the northern people there and at Yellowknife. He raised hell about that; but we can now see why, when we saw the attitude of the government members when they were asked, through an amendment, to have a little consideration for the north. It was in line with the consideration Senator Simard showed for the north when he criticized the committee for daring to go to Yellowknife or Whitehorse to hear the views of the people of the north.

However, I think we did our duty as a committee in seeking the views of Canadians. I believe that most senators learned that it was time to listen to Canadians, to hear what the witnesses—and they included, I think, a fair cross-section of Canadians—thought of Bill C-62, to hear any suggestions to improve it, and any alternative tax proposals they wished to put forward. It was in that light that I think the committee reached the conclusion that it did not really have the expertise or the resources. Senator Simard complained about the cost all the way to Vancouver and back. I do not know whether or not he has yet quit. He started in the Maritimes and said, "It is going to cost half a million dollars and the Liberals are going to pass the damned thing when they get back to Ottawa anyway. So why are they wasting the money. It is a waste of time." By the time he got to Vancouver he said, "It is going to cost a million dollars and those Liberals are going to defeat it anyway. It is a waste of money."

Senator Buckwold: Things are expensive in British Columbia.

Senator Hastings: Anyway, I think we did our duty; we did a job, we listened to the Canadian people, and we reached the conclusion that we did not have the resources or the expertise to study all of the alternatives that were placed before us, and that the most logical and sensible way to proceed, as we said in the report, would be to reject the GST in its present form and undertake a complete, worthwhile, in-depth tax reform study when the alternatives could receive the attention they merited.

● (0210)

Indeed, the latest alternative put forward was by the Canadian Tax Foundation just two or three weeks ago, when they concluded that the MST, which has served this country

for quite a few years but suddenly became a silent killer of jobs, had to be done away with. The Canadian Tax Foundation have now concluded that the MST is not beyond saving and that probably the most logical way in which we might better proceed would be to amend the MST rather than proceed on this insane course with this unacceptable GST.

Senator Buckwold: Who are the Canadian Tax Foundation?

Senator Hastings: The Canadian Tax Foundation are about the most powerful tax economists in Canada.

That is an alternative that may have been considered, namely, that we might address all of our efforts at updating and addressing those parts of the MST that we find so unacceptable. That would be a far better course than proceeding with the GST.

When you ask why we did not recommend an alternative, it was for the reason that there were a number of alternatives. We felt that the most logical way to proceed would be to reject the GST, which is rejected by the people, and proceed with total tax reform.

Contrary to what you might think, I was impressed and persuaded in those meetings that Canadians are not against paying taxes and Canadians realize and accept the fact that they will have to pay more taxes. But what they do not accept, and what they resent and reject as they reject this tax, is unfairness. When there is a feeling or perception out there that, "I am paying my full share but others are not"—and there is powerful evidence to prove that to me, too—then there is hatred and resentment at what is going on. When you propose this claptrap GST to them they say, "No. There are other ways. One of them would be a fairer taxation".

I do not care what anyone here says, the people realize that they have to pay more. They understand the deficit as well as anyone in this chamber and they understand the national debt, even though Mr. D'Aquino says that they do not understand anything. But they do understand, and they understand that it has to be paid. They are ready to pay the price, provided everyone is carrying his or her share.

Whom did we hear from and what did they want? What did they ask? We heard from Global Economics Ltd., here in Ottawa. They supported the tax but requested changes for that support. The Canadian Veterinary Association also requested changes. The Air Transport Association of Canada supported it but wanted changes. The Federal Superannuation Association was opposed to it. Wolfe Goodman said that they supported it but asked for changes. The Automotive Industries Association had reluctant support but asked for changes.

Professor Neil Brooks put forward the alternative plan that you have heard tonight from my colleague, Senator Bosa.

The Assembly of First Nations opposed the tax and requested changes. The Canadian Construction Association reluctantly supported it but asked for changes with respect to the municipalities and universities, which they have not received. Their support was based on the fact that those changes would be made. I have given you the supporters and there are ten of them requesting changes.

Informatics Ltd. opposed it; The Canadian Teacher's Federation opposed it. The Canadian Association of Custom Brokers requested changes. The Canadian Cosmetic, Toiletry and Fragrance Association asked for changes. The Carpenters' Union opposed it. The Conference Board of Canada gave it unqualified support. We have one group who gave it unqualified support.

Professor W. Gillespie is another supporter. That is one voice. The Canadian Seniors' Network opposed it. The Minister of National Revenue, of course, held unqualified support for it. The C.D. Howe Institute held unqualified support for it, and the Insurance Bureau of Canada supported it but asked for changes.

Senator Buckwold: They asked for significant changes.

Senator Hastings: That is right. The Canadian Federation of Students opposed it. The Tourism Association of Canada opposed it. Elfem Foods Ltd. opposed it. The Canadian Association of Psychoanalysts and Psychotherapists for Children opposed it. The Sports Federation of Canada had unqualified opposition to the tax. Heather's Heritage Haven opposed it. The Alliance of Canadian Travel Associations requested changes in it. The Municipal Electric Association requested changes. The National Federation of Nurses' Union opposed it. John Crowe, the Governor of the Bank of Canada, supported it.

The Canadian Federation of Independent Business opposed it. The Canadian Exporter's Association requested changes in it. The Canadian Labour Congress opposed it. The Canadian Union of Public Employees opposed it. The Canadian Federation of Agriculture requested changes.

Professor A.M. Mazlov supported it. Ted Carmichael also supported it. J. Hutchinson supported it.

Senator Simard: That was a good day.

Senator Hastings: Yes, that was a good day.

Senator Simard: There were three approvals in a row.

Senator Hastings: The NDP of Prince Edward Island were opposed. The P.E.I. Real Estate Association opposed it. The Social Action Commission of the Diocese opposed it. The P.E.I. Council of the Federation of Labour was opposed to it, as was the P.E.I. Federation of Labour.

• (0220)

Women's Networking Incorporated, opposed; Canadian Paraplegic's Association in Charlottetown, requesting changes; Basil L. Stewart, the mayor of Summerside, support; the Greater Summerside Chamber of Commerce, support; still in Charlottetown, the Community of St. Eleanor, support; Prince Edward Island, delay the tax and request changes; the Canadian Union of Public Employees, opposed; Prince Edward Island Pro-Canada Network, opposed; Federation of Prince Edward Island Municipalities, requesting changes and delay; Nelson Haggarman, Chartered Accountant, supporting; Anna Duffy, supporting; Campbell Dalhousie District Labour Council at Moncton, opposed; Moncton and District Labour Council—

Some Hon. Senators: Opposed.

Senator Hastings: Bathurst and District Labour Council—

Some Hon. Senators: Opposed.

Senator Hastings: New Brunswick Federation of Labour; Atlantic Building Supplies Dealers Association requesting changes; New Brunswick Senior Citizens, opposed; Government of New Brunswick, delay, requesting changes; John J. Murphy, the mayor of St. Johns, supporting.

Senator Buckwold: Not as mayor.

Senator Hastings: Not as the mayor. Peter Granger, some good magazine, opposed; The Social Action Committee of the Roman Catholic Diocese of St. Johns, opposed; National Union of Provincial Government Employees, opposed; Fishermen's Food and Allied Worker's Union, opposed; Newfoundland Federation of Labour, opposed; Grand Falls and District Labour Council, opposed; St. Johns Board of Trade, delay, asking for changes; Sports Newfoundland and Labrador, delay, ask for changes; Walter Knowle, Member of the Newfoundland House of Assembly, opposed; Royal Canadian Legion, asking for changes.

Newfoundland and Labrador Parks and Recreation Association, requesting changes and delay; Newfoundland Restaurant and Food Services Association, requesting changes and delay; Douglas Windsor, opposed; John MacDonnell, in support. One in the city of Halifax.

Southshore Labour Council, opposed; The Funeral Service Association of Canada, requesting a delay and changes; Canadian Long Term Care Association, delay and requesting changes; Nova Scotia Restaurant and Food Services Association, opposed; Brewery of Soft Drink Workers, opposed; Straight Area and District Labour Council, opposed; The Nova Scotia Federation of Labour, opposed; Sydney Tremane, in support; Co-op Atlantic, opposed.

Nova Scotia Division of the Canadian Union of Public Employees, opposed; Christmas Tree Council of Nova Scotia, opposed; Lawrence Pataro, opposed; Linda Randall, Canadian Congress of Learning Opportunities, opposed; Shirley Marriotte, opposed; Alexia McDonnan, MLA, opposed; Sandra Jolly, MLA, opposed; Martin McKinnon, delay; The Truro and District Labour Council, opposed; Taxpayers Council of National Issues, opposed; Canadian Pensioners Concern, opposed; Phillip Edmunston, Member of Parliament, opposed.

We are in Montreal now: Canadian Association of Social Workers, requesting delay and a change; Canadian Real Estate Association, opposed; Central du Segment du Quebec, opposed; Conceil du Patronmat du Quebec, support with changes.

Senator Lynch-Staunton: Hold the phone. There are about a hundred thousand members, and you are barrelling through. Just don't dismiss it.

Senator Hastings: I did not dismiss it; I said it supports it with changes.

Senator Lynch-Staunton: Just don't cart it off as if it were just another signatory.

[The Hon. the Speaker.]

Senator Hastings: No, I won't just cart it off like you have carted off the unions. We will bow down and pray to this one. My God, we've got one corporate Canada. We must pay homage to corporate Canada. As to the people of Canada, you laugh at them as I quote them, but to corporate Canada we bow and scrap.

Senator Lynch-Staunton: You do.

Senator Hastings: No, you do. That's what you told me to do. Don't hussle over that one, we'll study it. We will study this Conseil du Patronat du Quebec. We won't hussle over that one, my God. Well, we have one in support, anyway.

Senator Lynch-Staunton: What support?

Senator Hastings: Pardon me, have you got something to say? Then stand up and say it, and I will sit down. Come on, what have you got to say? If you don't have the courage to stand up and say it, then keep quiet.

An Hon. Senator: Oh, come on!

Senator Hastings: I regret the implication that he just made, and if he had any courage he would stand up and withdraw it.

Senator Cogger: Praise the Lord.

Senator Doody: Repent.

Senator Hastings: The Grand Council of the Crees, opposed; l'Association Quebecoise de l'industrie due nautisme, support with changes; The Federation ACEF du Quebec, opposed; Comite Canadian du statut de la femme, opposed; Confederation des syndicate nationaux, opposed; Asste Management International Incorporated, requesting a change; Professor Pierre Fortin, support. That was a brilliant performance that morning. Coalition Quebecoise contre le Tps, opposed; Coalition Solidaire des Regions du Quebec, opposed; Coalition du am Quebec, opposed; Federation Nationales des Consomateurs du Quebec, opposed; Conseil Canadian de L'insolvabilite, opposed; Dieticans Consultants of Canada, support with changes requested; Jack Leighton, City of Toronto, opposed. Toronto Home Builders Association, support requesting changes.

An Hon. Senator: What are the changes they want?

Senator Hastings: We'll get to that, don't worry. I will be helpful later on, if you will just kindly sit quiet. I will get to them.

Senator Buckwold: You have four hours yet, so take your time.

Senator Hastings: Urban Development Institute—we are going to be here four weeks. I will get it in in four weeks.

Senator Lynch-Staunton: Babble on, babble on.

Senator Hastings: You are doing fine over there. There is another one who can't keep quiet. If you have something to say, stand up and make a speech. I waited for someone over there to stand up and be supportive before I stood up. No one

did so. If you want to stand up and speak, will you wait until I'm finished?

Senator Lynch-Staunton: Finish your petition.

Senator Hastings: I am not giving a petition; I am listing the witnesses who appeared before the committee.

Senator Lynch-Staunton: So far there are more for than against.

Senator Hastings: You can't count like the rest of them over there.

Senator Lynch-Staunton: It is the largest employer group in Quebec. It has about 10,000 members and includes at least a million employees.

Senator Leblanc: Who are they?

Senator Lynch-Staunton: Who are they? They are the largest employers in Quebec. Give us the names.

Senator Leblanc: General Motors, Sun Life; every large distillery, every large employer in Quebec, is a member of the Conseil du Patronet. It is the equivalent of the Board of Trade in Toronto; and they are in favour.

Senator Buckwold: Ha, ha, ha.

Senator Lynch-Staunton: What do you mean, "ha, ha, ha"? You wanted an answer; I gave it to you.

● (0230)

Senator Hastings: Jack Layton, City of Toronto, opposed. Toronto Home Builders Association, support but requesting changes. Canadian Association of Wholesale Sales Representatives, opposed. United Steelworkers, one of the biggest unions in Canada, opposed. Hamilton and District Labour Council, opposed. The Labour Council of Metropolitan Toronto and York Region, opposed. Ontario Federation of Labour, opposed. Ontario Secondary School Teachers' Federation, opposed. The Niagara Falls Visitors and Convention Association, opposed. The Periodical Marketers of Canada, opposed. The Bernard Betel Centre for Creative Living, opposed. Canadian Association of Occupational Therapists, opposed. Canadian Importers Association, support, but requesting considerable changes.

The Canadian Nursery Trade Association, support, but requesting changes. Ontario Coalition for Better Child Care, opposed. Edward Ryan, support. William Krehm, requesting changes. John O'Neil, opposed. Peg Holloway, opposed. A. Jerol, opposed. Erwin Joseph Gordon, opposed. Ontario Racing and Breeding Council, requesting changes. Fair Rental Policy Organization of Ontario, opposed, requesting delay. Canadian Institute of Chartered Accountants, support. Ontario Massage Therapists, requesting changes.

Senator Lynch-Staunton: May I ask the honourable senator how many accountants there are who supported this?

Senator Hastings: The Ontario Massage Therapists, requesting changes. The Toronto Real Estate Board, delay, requesting changes. Don't Tax Reading Coalition, requesting change.

Senator Lynch-Staunton: My answer is right there. Thank you.

Senator Hastings: Associated Canadian Car Rental Operators, requesting a change. The Canadian Dietetic Association, requesting a change. Reid's Heritage Homes Incorporated, requesting a change. The Ontario March of Dimes, requesting a change. The Ontario Veterinary Medical Association, opposed. Ontario Federation of Students, opposed. Dress-Up Incorporated, delay. John MacMillan, support. Charlene E. Black, opposed. R. S. W. Campbell, opposed. Mississauga Citizens Against the GST, opposed. Stewart Young, opposed. Kevin Ligan, opposed.

Coalition for Honest and Open Politics, opposed. IRATE Citizens of Peterborough, opposed. National Pensioners and Senior Citizens Federation, opposed. Alliance of Canadian Cinema, Television and Radio Artists, opposed. Canadian Actors' Equity Association, opposed. Confectionary Manufacturers Association, requesting changes. Canadian Soft Drink Association, delay, requesting changes. Six Nations of the Grand River Council, requesting changes, opposed. Ontario Provincial Building Trades Council, opposed. United Food and Commercial Workers International Union, opposed. United Electrical, Radio and Machine Workers of Canada, opposed. Flowers Canada, requesting changes and requesting a delay.

Manitoba Sports Federation, support with changes. Rose-Lee Fashion Uniforms/Manitoba Society of Seniors, opposed. Manitoba Health Organization, requesting changes. Winnipeg Chamber of Commerce, delay, requesting changes. Manitoba Federation of Labour, opposed. Wawanesa Mutual, support but asking for changes.

The Manitoba Chamber of Commerce, opposed. John Clearwater, opposed. Janet Paxton, opposed. Winnipeg Labour Council, opposed. Kenneth Emberley, opposed. Social Assistance Coalition of Manitoba, opposed. Tom Barker, opposed. Assembly of Manitoba Chiefs, requesting changes. Manitoba Veterinary Medical Association, opposed. A Mr. de Jardin, opposed. Saskatchewan Urban Municipalities Association, delay, requesting changes. Saskatchewan Sport Incorporated, requesting changes. Association of Saskatchewan Taxpayers, opposed. Western Canadian Wheat Growers Association, requesting changes. Don McGregor, support but requesting changes. IPSCO, unqualified support. Federation of Saskatchewan Indian Nations, delay and requesting changes. Citizens Concerned About Free Trade, opposed. Federated Cooperatives Limited, opposed. Saskatchewan Government Employees' Union, opposed. National Farmers' Union, opposed. Saskatchewan Action Committee on the Status of Women, opposed. The Saskatchewan Chamber of Commerce, support but requesting changes.

The United Church, Saskatchewan Conference, opposed. Core Community Group, opposed. The Meadow Lake Tribal Council, opposed. Saskatchewan Federation of Labour, opposed. Saskatoon and District Labour Council, opposed. World Canadian Legion, delay, requesting changes. Saskatchewan Outfitters' Association, opposed. R. M. Carr is requesting changes.

Senator Simard: Can I ask you a question? Have you ever read more than five sections of Bill C-62? Have you tried to make up your own mind by reading and trying to understand this legislation? Or are you just echoing part of what you have heard? Are you trying to understand this legislation or are you just a parrot like most of your colleagues?

Senator Hastings: I have given up all hope of ever—would you stop your babbling and listen to the answer? I have given up all hope of ever impressing Senator Simard on any subject.

Senator Simard: Why don't you admit that you have not even looked at the bill? You do not even know what it looks like. You get your orders from Senator Buckwold. This is hypocrisy. Have you ever read a summary of the bill? Did you ever watch a video of it paid for by the Department of Finance? Would you answer those questions, please, if you are not too embarrassed?

He has not read the record. He has failed to answer. Tell us about the NDP nonsense.

• (0240)

Senator Hastings: Saskatchewan Outfitters' Association, opposed.

Senator Simard: I am going to have some questions for Senators Buckwold and Kenny, so they should be getting together to read the act.

Senator Hastings: At this stage?

Senator Simard: You can read it over the weekend.

Senator Hastings: Would you repeat that question?

Senator Simard: I have asked you six questions and you can start answering the first one.

Senator Buckwold: Which one?

Senator Simard: You are not very serious, Senator Hastings.

Senator Buckwold: I would not worry about getting serious. Get Simard, that is the main thing. The funny thing is that I like the guy.

Senator Cogger: So do we.

Senator Kenny: Retract, retract!

Senator Hastings: Perhaps I might go on with the list of witnesses from Edmonton.

Senator Simard: I think there is telephone call for you.

Senator Hastings: Is it the Prime Minister?

Senator Simard: It is the same person who called me earlier.

Senator Hastings: Telling me the cheque is in the mail.

In Edmonton the first witness was the city of Edmonton, opposed. I wonder how many citizens live in Edmonton. It is probably around 600,000. Mr. George Deveau, delay; Mr. Mel Hurtig, the publisher. That was one of the best briefs we heard all across Canada. It is too bad that every senator was not present to hear Mr. Hurtig's brief, because they would have been impressed.

[Senator Hastings.]

Senator Buckwold: It was reviewed on four consecutive days.

Senator Cogger: Do you realize that we are only doing this in the name of fairness. I have convinced my colleagues to help you, Senator Hastings, as much as we helped Senator Bosa. Once we have thrown in our half hour, you will be on your own. Do not look to us to help you too much.

Senator Hastings: The next witness was from the Edmonton and District Labour Council, opposed; The Canadian Federation of National and Provincial Tax Payers, opposed; The Alberta Soccer Association requested a delay.

An Hon. Senator: Their balls are too high.

Senator Hastings: Mary Ellen Riemann, opposed.

Senator Buckwold: I hope the reporter got that comment about the Soccer Association. It was "Their balls are too high." Who said it?

Senator Hastings: That was a sexist comment. More obscenity. To continue: Mr. Bob Hawkesworth, MLA, opposed; The Alberta Council on Aging, opposed; The Alberta Medical Association, support but request changes; The Alberta Canola Producers Commission, support but request changes; The Ontario Nursing Home Association, opposed; The Whitefish Lake Bank, support; Vernon D. Poole, opposed; The Edmonton Inner-City Church Commission for Fair Taxes, opposed; The Edmonton Social Planning Commission, opposed; Mr. R. Stoddard, opposed; Canadians for a Greater Government Accountability, opposed; Mrs. B. Baxter, opposed; Mr. C. A. Jenkins, opposed; Mrs. Roppelt Hanna, opposed; Mr. R. Patterson, opposed; The Ridgewood Community Group, opposed; Murray Dorin, Member of Parliament—

Senator Buckwold: He received a great reception.

Senator Hastings: —support. He was the only one in Edmonton to support it. The Alberta Union of Provincial Employees Local 54, opposed; The Alberta Federation of Labour Pro Canada Network, opposed; The Tourism Industry Association of Alberta, opposed; Ace Cetinsky, Chartered Accountant, opposed; Terry Hlady, opposed; The Alberta Motor Association, delay, requesting changes. Mr. Hlady was a former Conservative. Mr. L. Decore, MLA, opposed; The Canadian Standard Bred Horseman's Association, opposed; Lawrence Alexander, opposed; The Alberta Association for Continuing Education, requesting changes; Mr. B. Daly, Canadian Pensioners Concerned Alberta, opposed; Victor Leonhardt, opposed; Terrance Chessman, requesting changes; Ormand E. Banford, opposed; The Northwest Territories Federation of Labour, opposed; The Northwest Territories Chamber of Commerce, opposed; The Union of Northern Workers, opposed; Patrick Malone, support; Tess Carrilo, opposed; The Northwest Territories Teachers Association, opposed; The Minister of Finance, British Columbia, opposed.

Senator Kenny: Who is that over here? I cannot hear the speech because he is snoring too loudly.

Senator Hastings: Professor Robert Clark, opposed; BC Council of Federal Ridings of NDP, opposed; VLC Properties, requesting changes; Tech Novations Consultants, opposed; BC Automobile Association, opposed; BC Federation of Labour, opposed.

I hate to see the honourable senator opposite miss this.

Senator Cogger: I am taking notes and I will tell him all about it.

Senator Hastings: The Canadian Union of Public Employees, BC, opposed; Massage Therapists Association of BC, requesting changes; The Vancouver and District Labour Council opposed; The Guide Outfitters of BC, opposed; The Libertarian Party of Canada, opposed; Astar Business Technology Inc., opposed; Prisoners' Rights Groups, opposed; Concerned Conservatives for New Leadership and No GST, opposed.

Senator Simard: Why are you raising your voice?

Senator Hastings: I particularly wanted you to hear that one because it was a very good one.

Senator Simard: For the record, I want to state that since 10 o'clock there have not been more than seven or eight Liberal senators present. They are now down to three plus the present speaker. That shows the interest they have in Canadians.

Some Hon. Senators: Shame, Shame!

Senator Simard: That shows their seriousness. We are being taken through this travelogue as we hear about all of these witnesses who are supposed to be opposed to the tax and who are seeking changes or delays.

• (0250)

This is what the Liberal opposition is doing to this house. They do not care about making amendments. We have known that for some time. They want us to participate in this filibuster, but their very own leader of the Liberal Party has left the Chamber. This debate is supposed to be the last hope of democracy in Canada, yet they do not even show up. They want us to show up for 23 hours straight, if not more, but they do not even come.

Senator MacEachen is not here; Senator Frith is not here; Senator Perreault is not here. There is only Senator Marchand, Senator Buckwold and Senator Hastings, and of course, the asspiring Leader, Senator Fairbairn.

You, Senator Fairbairn deserve a good hand. Perhaps in a few years from now you might lead your party, and we would want to wish you well in that endeavour. Indeed, we might be supportive in getting you organized. You will finally give them courage as Canadians, but right now you are just aspiring.

However, at the moment the Liberal Party is not an alternative because you are making a mockery of democracy, and the absence of your colleagues is a demonstration of the arrogance that presently exists in the opposition. So smarten up. Get your members back.

Senator Hastings: Tell them the reason.

Senator Buckwold: Senators, we had a good crowd here, but they could not stand listening to you. They have gone into the other room.

Senator Hastings: Dealing with the meetings we held, honourable senators, in the city of Vancouver, Mr. D.C. Allen was opposed; the B.C. Dietician and Nutritionists Association was opposed, and requested changes; the Fraser Institute requested changes; the Coalition Against Free Trade was opposed; the Royal Insurance Company supported the tax, but requested changes; the Laurentian Pacific Insurance Company requested changes.

Continuing on in Vancouver, the Zurich Insurance Company was opposed; Hills Health and Guest Ranch was opposed; the Council of Registered Tourists Association of B.C. was opposed; Sports B.C. was opposed; Professor J. Kessleman, supported the tax, with changes.

• (0300)

I am sure that if the honourable senator was serious and would like to know the changes, he can read the evidence or wait until I deal with it when I come back to this area.

Senator Lynch-Staunton: I would like to see them.

Senator Hastings: It is all in the evidence, and you can all read it before we come to the final vote. It is worth reading.

Senator Buckwold: You will have a lot of time during the next month.

Senator Hastings: If we come to the final vote before December 25: The B.C. Provincial Council of Carpenters, opposed; B.C. Liberal Party, opposed; Business Council of British Columbia, support with changes; Hospital Employees' Union, opposed; the Catholic Diocese of Victoria, opposed; the B.C. Trucking Association, opposed; the United Church of Canada, B.C. Conference, opposed; Russell Hunter, opposed; Brian Calder, opposed; Keith steeves, requested changes.

In Whitehorse and the Yukon, we had Ray Hays from the Department of Finance, Government of the Yukon Territory, opposed; the Whitehorse Chamber of Commerce, requested changes; the Yukon Federation of Labour, opposed; the Yukon Outfitters, requesting changes; the Yukon Status of Women Council, opposed; the Yukon Liberal Party, delay requesting changes; Wilson and Collet Business Consultants, opposed; Federation of Canadian Municipalities, delay requesting changes; the Retail Council of Canada, unqualified support—

Senator Lynch Staunton: Hear, hear. How many members does the Retail Council of Canada have?

Senator Hastings: There is Eatons and Simpsons, two at least.

Senator Lynch-Staunton: And how many employees would they have—thousands? A bit more than the Whitehorse Chamber of Commerce.

Senator Hastings: The Canadian Home Builders Association, support but requesting changes; Canadian Medical Association, delay requesting changes; Canadian Hospital Association, delay; Canadian Manufacturers' Association, support;

Social Planning Council of Ottawa Centre, opposed; Patent and Trademark Institute, requesting changes; Royal Canadian Legion, requesting changes; Canadian Restaurant and Foodservices Association, requesting changes; Public Service Alliance of Canada, opposed; International Association of Machinists and Aerospase Workers, opposed; the Brewers Association of Canada, requesting changes—

Senator Lynch-Staunton: How many employees do they have?

Senator Hastings: They requested changes they did not get. The National Dairy Council, changes they did not get; Lee Valley Tools Limited, requested changes they did not get; Canadian Furniture Leasing, support requesting changes; Coinamatic Group, delay requesting changes; Consumers Association of Canada, opposed; American Federation of Musicians, requesting changes; the Amalgamated Clothing and Textile Workers, opposed; Canadian Auto Workers, opposed; Christian Science Federal Representatives, requesting changes they did not get; Canadian Jewellers Association, support with changes they did not get; Professor Jack Mintz and Thomas Wilson, requesting changes they did not get; the Ontario Funeral Service Association, requesting changes they did not get; the Canadian Conference of Catholic Bishops, opposed. I wonder how many people they represent. The Lumber Transfer Yard, support but requesting changes they did not get; Alan Martin Associates, delay. He would not get that. The Pro-Canada Network, opposed. He will not get the delay in view of the fact that he was defeated, but he may get a longer delay than he bargained for. Canadian Nurses Association, delay; Statistics Canada, no opinion; United Nurses of Alberta, opposed; Professor Robin Boadway, opposed, the National Anti-Poverty Organization, opposed; Unitel Communications Incorporated, support with changes they did not get; Canadian Co-Operative Association, changes that they will not get.

Senator Buckwold: I have a question for the honourable senator. What is the largest city in Canada?

Senator Doody: St. John's.

Senator Cogger: Is this "Jeopardy"?

Senator Hastings: Toronto is the largest city in Canada.

Senator Buckwold: I want to confirm that representations were made by the largest city in Canada, because I did not hear the honourable senator read them out. I know that they are on the list, but I have been listening intently so that our vocal friends across the way would realize that the largest city in Canada, represented by an alderman on behalf of the mayor, who wrote later, and millions of people, was somehow missed. You might check the record, but I think it is important we make sure that our big-mouth friend across the way recognizes-

An Hon. Senator: Oh, oh!

Senator Buckwold: —that the City of Toronto put in a very strong rejection. I just wanted to have that confirmed by my questioning.

[Senator Hastings.]

Senator Lynch-Staunton: May I have a copy of that, please?

Senator Cogger: Was that the question?

Senator Buckwold: I wanted to know whether he had mentioned them.

Senator Hastings: Alderman Jack Layton of the City of Toronto opposes the GST.

Senator Lynch-Staunton: But not the mayor.

Senator Hastings: He represented the mayor and Toronto City Council.

Senator Buckwold: And the mayor wrote later.

Senator Cogger: What is the largest city in Canada?

Senator Hastings: Toronto.

Senator Cogger: Good.

Senator Hastings: The second largest city is Montreal.

As we moved across Canada to seek the views of ordinary Canadians, Senator Buckwold initiated a procedure that I thought was innovative. The last item of business of every day was set aside for walk-ins, ordinary Canadians who wanted to present their views before the committee. It was an enlightening experience to hear from these ordinary Canadians who senators opposite scoff at. It is worthwhile to stop for a moment and think about the views of these ordinary Canadians.

For example, in the City of St. John's, Newfoundland, Mr. Douglas Winsor came forward. He is a young, 32-year-old disabled Newfoundlander and Canadian, and he had this to say:

> I am basically trying to survive. I am living on approximately $380 per month, which is a very small Canada pension. I do not see anyone who is going to stand up for me and look for an extra increase in my pension. Senators just went out and voted an increase. Your counterparts in the House of Commons just did the same thing. I do not have that opportunity. Until my health improves to the point where I am able to go out and work again, I have to survive on whatever I can get.
>
> Social programs are the heart of this country, but this tax is going to make my life much harder. I worked until three years ago, when I was disabled, and I do not see how I am going to be able to survive after January 1. I believe my situation will become much worse.
>
> One of the senators here mentioned the fact that Newfoundland was going to be better off by $35 million. I would like to know whose pocket that $35 million is going to go into. It will not be mine. Only one person is going to benefit from this tax, and that is Mr. Block of H and R Block, because many young, uneducated Newfoundlanders will not be able to cope with the massive amount of paperwork they will face with the GST. I have a little education. I am able to do the basic tax form, but if it gets much harder than it already is, I will be lost. I will

just have to go to someone like Mr. Block and ask him to do it. That will cost me more money.

The government came out last year or the year before with some tax reform to help disabled Canadians. I do not qualify for any of that because I do not pay income tax. So there is absolutely no benefit to me at all.

One of the points that I tried to make before the House of Commons committee hearing was that if I were to refit my apartment to make it totally accessible by putting in a countertop stove and a wall rack, I indicated that those items are far more expensive than the actual stove. For me to pay an extra 7 per cent on those items would be unfair.

• (0315)

There should be a limit—$10,000 or $20,000—and anything below that limit the person does not pay a tax. Forget about this rebate. That is a waste of time. If you are given a cheque, you put it in your pocket. Half the people in this province will be down on the strip drinking it the night after. That is not to say we are all alcoholics; that is the way it is down here. If the money is not going to be spent on liquor, it will be spent on bingo or something else. The Social Action Commission tried to make that point.

I suggest that the disabled and old age pensioners have exemption status. That is the only way I am going to get equality out of the system.

Earlier in the day some people asked whether or not the Senate has the right to kill the bill. As far as I am concerned the question is not whether you have the right to kill the bill, it is how many people this bill is going to kill.

The chairman then makes a statement and Mr. Winsor continues:

The government has the idea that because someone earns under $30,000 these cheques given every four months will make things all right. They can double the amount of the cheques, it will still not do us any good because the money will not be managed properly.

I worked in the tourism industry in the past. As far as I can understand, the proposal from the government is that out-of-country tourists, when they cross the border, will get a rebate for their major purchases. That is not going to do our country any good. We will be paying tourists to come to the country and then they will take it back home and spend it there.

That is similar to a program the Newfoundland government has. Every year the Newfoundland government gives money to tourists so that they will come here. That is what it amounts to. Now the Canadian government is going to do the same thing. I think the tourists should be given an opportunity to spend their money in Canada.

Senator Lefebvre: What is your disability?

Mr. Winsor: I am disabled by arthritis.

Then the questioning went on with respect to Mr. Winsor's personal circumstances, and finally Mr. Winsor said:

I have had a copy of this legislation since it was printed. I have digested this legislation. I see absolutely no good in the legislation for anyone in my circumstances. Every time we turn around the government has found another way to stick it to us.

Mr. Winsor continued:

One of the problems I see is that these GST hearings have been restrictive, as were the Meech Lake hearings. For someone like myself who does not have a B.A. in this, that or the other thing, it is difficult to get before these committees. I do not belong to an association. I am not a member of a political party that is represented in this room, I am not a director of a large corporation. I just say that it is difficult to get my views across.

Those are the views of an ordinary Canadian who appeared before our committee in Newfoundland to give compelling evidence with respect to his opposition to the GST. It is evidence worth listening to, even at this hour, because there is still time, and we will defeat this bill.

Then, honourable senators, in Halifax Mr. Laurence Pitaro, a private citizen, came forward. What did Mr. Pitaro tell us? He said:

. . . taxes in general are symptomatic of a larger issue and problem facing not only this country but many others, and it is this larger issue that I wish to address; that is, the issue of monetary reform.

There have been a number of monetary reformers in the country—namely, Alma Hancock, George Creed and Wallace Klinck—who have apprised the government on the correct way to initiate a healthy, debt-free monetary system, but the government has turned a deaf ear to their advice. This is unfortunate, since it results in the perpetuation of financial slavery for the populace.

I am opposed to the GST and to taxes in general because they erode purchasing power, and the erosion of the purchasing power means that the standard of living of countless thousands of people is far below what it should be.

Finally he said:

Whether the Senate is an elected or unelected body is of little import. What is of great import is that it has the power to defeat the GST bill. By defeating the bill the Senate can show the country and the world that in a democracy the people are sovereign, and that in defeating the bill the Senate is merely practicing true democracy by reflecting the will of the people; something which Parliament refuses to do.

Another witness who appeared before the committee was Ms. Linda Randolf from the Canadian Congress for Learning Opportunities for Women.

Senator Lynch-Staunton: In what city?

Senator Hastings: Halifax. Also, Ms. Shirley Marryat, a private citizen, appeared before the committee. She said:

> Mr. Chairman, when the last task force came down to Halifax, I became famous for shaking my finger at one of the members on that task force. I am thankful for this opportunity to take up a few minutes of your time. I did not know whether I would be able to come to the hearings and therefore I have not prepared a brief.
>
> I have worked for just about 18 years with disadvantaged people, people who have been on social assistance or people who are waiting for compensation and have to go on welfare, and the working poor. The Maritimes has a vast number of people who can only be classified as "working poor". I feel that there are probably more such people here in the Maritimes because of the seasonal nature of our work and because some of the different jobs we have are low paid. I refer to those working in hotels, those on minimum wage and so on.
>
> There are many people out there who are disadvantaged because they do not have technical training. There are people out there who have college degrees but who are working at jobs that pay minimum wage. Some of these people, particularly the women, have had to take training to become personal-care workers for people in nursing homes or have taken people into their own homes to look after because they could not get a job in a field they were trained for. When you cannot provide jobs for people who have gone to college, who have received education and training, how in the world can we provide jobs and a proper living standard for people who have to work at the minimum wage?
>
> The thing is that by the time you break it down into rent, light, oil, gas and the materials these people use for their work, such as work shoes, it adds up to a lot of money. I can remember not so long ago going to the provincial government and saying that the health tax had to come off work safety shoes. I have had people who went to a job in the morning and came back later in the day because they could not take the job. I had to send them to social services to get money to buy a pair of safety boots.
>
> I was born 56 years ago, and I am like the gentleman who came here 30 years ago. I have always been proud of being, first, a Nova Scotian and, second, a Canadian. To me to be Nova Scotian is to be Canadian. I never really made a distinction. It is all right to say that with this tax, "Oh well, you'll get your money back," but when I talk to people and say, "This is an awful tax," they say, "Oh, no, Shirley, in December we're going to get the money". They do not stop to think that they will get money only in December. At Christmas they will have a few dollars, but on January 1 their oil bill, light bill, telephone bill and cable bills will come in, all with extra tax. Where are they going to get the extra money? As it is now, many of them have to take a little bit from their groceries to pay the rent. The next month they will have to take a little bit to pay their lights. In Nova Scotia—and I imagine it is the same throughout the Maritimes—you have to rob Peter to pay Paul.
>
> The government says that rent will not be taxed. I have looked after buildings and I know that the people who own buildings will not be able to absorb the tax. If they hire an electrician, he has to be paid, and there will be a tax on his bill. If he buys a part, he will have to pay the tax. The landlord will have to pay a plumber, a furnace man and for the oil. There is a tax on everything. The landlord is not going to absorb it, and I do not blame him. Would you as a businessman? No, you wouldn't because you would have to lose profits in the long run. So the tax will be passed on to the poor tenants. The tenants will not have any extra money. Every few months they will get a few extra dollars. Bully for them, because it will cost them much more to pay the tax.

It seems that Ms. Marryat and Canadians did not believe the claim of the government that rent would be free of GST. I will continue with Ms. Marryat:

> You just heard from Mr. Yetman. I have a lot of faith in what he has said with regard to the labour movement. We have seen a loss of jobs in Nova Scotia. The economy has gone down. The fishing trade has all gone to hell in Nova Scotia—pardon my English, but it has. Fishermen cannot make a living today and when they can make a living where will they get the money? They will get it from unemployment, and when unemployment runs out where do they get the money? They get it from social services. Who gives the money to social services? It comes from the taxpayer, whether it be municipal, provincial or federal. Do you think that the twon of Canso can bear the burden of all those people once they run out of unemployment?

● (0330)

> One gentleman hit the nail on the head when he said that the Senate has a moral right to stand up for the people of Canada and be counted. I know you are not voted in. For years I thought that the Senate was maybe even a bit more important than the government of the day. Whether you are voted in, elected, or whether you got in there because somebody said, "We want him in the Senate,"—

And somebody said, "I want eight people in that Senate."

> —you have to stop and think about the small people in Canada. We are not rich. People who are retired and people who are disabled have only a certain amount of income, and it is not flexible like that of the businessman's. Business can only afford to have the poor riding on its back for so long. I could see it if this GST had been put on cars over a certain price and on houses over a certain price and on luxuries, but when you put it on basic, everyday commodities that people have to live on, that is not right. Like the other gentleman, I think you have a legal and moral right to protect the people against

[Senator Lynch-Staunton.]

> the GST. I do not have much faith that you will do it because I think that you will feel that because you have been appointed, that if you do not go by the wishes of the government of the day, maybe somewhere down the line you will be finished. I do not know. What I am saying to you is that if you are honourable people of the level I think you are, you should go along with what the people not only want and expect but what they need to live as real equal Canadians.

There is an appeal from an ordinary citizen!

Senator Lynch-Staunton: What is his income?

Senator Hastings: I did not cross-examine the witness and ask. I am telling you what she told the committee and I accept her evidence.

> Some people need that extra money that will be spent on the GST just to survive—

Senator Lynch-Staunton: There are credits, you know.

Senator Hastings: She explained what will happen to the credits. She explained that 40 per cent of the people will be worse off with those credits. Those credits are similar to what you hear from used-car salesmen: "Buy now and I'll give you $1,000." The Prime Minister is like a used-car salesman. He gives people a GST cheque and then takes it back after the first of the year. Great business!

Senator Lynch-Staunton: What kind of rubbish is that?

Senator Hastings: It isn't rubbish. It is the kind of thing they have been getting from this government, and they know it. You are selling it like a used car or furniture: "Buy now, no interest payments. Here is a cheque. Pay the tax." They know damned well they will be paying more than they ever receive from this government.

The evidence continues:

> Some people need that extra money that will be spent on the GST just to survive, and those are the people I represent. They see only the few dollars that you say that they will get, but those few dollars will not stem the amount of money they will pay out. If they are single they will get $290, but it will cost them $500 in the extra tax—

Senator Simard: Wrong!

Senator Hastings:

> —and where are they going to get that extra money? I hope that you as members of the Senate will really consider what I am saying about the general population of the Maritimes.

Senator Lynch-Staunton: This is like your petitions: all made up.

Senator Hastings: You don't like to hear what the ordinary Canadian has to tell you.

Senator Lynch-Staunton: I don't like fiction.

Senator Hastings: You don't like to hear her tell us to be honourable men.

Senator Lynch-Staunton: Like the independents' amendments, these are all made up by the Liberals.

Senator Hastings: The evidence continues:

> The tourist trade is probably one of the biggest industries in the Maritimes right now because the fishing industry has gone downstream. Maybe in Quebec they have other ways of creating jobs, but I imagine that there are a lot of places there that are just as badly off as the Maritimes. As you go across Canada you will find the same thing.

An Hon. Senator: Come on!

Senator Buckwold: Read more.

Senator Hastings: I am glad they are interested.

Senator Buckwold: We are interested.

Senator Lynch-Staunton: Even half the people on your side are asleep.

Senator Marchand: It is not because of the entertainment.

Senator Hastings: I am glad you are keeping me awake.

Senator Marchand: Don't let them bother you.

Senator Hastings: It doesn't bother me. We did continue on and we went to the City of Montreal where a young man came forward, Mr. Iftekhak, a university student. You could have done something for this young man if you had voted in favour of his books being tax-free. He said to the committee:

> I thank the Senate committee for giving me this opportunity to come before it and for listening to what Canadians want.
>
> I am a student. Being a student, I like to emphasize what has happened from our point of view. Last year our Prime Minister, during summer cabinet meetings—we all remember Meech Lake—made an announcement about the education system in Canada. Since last year we have seen what happened in the budget. He shifted the responsibility for education to the provinces. What happened in Quebec was that that power has now been shifted to the school boards. This cannot fail to have an effect upon us.
>
> As to how the GST is affecting us, especially in Quebec, our tuition has more than doubled.

Senator Lynch-Staunton: What has that to do with the federal government?

Senator Hastings: It has lots to do with the GST. Reading on:

> We have never paid taxes on books but now we will have to pay. The House of Commons never gave us a chance to be heard. They have rolled the dice with the Constitution, they are rolling the dice with the taxes, and as to the way the government of this country is proceeding, my comment would be that this is a gross miscarriage of the democratic system . . .
>
> I am talking about the proposal in general.

I would like to mention another thing. I have been listening here since this morning, but no representations have been made on behalf of the dead people. The dead will have to pay taxes, as we know, under the GST. What is going on is disgusting. I cannot believe what is going on in this country, how the government is proceeding, what it is talking about and what it is doing. Two years ago the government talked about cutting the deficit and improving the employment situation. What have we seen since? In the last couple of months all we have seen are companies going bankrupt. We have seen many people lose their jobs.

Interest rates are going up. How they are cutting the deficit, I do not understand. Maybe some experts know that.

You are an unelected body but you do have constitutional rights. You are obligated to the people of this country. What we want is fair representation.

Senator Lynch-Staunton: Pious nonsense!

Senator Hastings: I might read one from the Canadian Manufacturers' Association. That would impress you.

Senator Buckwold: He's all heart.

Senator Hastings: It's always "pious nonsense" when it is the ordinary Canadian.

Senator Lynch-Staunton: You are blaming the federal government when it doesn't have anything to do with it.

Senator Hastings: We then went to the City of Toronto, the largest city in Canada.

Senator Stollery: Very large.

Senator Lynch-Staunton: But shrinking fast.

Senator Hastings: We continued the practice of listening to ordinary Canadians, inviting them to come before the committee. There we heard from a Mr. Erwin Joseph Gordon:

The Finance Minister of this country says that the GST will add less than 2 per cent to the inflation rate. I would like to relate one scenario that far exceeds that increase in inflation. Take, for example, a coin laundry of washers and dryers. In most places, the current price for washing and drying is $1.00. The laundromat owner will now have to collect seven cents more from the user for GST. There is no such thing as a seven-cent coin. The owner has a choice of going to a ten-cent coin or a 25-cent coin. It does not pay to go to a ten-cent coin because of the extra cost of a new slide, and with normal inflation of 3 per cent to 4 per cent a year the ten-cent coin will not be sufficient for very long. Therefore, the owner will go to a 25-cent coin, making the cost of washing $1.25. This is an increase of 25 per cent overnight. Laundry is not a one-time purchase; it is done week after week. This is an onerous impact on all those people who live in apartments and in small towns where many people use a coin laundry.

The foregoing is one example of the GST having a 25 per cent inflation rate impact on a necessary service. Multiply this scenario by all the other small operations in this country of this nature and you have major inflation on repeat, necessary purchases.

Mr. Chairman, we all know that the GST is a consumption tax. The problem with a consumption tax is that it is regressive in nature and reduces consumption, which means retailers buy less, manufacturers sell less and therefore need fewer employees. This all adds up to a lower gross national product and higher unemployment.

The only increase in employment will come from those thousands of people hired to administer the tax.

This tax is ill-conceived and ill-timed. You must take a stand and send it back to the House of Commons for more review.

Obviously, the best solution is a higher progressive tax rate and no GST, or, in the alternative, a straight sales tax of 1 per cent or 2 per cent on everything.

It was a little over 200 years ago that the colonists in America threw the tea into the Boston harbour because of the unfair revenue taxes on the tea. It is time, Mr. Chairman, for your committee to take a stand and do the same to the GST.

I would like to close by posing the following question to the committee. How is it that so many people in this country can be so wrong, and so few people in Ottawa be so right?

[Senator Hastings.]

He should have talked to the government leaders and posed that question to them. How can they all be so wrong and the government be so right? That is why the government is at 13 per cent in the polls today: They will not listen.

Senator Lynch-Staunton: Don't make a decision; follow the leader. Hear the wind blow and follow it. Tell us about the National Energy Program and the research credits. Tell us about the giveaways.

Senator Kenny: If you want to make a speech, stand up.

Senator Doody: Question!

Senator Hastings: Honourable senators, before I stood up, I waited for quite a while to see if there was going to be a speaker on the government side. There was no indication whatever that anybody was going to stand and defend the GST, so I proceeded to take the floor.

Senator Lynch-Staunton: And read somebody else's mail.

Senator Hastings: We all hope that sometime in this debate, before this bill is defeated, someone over there will get up and try to defend this bill.

Senator Kenny: Defend the indefensible?

Senator Hastings: And defend it, not with these sniping remarks that are made from time to time, but in a logical manner, as we usually do in this chamber.

• (0345)

Senator Cogger: Senator, I do not understand how you expect remarks from this side. We have been here since 10:00.

All I have heard so far is your colleague, Senator Bosa, reading ad nauseam extracts from a transcript of a committee meeting that took place during the course of the summer.

Senator Kenny: It was a good speech.

Senator Cogger: If you want to speak to me, Senator Kenny, you speak from your seat. That is the rule.

Senator Kenny: Tell me which rule.

Senator Cogger: I will sit down. Let's call the question.

Senator Kenny: No, I will keep quiet.

Senator Buckwold: That is the shortest speech you have made in a long time.

Senator Cogger: I am prepared to speak if you will tell him to keep quiet for a minute. May I speak for a minute, Senator Hastings?

Senator Hastings: Are you taking part in the debate?

Senator Cogger: There is a point I would like to make.

Senator Hastings: Is it a point of order or a question of privilege?

Senator Cogger: It is not a point of order or a question of privilege. If you sit down and listen, you will find out what it is about.

You are arguing in favour of a logical debate. We are listening to someone reading to us from the transcripts of a meeting held last summer, and rereading questions put by yourself and by Senator Robertson. Then he proceeded to read to us the *Hansard* of the Legislature of British Columbia. I do not find that good participation in a logical debate.

Then it comes to your turn, Senator Hastings. I have always known you to be a very logical, articulate, bilingual and competent senator. Unfortunately, tonight you choose to read someone else's mail. Surely you can do a whole lot better than that. Give us some provocative and innovative thoughts and you will generate an interesting debate, or maybe you will excite our imagination and our will to respond in kind. If you wish to bore us to death, just keep on going.

Senator Hastings: Thank you, Senator Cogger, for the interjection. I am taking part in this debate in a manner that I think is very worthwhile, and that is to remind all honourable senators of the views that we as a committee heard, repeat them to you, and let you think about them a little before we proceed on in this debate. If you will be calm, I hope that I can get to some provocative statements that will stimulate you into action. Before I do that, I want to lay out the groundwork so you will understand the significance of what went on this past summer as we reached the conclusions we have. I hope I will be successful in persuading you to reach the same conclusion. That is the way I chose to proceed, and I am sorry if it does not please you. I thought it was significant to have a grasp and an understanding of what these people told us. It is worthwhile to consider what they thought of us and what they thought we should do.

You can say, forget about them, just do what the Patronat du Quebéc, the Canadian Chamber of Commerce, or Tom d'Aquino say, but I think there is another side that we should listen to and it represents about 85 per cent of the people who are opposed to this tax. It might be worthwhile to have an understanding of just why they oppose the tax and why they hate it with the vehemence they do. I think that is a worthwhile way of proceeding. I know that in the debate my colleagues and I will have some provocative statements to make, and I hope we can generate some action and response from senators opposite.

In Toronto, Ms. Charlene E. Black, a student, appeared before the committee and stated:

> I too have not made a speech in public since grade four and that is longer ago than I would like to admit.
>
> Good afternoon, Mr. Chairman and senators. Thank you for giving me this time. I would like to speak with you on my opinion about the proposed GST . . .

Her opinion about the GST may not be worthwhile to some of us, but I think we have a duty at least to listen to that opinion. I am proposing to repeat her opinion in the hope that you will listen to her and perhaps give serious consideration to what she is saying. She went on to say:

> . . . and no matter what I say, I do not believe that I speak out of self-pity, as the gentleman ahead had perhaps suggested some people do.
>
> I am a mature, fulltime student at the University of Toronto and will be entering my third year of a four-year program in September. I do receive financial aid from the Ontario Student Assistance Program and I also work part-time.
>
> It is my opinion that the proposed GST will be harmful to Canadians like myself who must exist from day to day on a limited income. My tuition for this coming year will be between $1,967 to $2,131. On top of this, I have basic living expenses, like everyone else, such as food, rent, transportation, telephone and personal necessities.

Senator Lynch-Staunton: What about the credit she will receive?

Senator Hastings: Ms. Black continues:

> Under the GST, educational costs are to be exempt. This is fine. It is my belief that all levels of education should be available to all people: men, women and children. However, books which are a necessity for students and not a luxury are now to be taxed. Never before in the history of Canada have books been subject to tax. The cost of these books has been steadily rising and for each course of study I can expect to spend approximately $100 and sometimes more. This does not include suggested or supplementary reading material, which is approximately $500 for the school year. To place a tax upon an already expensive item is unacceptable and, in my opinion, undermines our educational system. I also believe that it indirectly promotes illiteracy, which is a very serious problem in Canada.

> I am a recipient of assistance from OSAP. Last year I received approximately $5,500 in loans and grants. To add to that, I am allowed to make up to $1,000 during the school year. Any amount beyond this figure and my OSAP is reassessed and diminished.

That is the view of Ms. Black with respect to the taxing of books. Finally, she states:

> In closing, I wish to stress that I have no problem in giving my fair share to support Canada. In my opinion, the GST is asking for more than what is fair. Presently I am in a low income bracket because I am a student. At some point I expect to be able to enter a field that will be both personally and financially fulfilling. At that point I will be more able and willing to give more to this country in a financial way, but right now I have no more money to give.
>
> I ask the Senate to block the GST and to insist that the government go back to the drawing board and develop a fairer system of taxes to help reduce the national debt.
>
> Thank you for giving me this opportunity.

That is the statement I made when I first spoke to you, honourable senators. All Canadians realize they have to pay taxes. All Canadians are willing and ready to pay taxes. However, they want to be understood and they want to know that everyone is paying his or her fair share. The goods and services tax is regressive and unfair.

Senator Buckwold: May I ask a question? I wish to put some information on the record to assist our honourable friend who talks about the tax credit, the $300 or $400 that he has been hollering out here.

Senator Lynch-Staunton: I don't holler. I try to correct a bad impression.

Senator Buckwold: Whatever it is, we are always glad to hear from you.

May I ask Senator Hastings a question? What will the 1991 GST credit be for anyone earning $6,000 a year or less? Just so you know what this person will receive.

Senator Hastings: The answer was in the evidence I read. It was $190.

Senator Buckwold: Is $190 going to be sufficient?

Senator Hastings: No. I said that this GST credit is a fraud on the poor people of Canada. It is like selling a car with a $1,000 rebate. Every purchaser knows he or she will pay that $1,000. It is the same as the advertisment that suggests buying furniture now and not making any interest payments until 1991. It is like hawking furniture. People who buy furniture under those circumstances know perfectly well that they will pay the interest on that in 1991. The poor people of Canada know that this tax credit of $190 is a gimmick from the government and that they will pay more back when they pay taxes in 1991. That is what we have, a government out hawking a GST tax like an automobile salesman.

Another witness who appeared before the committee in Toronto was Mr. Robert S. W. Campbell, a solicitor in private practice in Toronto, who welcomed the opportunity to present his views to the committee on the legislation creating the GST. He said:

> I make this presentation as a layman without specialized knowledge in the field of either taxation or economics.
>
> The purpose of the GST is to replace the MST. Because of its obvious shortcomings, there is general agreement that the MST ought to be abolished. However, notwithstanding all its deficiencies, the MST is still less damaging to the country than the GST.

It is very interesting that Mr. Campbell, who stated he was not a specialist in taxation or economics, reached the same conclusion as the Canadian Tax Foundation, an organization of the most high-powered economists in Canada. Mr. Campbell continued:

> I suggest there are two issues before this committee. First, a valid alternative tax to replace the revenue lost by reason of the appeal of the MST and, secondly, fair taxation.
>
> One characteristic of the GST is its unfairness, but I wish to comment specifically on a point that was stressed by the Minister of Revenue this morning and his reference to the fact that lower-income groups have been reached out to by the minister or his department in order to acquaint those people with their entitlement to refundable sales tax credits.

● (0400)

> In many cases I suggested that people in that category will not be compensated. The GST credits will not be received by those who do not file income tax returns. I understand that it is estimated 15 per cent of lower income earners who qualify for GST credits will, for various reasons, file no income tax return, and consequently will receive no reimbursement. This group includes transients, illiterates, immigrants who are suspicious or fear the bureaucratic system. As implied by those who are attempting to sell the GST, opponents of the GST do not oppose an alternative form of tax to replace the MST. In an across-Canada protest vote held on April 7th, under the auspices of the Canadian Labour Congress, the Pro-Canada Network, over 2 million Canadians voted against the GST in favour of fairer taxation. There is a valid and fair alternative to the GST proposed by Neil Brooks.

That is the proposal that we had read to us this evening by my colleague Senator Bosa.

> In a discussion paper entitled "Searching for an Alternate to the GST", presented to the Institute for Research on Public Policy in February, 1990, by way of amendments to the Income Tax Act. This is the logical and reasonable alternative to the GST. Contrary to the inaccurate objections of the Minister of Finance, the income tax alternative to the GST would require only a modest increase in income tax rates and the minor adjustments

referred to in Professor Brooks' paper. His proposal would eliminate the costly bureaucracy necessary to administer the GST by utilizing the existing income tax machinery. It would dispense with the artificial and unnecessary system of GST credits and refunds. It would not have the inflationary effects of the GST. On the contrary, it would reduce inflation since it would be more progressive than the GST. It would result in fairer taxation.

I submit that the public hopes that the committee in its report will demonstrate its ability to reflect accurately the reviews of the Canadian public. It hopes that the report would counteract the distortions of the heavy-handed and misleading government propaganda which there has surrounded the introduction of the GST. It hopes that the report will recommend a fair taxation. The hallmark of effective taxation is fair taxation, and the GST does not comply with this standard. It should be replaced by a fair income tax alternative. This is my submission, Mr. Chairman, and I thank you and your fellow colleagues for the opportunity to address you.

And then we had Mr. R. A. Reynolds of the Citizens Against the GST.

Senator Lynch-Staunton: From where?

Senator Hastings: Mississauga. And she said:

Mr. Chairman, we would like to thank you and the other members of the committee for the opportunity to appear before you today. We are doubly appreciative because we are not extended a similar courtesy by our own MP, Mr. Blenkarn and his committee, and we look upon you as our last resort. We represent approximately 150 volunteers in Mississauga who join together to lobby against the GST. One of the activities we carried out in April was to arrange a ballot so that people in Mississauga could vote for or against the tax. The result was that 4,806, 98 per cent, voted against the tax, and 83, 2 per cent, voted in favour of it. That vote may not be completely representative, but it gives an indication of how the residents of Mississauga feel about the proposed tax. We, and the majority of Canadians, oppose the GST because it is regressive, inflationary and hugely inefficient. It is regressive because lower- and middle-income people spend more of their income on necessary goods and services than higher income earners. According to the National Anti-Poverty Organization, the credit to low income people is poorly designed and will not be received by many who need it most. In addition the credit is not indexed to inflation and no guarantee has been given about what will happen to the credit when the tax is inevitably increased to 10, 12 or 14 per cent.

The tax is inefficient and an unknown number of thousands of public servants will have to be hired with the attendent overheads to administer and police the tax. Millions of man-hours in the private sector will be required to keep track of the tax and rebates due. This will result in lost productivity and inefficiency in the private sector. The Department of Finance in the city of Mississauga has stated that the administrative costs of the GST will be horrendous. Inevitably municipal taxes will go up as a result.

Senator Lynch-Staunton: Hogwash! That is hogwash!

Senator Hastings: I spoke to a member of the department yesterday and as yet there will be no mill rate, but I was informed that it will be positive and significant.

Senator Lynch-Staunton: Those fellows are getting credits. You know that.

Senator Hastings: Reading on:

The GST will cost a rise in tax in every lower level of government. All public institutions will be subjected to this.

Senator Lynch-Staunton: They will not. You are making it up. The Mayor of the City of Montreal has said himself that the City of Montreal will not suffer, as other municipalities will not, from the GST, because they all get rebates or exemptions. So don't read a letter from somebody who doesn't know the facts.

Senator Hastings: Well, I guess the mayor and the city council of Toronto don't know the facts. I gather the mayor and the city council of the City of Vancouver don't know the facts. I gather that municipality after municipality don't know the facts. It is only my honourable friend who understands the facts. We are back to that same old argument that "everybody is stupid but me."

Senator Lynch-Staunton: No.

Senator Hastings: That is exactly what you are using. That is exactle the argument you are using, and it is the same argument that the minister has used.

Senator Lynch-Staunton: Quote the mayor of Toronto.

Senator Hastings: I quoted the mayor.

Senator Grimard: Give us a copy.

Senator Lynch-Staunton: Make your speech.

Senator Hastings: I am listening.

Senator Lynch-Staunton: I have no speech.

Senator Hastings: Then why don't you shut up and listen.

Senator Grimard: I cannot speak now. I will make it next week. It will be a serious one. Don't laugh at the people of Canada. You are asking that the people of Canada—

Senator Hastings: The honourable senator doesn't know what he is talking about, but he continues to babble. I said to you that is why the City of Vancouver has declared itself to be a tax-free area. That is why there is a vote in Vancouver at the present time. The provinces of Manitoba, Saskatchewan, Alberta and British Columbia oppose this tax but they don't know what they are doing, according to you people.

Senator Oliver: Table the letter from Toronto.

Senator Hastings: You will have occasion to check it. I do not have it here with me.

Senator Grimard: Is that your undertaking?

Senator Hastings: My honourable friend, I invite you to read the evidence that was presented to the committee, when it sat in Toronto, by Mr. Jack Layton, on behalf of the City of Toronto.

Senator Lynch-Staunton: I have been looking through the report. There is nothing in here.

Senator Hastings: Reading on:

> The government claims that the MST is unfair and presumably because it applies only to certain manufacturers. The government neglects to point out that it has already reduced the corporate tax rate from 36 to 28 per cent.

Senator Lynch-Staunton: You are on our side. Come on over.

Senator Hastings: To continue:

> I understand that one member of the committee has already committed to the tax as a fait accompli, but I hope the rest of you in your deliberations will take into consideration the feelings of Canadians. There is a deep malaise in this country at the moment. There is alienation. We hope that you will defeat this tax and give us some indication that we again have some control over our lives and over what happens in our government. I hope that the rest of you in your deliberations will take into consideration the feelings of Canadians, 87 per cent oppose this tax. They are asking you to take into consideration those feelings. There is a deep malaise in this country at the moment. There is alienation. We hope that you will defeat this tax and give us some indication that we again have some control over our own lives and over what happens to the people and our government, but we can tell him and tell her that, "No, we are not going to do that. We will not listen to you. We are going to proceed on if we continue with the bill as we have it before us, if we proceed on it."

Another witness who walked onto the stage in Toronto was Mrs. Donna Peconi.

Senator Lynch-Staunton: From where?

Senator Hastings: From Peterborough.

> Good evening senators. I thank you for allowing the citizens of Peterborough the opportunity to appear before you to voice our concerns regarding the proposed GST. Your task is not an enviable one. Bill C-62 is certainly one of the most controversial pieces of legislation in Canadian history. If implemented it will have permanent and far-reaching effects on this nation and its people. It is for these reasons that we urge you to hear the voice that has been ignored by the government.

Praise the Lord!

Senator Lynch-Staunton: Alleluia!

[Senator Oliver.]

Senator Hastings: The voice of the people.

> No one denies our nation is in a crisis. We are dangerously close to crumbling under the weight of our national debt and it gets worse every day.

Senator Lynch-Staunton: Oh boy!

Senator Hastings:

> Immediate action must be taken to bring the process of extracating ourselves from the situation. However Bill C-62 is not the answer. One does not solve the problem by masking its root cause. The root of the problem is our system of taxation. Tax reform is the bullet that must be bitten. Not many governments in this country have lacked the will to do it. It is time this government put some spine where the jelly is. No individual or corporate citizen in this nation should be allowed to avoid paying their proper graduated share of income taxes. You cannot legislate one group to pay and legislate loopholes for others. Our current fiscal straights have proven beyond doubt that those who pay cannot support the burden created by those who do not. I will not repeat the flaws that exist in this bill. There are obvious ones that have been outlined in our submissions and will likely be repeated to you numerous times by many other Canadians. What I am going to ask you to think about is this. If Bill C-62 is such a good piece of legislation, it would seem logical that its merits would be obvious, even to us citizens, although we cannot be classed as experts, who not so the economic experts oppose and continue to pose questions and voice concerns over this bill. If many of those qualified to judge have found this bill to be flawed, those of us not qualified surely have cause to worry about what is obviously wrong. And worse, what is not so obvious.

● (0415)

> The response of the government has been completely unacceptable. Its answers are nothing more than double-speak, and we are among the millions of Canadians who are not accepting same.

They are not like Senator Everett, who simply accepts a letter. She continues:

> Our group includes local accountants, small businessmen and tax experts who have shown repeatedly that falsehoods have been offered up by way of explanation. It seems the government expects that if these are repeated enough, they will eventually be believed.
>
> The opposition to this tax is not simply a flash in the pan. The refusal of this government to listen to its people has angered, confused and frightened us. No party in power can claim a monopoly on knowing what is best for this nation and its people. There are alternatives to this bill. They have not been carefully studied but dismissed because they tread on privileges regarded as sacrosanct by those having them.
>
> Our nation is in a mess. We no longer have time to waste pointing fingers at who made it in the first place. Through your efforts with these hearings you can do

nothing more than pay lip-service to us, or you can get the business end of the broom and help to clean our fiscal house. Canada is sorely in need of your assistance at this time. It is not a question of power. It is a question of conscience. That is the difference between politics and government.

We realize that you as appointees are being asked to override the elected body. You have alluded to the moral dilemma created by such a request. What you must consider is the dilemma created when there exists a majority in the House of Commons and the House refuses to listen to the majority of its constituents.

In our system of government, the line between democracy and dictatorship would almost be indistinguishable but for the Senate. The buck stops right here.

It is true that in the past you have never had to exercise your mandate to its fullest extent on a money bill. That does not mean you cannot and it does not mean you should not. The people have never called on you as they are calling on you now. The House of Commons did not have a mandate to introduce, much less pass, Bill C-62. The issue in the last election was free trade. The matter of tax reform was briefly mentioned but far from specifically addressed. The last election resulted in a house majority, a majority elected by the people on the basis of the issues. Bill C-62 was not one of them.

When this bill was introduced, a majority of Canadian people rose up in vehement opposition. We have not gone away. We do not want it. We do not feel we need it. We have suggested alternatives to it.

We have given you a clear mandate. It is up to you to decide whether the trust of the people and the good of our nation is worth a little grappling with protocol. The answer will lie in your actions.

Will you listen to Mrs. Peconi? Does her evidence mean anything?

Senator Lynch-Staunton: How about the Canadian Manufacturers' Association? Don't they count?

Senator Hastings: They wrote the legislation with your help.

Senator Lynch-Staunton: Oh, I see. Why didn't you suggest amendments when it first came out?

Senator Buckwold: What a joke!

Senator Lynch-Staunton: Amendments on third reading; unheard of.

Senator Simard: Are you just going to quote people who don't support the tax? You are being selective.

Senator Kenny: Let them make a speech.

Senator Hastings: Honourable senators, we spent three days in Toronto. The walk-on this day was Mr. Sinan Tanla. He had this say:

Mr. Chairman, honourable senators, I thank the committee for the opportunity of speaking in front of you on a most decisive yet ill-founded issue, the GST. I did submit my written contribution within the permitted timeframe to your committee's attention in Ottawa. I would ask you to refer to this submission later on as I believe that, although today I am voicing my opinion as a single person, it does represent a good cross-section of the minds of Canadians.

I am not a supporter of any political party in Canada.

The GST is a very bad piece of legislation because the so-claimed purpose of it is not correctly diagnosed. It shall not effectively contribute to the lessening of the deficit. The concept of a deficit is a political chewing gum. In reality, our world is merging towards major amalgamations. The financial interrelated viabilities of the countries are gaining more and more impetus and momentum of collective destinies. In an acceptable future the concept of deficits shall be merged into large regional responsibilities encompassing more than one nation. The GST shall not find a remedy for Canada's deficit.

Canada, despite her tremendous potential, is a most unfortunate country from the perspective of political life that shapes her destiny. Almost everything is done in order to accommodate certain interest groups. All the political parties in Canada up until now have been involved in creating a positive objectlessness within society by creating an overburdening hunger and pursuing power for material ends . . . .

I have been in Canada for 19 years. I know this country very extensively. I have no recollection, none whatsoever, of Canadians being given the chance to go through a process of national self-determination, that is, deciding on a decisive national issue on their own judgment and evaluation . . .

The GST shall be most disastrous in foreseen and unforeseen economic bottlenecks, give to the rise of corruptive practices, and shall create almost immeasurable overall chaos in Canada. I do not find it decisive to subdivide into such as you all know them very well.

What is decisive is to answer three questions. Is the GST essential? My answer is no.

Must Canadians be concerned about the deficit? My answer is, absolutely, yes, but such concern must be in a most equitable conclusiveness. In other words, the tax burden on average Canadians is already far too much. Enough is enough. There are more effective ways to substitute this evil piece of legislation.

Senator Lynch-Staunton: Evil?

Senator Hastings: Evil. He continues:

What should we expect from the Senate? My answer is, a tremendous amount. At present Canada is in a state of turmoil from a national decisiveness about her moral destiny. She must be called to act on this very decisive issue through a referendum.

In my already-made submission to the Senate I envisaged the acceptance of six provinces and 73 per cent

of the votes thus affected if GST should be approved. This process shall give Canadians a self-urgency and of being as a nation. At present we stand divided. And as we stand we are a nation only on paper but not in spirit and mind. It is high time for us to commence to learn the process of determining our own futures instead of leaving it in the hands of a group of political opportunists who do not know or care where they are taking ship. The average Canadian is a most prudent human being. He or she is already seeing the rocks this ship shall fall onto.

The Senate has a historical duty to perform here. Up to now and later on in your travels almost always you shall hear the commercial threats, concerns and cries of certain interest groups that shall sharpen the pencil only to their side as far as the GST is concerned. That is not what Canadians want. They need to be involved in the actual process.

My plea to you is neither to strike down the GST nor to let it pass. My plea is on absolute grounds to ensure that all Canadians are given the facts about the GST, which is not so at present, and then call a referendum on this most vital national issue. Such an adoption of policy by the Senate shall and must represent the very best choice for the interests of Canada.

Ask Canada to get involved seriously and determinedly.

Senator Buckwold: I hope you have more of those statements.

Senator Hastings: In Winnipeg, Manitoba, Senator Buckwold continued the practice of hearing walk-ons who wanted to express their views with respect to the tax. Some supported it, but most opposed it, as was the case generally with most of the briefs presented to the committee. Mr. John Clearwater appeared before the committee in Winnipeg. He said:

I noticed from today's schedule that I am the only, what could be termed, private citizen appearing before the committee. All the others have represented corporations, groups or interests. My presentation is directly that of a citizen.

My background is in graduate studies and political science with a second in history and economics. I have been doing graduate work at Dalhousie in Halifax, but I am a Winnipeger, which is why I am appearing before the committee here today.

As I understand it, one of the jobs of this committee is to examine alternatives to the goods and services tax proposed by the Minister of Finance. What I will be talking about today quite clearly would be anathema to most of the people you have heard prior to my presentation. I will be speaking to you about the need to enforce already existing tax laws and to gain revenue through those tax laws from the corporate or the business community which, up until now, has been under-taxed although written into the tax laws but generally ignored through a system of tax favoritism.

[Senator Hastings.]

The current tax system in Canada is clearly wide enough to gather larger amounts of moneys without additional tax laws—that is, the GST. Staff at Finance Minister Wilson's office stated to me personally that the amount of dollars gathered at the 7 per cent GST rate would be approximately $18.1 billion in next year's dollars adjusted for inflation. I have no doubt that is a reasonable figure. That figure was dropped substantially from the $24 billion and the original 9 per cent figure.

What I propose is that instead of implementing a new and cumbersome tax law, that we enforce the tax laws already in place and collect taxes from profitable Canadian corporations and foreign corporations operating in this country.

• (0430)

I would now like to illustrate two examples to show the inequities in our tax system. Over the years, corporate versus private income taxes have radically altered. Corporate business income taxes are assuming an ever decreasing portion of the total tax revenue intake. In 1984-85, of the total budgetary personal income tax revenue, personal taxes made up 41.3 per cent and corporations paid only 13.2 per cent of that total. A year later, personal income taxes had risen to make up 43 per cent of the total and business tax had dropped to 12 per cent of the total. In 1987, the last year for which figures are available from Revenue Canada and Statistics Canada, personal income taxes made up an astonishing 47 per cent of total tax revenues of the government. Corporate taxes had dropped to under 11 per cent from four years before when they were above 13 per cent.

Total tax revenues for corporations are dropping even though profitable corporations have increased their profits by an astonishing 14 per cent in 1987. In terms of the overall income tax paid by Canadian citizens and corporations, the same picture emerges as the one I have just painted. In 1970, personal income taxes were 66 per cent of total income taxes, while corporations paid the remaining 33 per cent. By 1987, the IMF states that corporations were paying less than 20 per cent and personal income taxes accounted for over 80 per cent of total income tax revenue collected by the federal government.

The problem we are seeing is not one where the government is giving tax breaks to unprofitable corporations. Statistics Canada reports that in 1987 the total income of Canadian corporations increased by 8 per cent in that the pre-tax profits of all Canadian corporations grew by 33.4 per cent to almost $86 billion in 1987.

What we are not seeing is the government carrying out the tax laws already in place to gather tax dollars on astonishing profits made over the past 10 years. Corporations have shown no willingness to pay their fair share of tax, and there is no reason why they should if the government is not prepared to enforce laws.

Personal tax growth in this country is going to grow at 125 per cent the rate of income growth for average Canadians. For corporations, it is going to grow at a mere 43 per cent of the increase of their profits. Clearly, the inequities are growing year by year.

There was actually a decrease in corporate taxes of 2 per cent between 1985 and 1986. The Canadian public no longer trusts the taxation system that increasingly burdens them while letting large profitable corporations pay little or no tax at all. For instance, the large and profitable Argus and Power Corporations paid no income tax at all in 1985 on book profits of over $203 million. These are figures supplied by the US Department of Finance, which requires financial disclosure of all corporations operating on its stock exchange. In 1981, 60 per cent of Canadian corporations paid no income tax at all at the end of their fiscal year, and a full 50 per cent of that group were profitable in that same tax year. What that means is that 30 per cent of Canadian corporations—and those are all profitable—paid no corporate income tax, although there are laws already in place to collect such a tax.

In Canada, tax exemptions provide one of the largest problems we have in collecting tax in this country. It is thought that these tax write-offs now account for approximately two to three years worth of corporate income taxes and may be as high as $30 billion to $35 billion. In fact, the buildup of tax expenditures is equal to the projected revenues of the GST over a two-year period, 1981-83.

In respect to corporate tax expenditures, we see the exact opposite trend in the world's highly industrialized and highly successful capitalist economies—for example, West Germany and Japan, which are often considered as the archetypal models for successful capitalist economies. In those economies corporations have few exemptions, few tax expenditures, and are taxed at an astonishingly high rate in comparison to Canadian, British or U.S. corporations. Yet these countries do not seem to have a problem with their corporations. Their corporations tend to stay in the country. They do not run off to the United States. They pay their taxes. These are extremely successful economies.

All profitable corporations must be made to pay their fair share of the income tax burden. In the coming years their share of that burden must increase in Canada.

Since 1960 we have surely seen corporate income tax as a percentage of the tax paid drop dramatically, especially in the last five years. Therefore, I propose that we actually go out and collect the tax dollars due to the Canadian government, and thereby to the Canadian people, from corporations that are not now paying tax or are paying less tax than they would if the laws were fully enforced.

Ideally, corporations should have to increase their share of taxes paid back up to a level of at least 20 per cent of the total federal budgetary revenues.

Senator Lynch-Staunton: We just passed a bill to that effect! Where have you been?

Senator Hastings:

They are currently paying approximately only 10 per cent. This would double the effective amount they paid to the federal government. As you will see on the bottom of page 3, I have noted a short plan by which that would be implemented over a period of years rather than simply saying to the business community, "We are going to double your tax on January 1, 1991".

The GST is not going to fight the deficit. However, if we collect the taxes that we said we were going to legislate for, and for which we have legislated, we can reasonably start to attack the deficit. Canada could reduce that deficit if the federal government would only collect those taxes. In addition, currently deferred taxes amounting to over $30 billion could be collected in the short term, thereby eliminating the need for any increases in the level of personal income taxes, which, as I said before, are starting to rise at 125 per cent the rate of increase of incomes for average Canadians.

In short, the collection of back taxes, tax breaks or the deferment of taxes and tax expenditures, along with an increased rate of tax on profitable corporations—and I emphasize the word profitable—would leave Canada in a strong financial position without having to implement the GST.

That is the end of my written submission. Since you all have it before you I see little need to elaborate. I invite questions at this time.

That was the evidence of a young man from Nova Scotia who was attending school in Winnipeg at the time.

Senator Simard: Before we change provinces, for the record, senators should note that only four Liberal senators are sitting in their seats. It is now 4.40 a.m. Obviously the Liberals are determined to show that they are no longer interested in this matter. They are only interested in short-sighted partisan politics, and they do not have the heart to participate in the debate. Not only are there four Liberal senators in their seats, but the record will show that they have refused to identify alternatives to the GST, which I asked them for earlier, and they failed to tell us whether they had read any clauses of Bill C-62. Every hour or so, I am sure one of us will get up and point this out for the record. Senator MacEachen wanted the record to show everything that has taken place, and he will get it, including the number of Liberal senators who were present throughout.

Senator Lynch-Staunton: Good point!

Senator Hastings: What will we get?

Senator Simard: The record will show that for the last three or four hours, although at times one or two other Liberal senators have come in, the rule has been no more than four, including Senator Fairbairn, Senator Hastings, Senator Buckwold and Senator Marchand. No doubt there will be other

people along, but these seem to be the only four who are willing to put in a reasonable effort, and we will be telling the press that later on this morning.

Senator Buckwold: You are building up your case!

Senator Simard: You should be ashamed of your party.

Senator Lynch-Staunton: Disgraceful!

Hon. Len Marchand: Honourable senators, since Senator Simard decided to put some points on the record that reflect attendance on this side, perhaps I should point out a couple of things to him. First, he is on the government side and it is your duty to maintain a quorum. We, on this side, do not need to maintain a quorum. You have been in a legislature before.

Senator Lynch-Staunton: We are here to follow the debate.

Senator Simard: What do you mean, it is up to us to maintain a quorum?

Senator Marchand: It is part of your duty to maintain a quorum. When I was in the House of Commons on the government side we maintained the quorum. So don't try to impose things on us that make us look bad.

Senator Lynch-Staunton: We don't have to!

Senator Marchand: I think we have done a good job here.

Senator Simard: I thought you did not want this legislation.

Senator Buckwold: Our strength is the strength of 10!

Senator Fairbairn: At least!

Senator Hastings: I wanted to carry on with the city of Winnipeg when we had Mrs. Janet Paxton, a private citizen, appear before the committee. She said:

> I have been married, have grown children who have now left home and four grandchildren. I am typical of the type of person who believe will be most affected by the GST.

Mrs. Paxton continues:

> Good afternoon, ladies and gentlemen of the panel. I wish to thank you for the opportunity to express my views on the GST.

● (0445)

> I only wish this meeting had received more advertising, because there would have been a lot more people here. I am a grandmother. I have lived and worked in Manitoba all my life. My greatest concern is that I have seen my own income over the years being outstripped by taxes. I remember that when I made $295 a month I had children and I always had money left over to buy shoes or a coat. Now you have to figure out which bills must be paid or whichever is likely to be disconnected.

[Senator Simard.]

Senator Simard: Stand up!

Senator Hastings: I am standing.

> I become very concerned when I look at my children and my children's children. In my opinion, real estate gives you the only real return on investment for Canadians.

Some Hon. Senators: Stand up! Order!

Senator Buckwold: The Speaker is otherwise occupied.

Senator Hastings:

> I become very concerned when I look at my children and my children's children. In my opinion, real estate gives you the only real return on investment for Canadians. We are hearing how prices are skyrocketing in Toronto and B.C. and how land is owned by other countries. Rich conglomerates are buying all the land, and all of a sudden the prices are going crazy.

Senator Simard: Mr. Speaker, I have to ask for the question. With all due respect, you have to maintain decorum and the person speaking must stand in his place. I want you to rule on this or call the question.

Senator Hastings: If I can continue:

> The GST is going to ensure that the average working Canadian—and I mean the ordinary person who works in a factory or an office at $10 or $12 an hour, and newly-married couples—

Senator Simard: Mr. Speaker, if you let this instance go, you are allowing a precedent here with which this house will not be able to live. Next, he will be sleeping or lying on the floor. You have to rule that he has to stand, please.

Senator Buckwold: He will stand if you will understand!

Senator Hastings: I am sure I can lean against the chair, honourable senators.

Senator Fairbairn: Certainly.

Senator Hastings:

> I become very concerned when I look at my children and my children's children.

Some Hon. Senators: Stand up!

Senator Hastings: I am standing.

> The GST is going to ensure that the average working Canadian—and I mean the ordinary person who works in a factory—

Senator Comeau: I hope you don't allow this when you're the leader! This is Allan J. MacEachen stuff.

Senator Simard: Mr. Speaker, can I ask you to call the Sergeant at Arms or the Black Rod or somebody to look into this? Again, I draw to your attention that there is to be decorum in this place and the rules authorize you to name him, if need be.

Senator Cogger: Mr. Speaker, I might just remind Senator Hastings that, according to Senator Frith, we are all supposed to behave like well-behaved children at the dinner table. I am sure, Senator Hastings, that you do not put your feet on the chairs at the dinner table. Your mom would not allow that.

Senator Doody: Let the record show that the senator is sleeping.

Senator Hastings: What?

Senator Doody: Are you not sleeping?

Senator Hastings: No. I am awake. It is some of your cohorts who are sleeping. I feel offended that they have not been able to listen to a very worthwhile dissertation. I shall probably have to repeat parts of it now.

Senator Lynch-Staunton: God forbid!

Senator Hastings: Now, what did Mrs. Paxton have to say?

Senator Lynch-Staunton: We want to hear what you have to say!

Senator Hastings: Be calm, senator! We are early in the debate.

Senator Lynch-Staunton: We have speakers, too.

Senator Hastings: We are waiting to hear them.

> The GST is going to ensure that the average working Canadian—and I mean the ordinary person who works in a factory or an office at $10 or $12 an hour, and newly-married couples—will never be able to afford his own home. This seems to be a trend that is becoming frightening, and I wonder if there will be any land left for my grandchildren to buy. These tax increases automatically take one-quarter of my income. The GST is going to make it even worse. As one New Zealander told us, the tax there started off at 7 per cent and in no time it increased to 15 per cent. He said that if ever we fought in our lives, all Canadians should be fighting now to make everyone look at what this tax really does to people. The tax is not only on the coffee cup, it is also on the coffee beans in that coffee cup, on the cream, on the sugar and on the overhead, which, when compounded, makes the increase more than just a straight 7 per cent tax. This is what I am worried about.
>
> The average working person does not have a comfortable living. He cannot save for a reasonable home now. Prices are skyrocketing, and these taxes are going to make it even more certain that only the very rich in this country will be able to afford a house. I am also concerned about how our tax money is being spent. It is like salt in the wound.

Senator Lynch-Staunton: Is the salt being taxed?

Senator Hastings:

> The money is not being spent wisely. Every person who has worked in a government office can give you a litany of all the waste he sees. You would soon learn that to tax spending is not wise management.
>
> The things that affect the ordinary working Canadian, such as taking a taxi and having lunch with a friend—things that make life pleasant—will now become very expensive with this new GST. Those are the only things left to low-income people, and I believe it is those that the GST will hurt most. I thank you for listening to me. The gentleman ahead of me was very knowledgeable and I admired his brief. There is the fact that corporations do not seem to pay taxes. The working people do, and I think we are all very depressed about that.

So Mrs. Paxton tells us very clearly—

Senator Lynch-Staunton: She is ill-informed!

Senator Hastings: Everyone is ill-informed except Mr. d'Aquino and the honourable senator. Mrs. Paxton, who is a working Canadian, is totally ill-informed. When she tells you that she will not be able to afford the things that make life pleasant, she does not know what she is talking about?

Senator Lynch-Staunton: Is there a tax on her rent or on the food or on her prescription drugs? No! Can't you be accurate?

Senator Buckwold: There is a tax on every one of those things, indirectly.

Senator Lynch-Staunton: Come on!

Senator Buckwold: The truth at last. Just wait and see what will happen to rent.

Senator Lynch-Staunton: Is there a tax on rent?

Senator Buckwold: Certainly there is a tax on rent. You should read the evidence.

Senator Simard: He believes in Santa Claus.

Senator Lynch-Staunton: There is probably a tax on that, too.

Senator Buckwold: That's for sure.

Senator Doody: Question!

Senator Simard: Question!

Senator Buckwold: You guys are making speeches.

Senator Hastings: A Mr. Kenneth Emberley from Winnipeg appeared on his own behalf, and I suppose he did not know what he was talking about either.

> Mr. Chairman, I am a private citizen appearing on my own behalf and on behalf of many thousands of people who have not come to your meetings but who share my ideas. Mr. Chairman, it is good to see you personally 18 years later.

In the City of Regina, a private citizen who came before us was Ms. Margaret Durant, and she told us:

> I appreciate being able to present my simple brief. I am appearing before this committee because I am a concerned citizen, and I feel that the GST is the wrong route to go in taxation.
>
> Honourable Sidney Buckwold and other members of the Senate Committee on Banking, Trade and Commerce, I wish to submit some views to you on the proposed goods and services tax, Bill C-62.

Senator Lynch-Staunton: Give us a conclusion or something.

Senator Simard: They are regrouping now.

Senator Hastings: Ms. Margaret Durant of Saskatchewan, put her views before us. She said:

> While the proposed goods and services tax has been presented as a means of overcoming the federal budget deficit, this will not reduce the deficit. It will increase inflation, interest rates and unemployment.

Funny, she agrees completely with the premiers.

[Senator Hastings.]

> It will increase the cost of all taxable goods and services to consumers. Since interest rates will rise, there will be an interest in the cost of borrowing in order to buy essential items such as clothing, soap, bus passes, household repairs, toothpaste, books, newspapers, stamps, furniture and utilities. Another point is that taxpayers will be paying the GST on all tax creating a burden on low income earners and particularly for pensioners who wish to remain in their own homes.

Senator Lynch-Staunton: No tax credits?

Senator Hastings:

> Because of increased costs to many businesses, such as restaurants, owners will be paying the GST on all their overhead as well as charging customers the GST on meals. They will likely be faced with reduced incomes and possible bankruptcies. They will either reduce the number of people they employ or, if they do go bankrupt, become unemployed themselves. Many other businesses such as bookstores and specialty shops will be faced with the same situation.
>
> Wood Gundy investment brokerage states that the goods and services tax "far from being the hidden agenda for deficit reduction that many fear, we believe that the balance on risks on the fiscal side is that the GST package, together with its indirect economic effects will be deficit increasing".
>
> What happens to the unemployed who must live on unemployment insurance or their dwindling savings, or, worst, still on welfare? What is the future for other people living on fixed incomes—for example, pensioners? In fact, what will happen to low and middle income families? How will all those groups cope when they find themselves paying GST on bus passes, clothes, soap and many other essential goods and services? Are many people to be deprived of knowledge because they cannot buy such items as newspapers and books since the GST puts these items out of their reach? Here I refer to those on fixed incomes and all low income earning families.
>
> Instead of making life unbearable for poor people, let us look at a fairer tax system. Instead of creating bookkeeping nightmares for small business people and farmers because of the GST, let us look at other alternatives. Although there are promises of tax rebates for people whose incomes fall below a certain level and there are rebates to businesses and farmers, let us look at some alternatives that would reduce the deficit without increasing inflation and interest rates, which will increase employment, not decrease it.

• (0500)

> These alternatives are to establish a royal commission to redesign our tax system based on a progressive formula and based on one's ability to pay. Bring in a green tax to discourage the production and the use of environmentally hazardous goods.

Ms. Durant concluded by stating:

> Finally, I call upon the Senate committee to prepare a straightforward public referendum so the people of Canada can declare their opposition to this very regressive goods and services tax, as they did on April 7th and 9th, and which they are doing through petitions to the senate, to the government, and to the opposition parties.

Another man who appeared before the committee was Mr. Don McGregor. Mr. McGregor decided it was time to speak out.

Senator Lynch-Staunton: What city was that?

Senator Hastings: The city of Regina.

It is a beautiful city.

Senator Buckwold: If we had more people it would be the largest city in Canada.

Senator Hastings: Moving along, honourable senators, I want to cover all the cities. I would like to move to Edmonton. Mr. Lawrence Alexander stated:

> As originally understood, the GST was to slay the deficit. However, Michael Wilson explained that it would be used to replace the hidden manufacturers' sales tax and hence would be revenue neutral. This puzzled the taxpayers. How could the GST reduce the deficit if it was revenue neutral? The government appeared reluctant to supply the answer which was mainly that the GST would tax a far wider range of things than the MST, specifically the enormous and growing service industry which had never really been directly taxed before.
>
> An argument put up by supporters of the GST is that it is discretionary, that is, you can avoid the tax by deciding not to make the purchase or not to use the services. Theoretically, this is possible. But the idea is of limited value. Under GST, fuels such as gas and heating oil are taxable. Anyone living in Canada who suggests purchase of gas or heating oil is "discretionary" has obviously spent a lot of time in steam heated Ottawa offices with someone else paying the heating bill.
>
> The GST process is full of refunds. Low income families are to receive a refund to make up for having to pay the GST. Supporters of the GST claim such families will be better off under the GST. However, opponents using different and probably just as accurate statistics claim that this is an illusion. The way in which it is proposed to pay these refunds is open to some question. Refunds are to be paid in advance, using last year's or some other figures as a base. This appears a good deal like buying support for the GST, essentially with the taxpayers' own money. You take it away a little bit at a time over several months, then you give it back in a lump sum in a highly visible form—look dad, a present from the government.

Therefore, most Canadians understand the tax credits fairly well.

Senator Lynch-Staunton: Tell them to send the cheque back.

Senator Hastings: Most of them understand it for what it is, bribing them with their own money. Mr. Alexander further stated:

> A GST fallacy is that a lower rate confers a benefit on the taxpayer. A few months ago as a special favour Michael lowered the rate from 9 percent to 7 percent. This was achieved mostly by raising other taxes, while leaving in place most of the basic faults of the GST. The whole process takes on the aspect of an elaborate shell game. Whether the rate is 9 per cent or 3 per cent, most of the faults of the GST are still present. Nor has the government guaranteed that the rate will remain at 7 per cent.

That, honourable senators, was some of the evidence in Edmonton. I think I have given a fairly good indication of the innovation of Senator Buckwold in seeking the views of the Canadian citizen. Never before have we had occasion to receive input from the people of Canada as we have with respect to this tax. I have been in this chamber for twenty-five years and seen a lot of legislation. I have attempted to indicate the participation of the public. As I said, in the twenty-five years I have been here I have never had occasion to see the public become so involved in an issue. Perhaps the capital punishment issue came close, but nothing has ever transpired which has seen the Canadian population rise up as they have done with respect to this tax. Some of the views that have been expressed are very cogent and relevant.

I wish to put on the record a letter from *Motor Truck*, Canada's largest and most influential truck fleet magazine, which states, in part:

> Senator Hastings, you folks are doing a tremendous job in stymieing the GST which most Canadians despise. Motor Truck Magazine has also taken a firm stand against the GST. We are forwarding more than eight hundred petitions from our readers showing our disgust with this

proposed tax to the Liberal Senate Leader, Allan MacEachen.

Hon. Len Marchand: Honourable senators, I am honoured to follow a colleague like Senator Hastings, and, earlier on, Senator Bosa, who have both done noble work in the debate on the GST. Senator Hastings was one of the senators who travelled across the country and heard the evidence of a number of people. I believe he was present at almost all of the meetings. One of the determinations that we in the Opposition made when this whole issue started was that we wanted to hear from the people of Canada. We did that. In the remarks that Senator Hastings made earlier, he put on the record a number of things that the people of Canada said about this tax.

I wish to place on the record some of the things that the native people of Canada have been saying about this tax. Some of the native groups made presentations to the committee. In making their presentation to the committee, they did not always get all their points on the record; so perhaps I will put some things on the record this morning which do not apear in the committee's record.

From the presentations made by our groups, and from some of those among our people with whom I have spoken, it is obvious there are many concerns about the tax. The largest concern of some of them is that it was contrary to the treaties. I am an Okanagan Indian from British Columbia and not a treaty Indian. I wish we had made some treaties. However, not having made a treaty, I am not as conversant with the treaties as are a number of my colleagues across the way. Senator Twinn is a treaty Indian and chief of a treaty area, and I am sure he would know a lot more about the intricacies of treaties than I do. But I want to put on the record here some things that have been said. I am going to quote statements made by the Assembly of Manitoba Chiefs. They made a presentation to the committee; in their covering letter they said:

● (0515)

> The Assembly of Manitoba Chiefs is a political organization representing the 61 First Nation communities of Manitoba. We worked together with those communities on common issues and concerns. One common issue was the proposed goods and services tax, and the resulting concern of the Aboriginal people of Manitoba with respect to that proposed tax.
>
> Our concern derives not only from the implications of the tax, but also from the fact that its consequences for Aboriginal people have received such cursory attention by the Department of Finance. Minimal or no consultation has taken place with the Aboriginal people, and in our minds the government has, in its handling of the proposed tax, once more demonstrated the same lack of concern for the rights and concerns of First Nations and Aboriginal people as is demonstrated in the recent process to amend the Constitution.
>
> Our presentation will outline our concern about the effects of the tax on Aboriginal consumers, Aboriginal businesses, First Nation communities and the various organizations in these communities. We have made tentative arrangements with the clerk of the committee—

I do not think I need to put that on the record. It refers to housekeeping matters that needed attention.

In their presentation they say:

> Our concerns with the proposed goods and services tax derive not only from the implications of the tax, but also from the fact that its consequences for Aboriginal people have received such cursory attention by the Department of Finance. We have not been consulted in any consistent way. In our minds the government has, in its handling of the proposed tax, once more demonstrated the same lack of concern for the rights and concerns of First Nations and Aboriginal peoples as it demonstrated in connection with the recent process to amend the constitution.
>
> The position of registered Indians and Indian bands, Aboriginal businesses and other First Nation entities with respect to taxation is a complex area where current policies and practices are inconsistent. This is the result of a fundamental lack of recognition of the distinct character of First Nations and Aboriginal peoples and of our special relationship with the federal and provincial levels of government.
>
> One aspect of that special relationship is our treaty in Aboriginal rights to be exempt from federal and provincial taxation. Section 87 of the Indian Act explicitly exempts registered Indians and Indian bands from taxation of property on reserves or income deriving from such property.
>
> In spite of this, there has not evolved a policy of general tax exemption for registered Indians and Indian bands. There is not general provision to exempt our people and communities from taxation by virtue of their Aboriginal status. This is, in our minds, one further example of how uncertain and unspecified the legal position of First Nation communities and registered Indians still remains. Instead, various interpretive modes are being used with respect to the Income Tax Act; the intent of the Indian Act is interpreted to mean that income earned on a reserve was not to be taxed.
>
> Indian bands are also being treated as municipalities with respect to the federal Income Tax Act. The current

federal manufacturers' sales tax, MST, does not allow any general exemption for First Nation communities or Aboriginal people. Individual Indians or Indian bands that manufacture goods that are taxable under the MST may, however, claim a tax exemption based on section 87 of the Indian Act.

On the other hand, in the act regulating the federal sales tax of telecommunication services—that is services on Indian reserves—are being explicitly exempt. Consequently, Aboriginal people, also those living on reserves, are currently paying the manufactures' tax to the extent that it is included in the price of goods bought by Aboriginal people. This is a very unsatisfactory state of affairs.

The current proposal certainly does nothing to help clarify the standing of First Nation peoples regarding taxation. The only mention of Indians and Indian bands in the official documentation concerning the GST is contained in the technical paper submitted to the House of Commons prior to the introduction of the final proposal.

In chapter 10 of the technical paper reference is being made to section 87 of the Indian Act. It also says that, given that the legal liability for the GST rests on the purchaser, at the minimum, Indian purchases of goods on reserves will not be taxed. The technical paper states that the taxation of services under the GST raises issue of interpretation regarding section 87 of the Indian Act and that further work is required in this area.

The actual proposal, Bill C-62, contains no reference whatsoever to the standing of First Nation communities, registered Indians and Aboriginal businesses and organizations. Should we therefore conclude that our treatment under the tax is to be determined on the basis of the technical paper and as a matter of administrative practice rather than as a bit of principle and policy?

We think the government has been negligent and arrogant in its handling of Aboriginal peoples generally and specifically in relation to the proposed tax. We want the special position of Aboriginal peoples to be recognized. We resent being painted as a residual problem or to have our nations and communities treated as municipalities or as charitable organizations for tax purposes, when in fact they are not.

Although many aboriginal enterprises may be entitled to special treatment under the GST by virtue of the line of business they are in, we want Aboriginal businesses on reserves to have special treatment on the basis of their Aboriginal status and not according to the particular industry they represent.

I will now deal with concerns we have about the impact of the tax. I will also present the Assembly's views of how the overriding principle of Aboriginal tax exemption as a matter of Aboriginal and treaty rights translates into the treatment of Aboriginal peoples under the proposed goods and services tax.

We are concerned about how the tax will affect Aboriginal consumers, Aboriginal businesses, First Nation communities and the various organizations in these communities. One further concern is how the introduction of the goods and services tax will affect the level of prices. In many First Nation communities, retail business is concentrated to a single outlet. Particularly in remote areas the level of price is already high due to a monopolistic retail structure and high transportation costs. It is of vital importance that Aboriginal people be involved in monitoring the effects of the proposed GST on the level of prices.

We will first briefly review how we view the proposed tax and how it conforms to the general thrust of the government's tax policies.

The proposed goods and services tax is a kind of value-added tax which is charged directly to the consumer, the seller being responsible for collecting the tax. The seller in its turn is allowed deductions for tax paid on inputs. The GST is to be levied on a wider range of items than the tax it will replace—the manufacturers' sales tax. The government claims that the tax is revenue neutral: that is, it will raise the same amount as the existing manufacturers' tax in spite of the lower rate. This will be accomplished through a broader tax base that will include both manufactured goods and services.

The effect is that the tax burden will shift from corporate taxpayers to consumers by an estimated $9 billion. To soften the impact of rising prices on consumers with low and average income, the government proposes tax credits. The value of these credits will be eroded by inflation as they will only be adjusted for a rate of inflation exceeding 3 per cent. The implication of this is that if the average yearly price increase is 5 per cent, compensation is only given for 2 per cent. In eight years a tax credit of $100 will thus only be worth less than $80. As we see it, the tax reform is but one part of a fiscal program that aims to reduce tax revenue from corporate sources and to increase it from private citizens.

Since 1982 the corporate share of direct taxation has diminished from 24 per cent to 16 per cent. To this you can add the lavish tax rates being enjoyed by corporations in the form of write-offs, various deductions and mechanisms for tax referrals. They have been estimated at a minimum of $4 billion a year. This makes it abundantly clear that the burden for financing the federal budget is being shifted over to private persons from corporations. In spite of the proposed tax being lower than the one it

replaces, the broader tax base is generally supposed to raise prices. By how much, no one seems able to foretell. We can, however, be certain that the new GST will further reduce the standard of living for persons with lower and middle income and persons on fixed incomes. A disproportionate share of Aboriginal people are in that situation.

The Assembly of Manitoba Chiefs opposes that registered indians should be charged with this tax in the first place. The technical paper suggests that only the sales of goods on reserves should be exempt. In fact, this would discriminate against those reserve residents who only have access to a retail outlet outside their community. The fact is that many of our people cannot find employment or otherwise make a living in their First Nations communities. They are forced to move to urban cities where too many also face difficulties. Aboriginal people constitute a disproportionate share of the urban poor in this country. They should also not have to pay the proposed goods and services tax.

We do not want, and we will not accept, a system where some of our people are spared the tax and some are not. We do not need this artificial categorization which in the end will be divisive for our people. We think that as by virtue of our treaty and aboriginal rights, no registered Indian should have to pay this tax.

● (0530)

Indian bands and other organizations on Indian reserves should also be exempt from paying the proposed goods and services tax. With reference to the Aboriginal and treaty rights of our people not to be taxed on a reserve, all goods and services sold in a First Nations' community should be zero-rated. The implication of having purchases zero-rated is that they will be cheaper than if the tax were applied or if they were exempt from tax. A dealer that sells zero-rated products can claim a refund on tax paid to a previous dealer or to the producer. The consumer is also not to be charged any tax.

Moreover, the sale of goods and services produced or originating in a First Nations' community should also be zero-rated irrespective of the legal status of the producing entity. Currently, incorporated businesses in a First Nations' community are not exempt from paying the manufacturers' sales tax. Incorporated businesses in First Nations' communities should also be zero-rated for the proposed GST. This would be in line with our rights and would also benefit the economic development of these communities.

We should not need to remind you of the need to enhance the economic base of First Nations' communities, many of which have unemployment rates of up to 90 per cent. Any non-Aboriginal region or community with a similar level of unemployment would give rise to a massive program of special measures. The zero-rated goods and services produced in a First Nations' community would help these communities develop the economic base that is so sorely needed.

As indicated in the beginning of this presentation, Aboriginal peoples are worried about the effects of the proposed goods and services tax on the prices we will have to pay for the necessities of every-day living. It is essential that the effects of the proposed goods and services tax on prices be closely monitored. Given the special situation in many First Nations' communities, this monitoring is particularly important. We want representatives of First Nations' communities to be involved in the monitoring process and request that special funds be provided for this purpose.

They go on to say:

We request that our Aboriginal and treaty rights to be exempt from federal taxation be respected. In terms of the proposed goods and services tax, this means that registered Indians should be exempt from paying the tax on their purchases, not only on reserves but everywhere. Also, Indian bands and other organizations on a reserve should be exempt from paying the tax. Moreover, sales on reserves should be zero-rated as well as the sale of goods and services originating on a reserve.

That is just the summation, and that covers what the Assembly of Manitoba Chiefs had to say to the committee.

Senator Lynch-Staunton: Very good.

Senator Marchand: What is your problem?

Senator Lynch-Staunton: That is a good presentation. I enjoyed it.

Senator Marchand: It was not mine, although I wish that it were.

Here is another presentation by the Assembly of First Nations made to the committee on June 6, 1990. They said, in part:

Some competing and powerful interests have succeeded in influencing the outcome of sales tax reform to suit their political, economic and social desires. All businesses under this bill will be free from tax liability when thousands are liable now. Other interests have failed to influence the bill. Suffice it to say that the legislation is not neutral,

and does not treat everyone and every interest the same. It could no more ignore these realities than it can ignore constitutional realities. For example, no lands or property of Canada or the provinces is liable to tax. The federal government professes the tax fairness, simplicity, visibility, reliability and economic vitality. The great tax debate is only drowned out by Meech Lake.

Absent in the tax reform and public debate is whether sales tax reform and the legislation flowing from it protects aboriginal and treaty rights and interests. Our informed view is that Bill C-62 is a serious infringement of our rights protected under section 35 of the Constitution Act, 1982. Our further view is that the federal government has failed to exercise its solemn duties to uphold our rights and freedoms arising from the special trust relationship created by history, treaties and legislation.

We will speak to these matters in the course of our presentation. First, however, let us make one early point. Our taxation relationship is unique and while successive governments have broken their solemn promises to our nations and whittled away at our blanket relief from outside taxation, our tax immunity remains as true today as it was when earlier federal laws safeguarded the imposition of taxes.

There is no doubt about the existence of these rights. It is foolish and a breach of our relationship and rights to ignore them. Bills like the one before you must make clear the legislative intent of Parliament when it comes to our rights and interests, yet the bill is completely silent when it comes to us. Can you honestly say you know what the legislation means to 500,000 First Nations peoples, businesses, travel organizations, governments, their territories and resources? Do you know that when we say tax relief, this means point of sale relief and not a refund?

Before you answer these questions, think about what your Supreme Court said in its recent judgment in the Sparrow case dealing with aboriginal rights.

> Our history has shown, unfortunately all too well, that Canada's aboriginal peoples are justified in worrying about government objectives that may be superficially neutral, but which constitute de facto threats to the existence of aboriginal rights and interests.

Let us now move to why we know our rights and interests are infringed, without justification, by the federal government's Bill C-62. We have in our possession a recent legal memorandum from the Department of Justice to the Department of Indian Affairs and Northern Development which states:

[Senator Marchand.]

> As suggested in the briefing note, it is the view of the Department of Justice that the Indian tax exemption is derived solely from the Indian Act and does not exist as a treaty right.

This is the same Department of Justice that contests our aboriginal and treaty rights and their existence at every occasion; the same department that lost major legal battles in the Nowegijick, Guerin, Sioui and Sparrow cases, all of which are of historical legal importance and relevance here.

It is very evident to us—and we say this with due consideration—that the Department of Justice is anti-aboriginal rights and anti-treaty rights. They are certainly not the ones to devise legislative policy towards us. They will do so without legislative clarity. Bad opinions will become policy. Our dialogue with the Department of Finance on the GST so far confirms this observation. Finance officials have stated as much to us; this despite evidence, First Nations' presentations in the past few months to Finance, and Supreme Court rulings to the contrary.

There are many historical legal agreements such as the Royal Proclamation of 1763, Treaty 8 and other treaties such as the 1760 treaty with the Hurons, recognizing the free exercise of trade, that guarantee our tax immunity. It therefore does not take too long to realize that we are dealing with aboriginal and treaty rights. Our tax relief reflects, among other things, respect for our self-governing nations and our willingness to equitably share our lands and resources. Even if there was some doubt as to their existence, it must be noted that the Supreme Court has ruled that treaties and statutes related to First Nations must be liberally construed and uncertainties resolved in our favour.

Let us look quickly at the probably damaging consequences of the bill in the absence of clear First Nations tax policy. Remember here, too, that the GST is a direct tax on the purchasers, unlike the MST. The exercise of aboriginal land treaty rights may be taxed through the mandatory purchase of items for, and services such as hunting, fishing and camping. There are also camping licences . . . .

Goods and services—predominantly bought off the federal reserve lands by 300,000 reserve inhabitants, because we have very few businesses on these lands, may be taxed. Two hundred thousand First Nations people living off reserve lands, many only recently reinstated or eligible for Indian status, may be taxed on goods and services. First Nations governments and travel organizations providing services may be taxed on their purchases. Commercial activities on First Nations territories and the use of our national resources may be taxed. There may be loss of statutory tax exemptions now in existing federal statutes and the eventual loss of the few tax exemptions now found in provincial statutes.

These real probabilities will, of course, be resisted by First Nations politically and legally, but what does this say about the federal commitment to protecting our rights and its solemn promises. It certainly speaks volumes to the underhanded way in which tax policy is designed for us.

We also reject the assertion in the Minister of Finance's technical paper that our people will benefit substantially from the enriched GST credit as well as relief from GST directly. It is well known that most of our people do not participate in the tax system . . . .

It is well known that most of our people do not participate in the tax system and will therefore not benefit from credits to entice us into the tax system. This, despite our low personal incomes, 54 per cent of the Canadian average, and poor social, physical and economic conditions. While Canadians have benefited greatly from the sharing of our lands and resources, we have not benefited.

We refer you to our Budget in Grief sent to all of you this spring for more information on our conditions. To make my point clear, the scale and depth of aboriginal poverty is horrible. If trends continue, by the end of this year, 1990, an estimated 337,000 out of 510,905 First Nations children, women and men will live on social assistance. We have been impeded legislatively from enjoying the benefits of our rights. This cannot continue.

● (0545)

Again, it seems we must give up more rights and benefits to accommodate government objectives that are out of step with our realities, and which infringe on our blanket relief from taxation and will, therefore, throw Canada-First Nations relations into unwarranted, avoidable and costly disputes.

We do not deserve such shabby treatment. We have made our recommendations to the Standing Committee on Finance and to federal officials with little or no effect. We have tried unsuccessfully to meet with the Minister of Finance to resolve differences and clarify the constitutional matters at issue for ten months now. We have asked the Prime Minister to intervene. All this in pursuit of clear and straightforward answers to unsettled taxation matters.

I do not know if the AFN has since met with the Minister of Finance, but I know that members of the FSI, Federation of Saskatchewan Indian Nations, met with Mr. Wilson, and they set up a process under which they are going to continue meeting in order to sort out some of these tax difficulties. Is this too much to ask when accommodations can be made to non-First Nations' interests for economic, cashflow and administrative reasons?

In the best interests of our rights and in the clear absence of parliamentary intent towards us in this bill, we urge you to send this incomplete and unconstitutional bill back to the House of Commons and strongly recommend to them to settle the outstanding issues with us that are now open to questions and, in so doing, remind the federal government to settle them in the spirit and intent of our special relationship and in keeping with our Aboriginal and treaty rights that are protected by the Constitution.

This is the only legitimate and fair way to proceed. Anything less would only add to the legacy of mistreatment and neglect of our hard- and long-fought rights and of our unique place in Confederation. We believe you will want to depart from this dishonourable history. Take a stand now.

I wanted to put this on the record. I see Senator Molgat is prepared to speak, and, honourable senators, I will let him proceed.

Some Hon. Senators: Hear, hear!

[*Editor's Note: For continuation of proceedings see Issue No. 115D.*]

THE SENATE

Thursday, November 29, 1990

[*Editor's Note: Continuation of proceedings from Issue No. 115 C.*]

Friday, November 30, 1990.

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE ACT
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMEND—MOTION FOR THIRD READING—DEBATE CONTINUED

Hon. Gildas L. Molgat: Honourable senators, I want to thank Senator Marchand for yielding the floor to me at this time. The debate in which we are now involved is probably one that will have the greatest effect on the pocketbooks of small taxpayers in this country, which is the reason our group is opposing the imposition of this tax. It is regressive and will work against the very people who need the greatest help in Canada.

In general, I prefer an income tax based on an ability to pay. However, I recognize that the income tax system, as it is presently structured, is an imperfect tool to measure properly ability to pay. The individuals who end up paying the greatest amount of tax compared to their actual income are those who are on straight payroll and straight salary. They have no exemptions. The tax is removed before they see it. Their final paycheque already has the tax taken off. Unfortunately, in many instances they do not realize the full amount of tax they are paying. Yes, it is shown on the cheque stub, but one does not tend to pay that much attention to it compared with the amount of take-home pay. They have no exemptions they can claim and, hence, pay the full tax. Others in our society are not in that same category. Others are making gains of various sorts that are not taxable. So the people who are on a straight payroll are the ones who pay the greatest amount of tax.

Because of that, to make the income tax system fully equitable—we might end up with more costs than are warranted—it is reasonable to look to other taxes. I can, under certain circumstances, agree to a consumption tax. There is no doubt that a consumption tax would reach some of the people that income tax does not. Those people who did not pay tax on the money they made would have to pay tax when they used their money. They would be participating in the tax system at the time they used the money they earned, but on which they may not necessarily have paid income tax. So it would reach those people which presently the income tax system does not.

There would have to be some basic elements in a consumption tax in Canada to make it fair. In my view, this particular proposal by the government does not contain those elements. The first element of a consumption tax is that it must adequately protect the people at the bottom of the earning bracket, that there be full exemption for those people with low incomes and, obviously, that the exemption be indexed. Yet the government, in this particular case, is not agreeable to doing that. Indeed, during the course of this debate, honourable friends opposite have voted against a measure that would fully index the tax. This surely is a most reasonable request and something that the people at the bottom end of the bracket need if the tax is going to contain any element of fairness.

People who are earning between $20,000 and $30,000 should have their rebates fully indexed. Why should that first 3 per cent be removed year by year from the very people who need help the most? Yet my honourable friends opposite have stubbornly opposed any change which would reflect that basic first step in establishing a reasonable tax system. Accepting that we need a consumption tax, how can they refuse to protect the people at the bottom end of the scale who will be paying the tax proportionate to their income in much greater amounts than those at the higher end, including honourable senators in the Senate? How can we consider it fair that someone earning $30,000 would not be fully protected? In my view, that is the first element in a reasonable and fair consumption tax.

Next, Canada, with its geographical differences and great distances, has nine provinces and two territories, which may evolve into provincial status, now charging a sales tax; and a tenth province with no sales tax. I know that my friends opposite, and those who support the GST, point to France, Britain and other countries around the world that have VAT or a consumption tax. But there is a big difference in those countries. They are unitary states. They do not have provinces with their own sales tax systems. Canada is a different type of country. We have nine provinces levying a sales tax. Now we are going to impose a new federal sales tax on top of that existing sales tax system. Surely it would make sense for us to coordinate the federal and provincial taxes.

That is what we have done with the income tax system. Provinces can levy a certain amount of income tax, but they do not proceed to have a separate collection system. We have made an arrangement whereby the federal tax is the basic tax. The federal system collects the tax, and the provinces, with one exception, have the tax collected for them. They decide what

their rate is going to be, and it can vary from province to province, but it involves one collection system.

What is the government proposing in this case? It has stubbornly refused to make an agreement with the provinces. Why is that the case? The government initiated certain conversations with the provinces, and my understanding was that they had achieved a certain degree of success. They were not in total agreement, but they were making progress. Suddenly the federal minister, Mr. Wilson, announced that he was withdrawing from the discussions, to the surprise, as far as I know, of the provinces. It was a political decision by Mr. Wilson. He did not feel that the discussions with the provinces were moving ahead quickly enough. He was super-anxious to get the federal sales tax implemented. Why? I suspect he was anxious to have it implemented well before the next election, and if further discussions with the provinces had continued, he might have found himself imposing the tax another year or two years down the line, which, in his view, might affect the electoral chances of the government.

I submit that is not a sound basis on which to establish a tax system in this country. We should have continued discussions with the provinces and arrived at one tax system or one collection system that would be implemented across the country. The provinces could vary the amount of tax they wanted to levy. If some provinces wanted 4 per cent, that would be the case; and, if some provinces wanted 6 per cent, they would have that option.

● (0600)

The federal government would have its basic tax, but no. Suddenly, Mr. Wilson decided that he would go it alone. What are we going to be faced with now? Well, we are going to be faced with a very complicated double-tax system, with the provinces having a sales tax and the federal government having a sales tax. I find it difficult to believe that my friends opposite really believe that that is the best way to go. It does not make any sense, in a country like ours, to impose a double collection system for the purpose of collecting a sales tax.

The very minimum should have been to make an agreement with the provinces, but no. The federal government chose to try to impose on Canadians this extremely costly tax, and I hope we will be able to defeat it.

We should really be revising our whole thinking in this matter. There is general agreement that the present manufacturers' sales tax has many defects, but not necessarily defects that cannot be corrected. We could proceed to correct some of them now. In any case, for the government to say what terrible defects there are in the tax is a little surprising when one considers that when the government first came to office the tax was at 9 per cent and it has increased it steadily since then to 13.5 per cent. To now suddenly decide that it is a terrible tax makes one wonder what the government has been doing for the past eight years as it increased the tax steadily. However, that having been said, it would be possible to improve the federal sales tax while we are dealing with the provinces to arrive at a rational sales tax system with the provinces.

[Senator Molgat.]

The federal sales tax could continue for another year or two, but improved. I do not know how many enterprises in this country collect the sales tax—perhaps 60,000, 80,000, 100,000; it may even be 200,000 or even half a million—but I know it is a lot easier to deal with amendments to a tax, where you have a finite number of people, than to change a tax or bring in a new tax like the proposed GST, which will affect every Canadian. The whole 26 million of us will to be affected by the GST, and the changes in it will have an immediate effect on us; whereas, under the present federal tax, we are dealing with a series of corporations, and, in my view, it would be much easier to make the adjustments.

So it is not a case of where the government absolutely has to move by January 1—at least not from the viewpoint of economics. The economics of the country are such that we could continue for another year with the present federal sales tax. We could improve it in that period of time and we could be dealing with the provinces to arrive at a sensible system. The reason for the rush to January 1 is a political agenda, not an economic agenda, for this country. Indeed, one might well wonder what is the connection between that tax and the so-called Free Trade Agreement. Were there any promises made to the Americans that we would do such a thing? I do not know. In any case, I do not see the great rush to impose the tax by January 1. We could carry on for another year. That would give us time to arrive at a sensible tax system, and, in particular, to allow us to mesh whatever we are going to do at the federal level with what the provinces are doing.

Canadians reject this additional great federal bureaucracy. The government talks a great deal about reducing expenses. Well, this is one area where it could certainly do so. There is no question that we could arrive at a simpler tax system. There is no question but that we could, with some concessions on both sides, arrive at an acceptable agreement with the provinces.

During the course of the work of our Banking, Trade and Commerce committee which studied the tax, a number of different proposals and suggestions were made for different taxes. I should like to deal with one of them. I am not saying that it is the final conclusion or that it does not need some further study—I believe it does—but I think it is at least worth examining, along with some other systems that have been proposed. The one that I am interested in at the moment, and which I think is at least deserving of some study by the Senate and by Canadians, is the proposal for the single tax by Mr. Dennis Mills.

I should like to read into the record some of the proposals. Perhaps I should start with the introduction to *The Single Tax*. This in an introduction by Mr. J. Lyman MacInnis, the past President of the Institute of Chartered Accountants of Ontario and of the Canadian Institute of Chartered Accountants, and a member of the Canadian Tax Foundation. Mr. MacInnis is well-known, therefore, in his profession. He holds the Queen's Jubilee Medal, for outstanding contribution to the profession, and the National Business Writing Award. He is the author of numerous articles and books, and certainly is not

a newcomer to the tax field. Here is what Mr. MacInnis has to say in the introduction to the book, *The Single Tax*:

> There are three fundamental tests which an income tax system must meet in order to achieve its goals effectively. It must be fair, efficient and understandable.

If I might add a personal comment, I think that honourable senators could make those same comments about the GST. It should be essentially fair, which the present proposal is not, as it does not index people at the bottom end of the income bracket. It should be efficient, which the present proposal by the government is not, because it superimposes, on top of present provincial systems, another sales tax—surely not an efficient system. As Mr. MacInnis says, it should be understandable. Well, let me tell you, from everything I have been able to find out, this proposed tax is certainly not one that could be classified as understandable.

I have a number of letters in that regard which I perhaps should read into the record. They have to do with a request that was made to me many months ago—in fact, I think it started in October of last year—by a gentleman, in what was my old provincial constituency, who has a small laundromat in a rural village in Manitoba. He asked me if he was going to be subject to the GST and how he was to collect it, because his laundromat is a coin-operated one. He was concerned as to whether his laundromat would be affected. This goes back to October of 1989. On October 19, 1989, I wrote the following letter:

> Information Services
> Department of Finance Canada
> L'Esplanade Laurier
> 140 O'Connor Street
> OTTAWA, Ontario, K1A 0G5
>
> Dear Sir/Madam:
>
> Re: General Sales Tax
>
> I have been asked by the operator of a small *coin operated* laundromat in rural Manitoba, how the proposed tax would function in his case.
>
> Would he have to collect tax? How could he collect it?
>
> I will be pleased to hear from you at your convenience.
>
> Sincerely yours,
>
> Gildas Molgat.

Some time went by and I did not hear from the Information Services; so, on January 24, 1990, about three months later, I again wrote to the Information Services of the Department of Finance, as follows:

> Dear Sir/Madam:
>
> I enclose a copy of my letter of 19 October to which I have received no reply.
>
> My letter did say "... at your convenience" but I did not expect that would mean more than three months.
>
> I look forward to hearing from you.

Well, at the end of February, or the beginning of March, I still had not heard, despite my second request. So, on March 5, 1990, I decided that, obviously, the Information Services of the Department of Finance did not know how the GST was going to apply, so it was better that I go to the source—and I wrote to the Honourable Michael Wilson, Minister of Finance, House of Commons, Ottawa, Ontario. This is now my third letter, the first one being in October. I said:

> Dear Mr. Minister:
>
> I enclose copies of my letters to your department of 19 October, 1989, and the follow up of 24 January, 1990.
>
> To this date, I have heard nothing from them.
>
> I do not like to bother you on what seems such a small matter but I find it inconceivable that your department cannot answer.

Finally, on July 19, again several months later, I received this letter:

> Hon. Gildas L. Molgat
> Senator—Ste. Rose, Manitoba
> Deputy Speaker of the Senate
> Ottawa, Ontario
> K1A 0A4
>
> Dear Senator Molgat

Let us remember that the first request for information was on October 19 and we are now at July 19 of the following year:

> I am writing with respect to your letters of October 19, 1989 and January 24, 1990 regarding concerns expressed by the operator of a laundromat in connection with the proposed Goods and Services Tax (GST) and its application to coin-operated laundromat services. Please excuse the delay in replying. My department normally operates an efficient system for managing correspondence. In this case, it appears to have failed us both.

• (0615)

As an aside, it certainly has, but it is also not indicative of much knowledge within the department. The letter continues:

> It may interest the operator to know that the existing federal sales tax, which has been in place since 1924, will yield about $700 million in federal revenues from Manitoba residents this year. Under the GST, they will actually pay less.
>
> The existing federal sales tax limits our output by some $9 billion a year, at the expense of income and jobs for Canadians. Replacing it with the GST will enhance our competitive position and provide a major stimulus to economic growth—a $300 million increase in real output in Manitoba. At the same time, the GST will improve the overall fairness of the tax system.
>
> Unlike the existing tax which is imposed at multiple rates on only one third of all goods and services consumed in Canada, the GST will apply at a lower uniform rate and to most goods and services. As you know, the House of Commons Standing Committee on Finance, which held

extensive public hearings on sales tax reform, also recommended that the GST be broad-based. Consistent with this principle, the GST will apply to coin-operated laundromat services.

Lo and behold, in reply to a letter which I first wrote on October 19, followed up again in January, followed up again in March directly to the Minister, and what do I get? A whole page of reply where there is not a single word referring to my questions, but a lot of propaganda from the department about what a great tax this will be. However, not a word about my request, now repeated three times. It is only on page two that they first get around to even recognizing that I asked for information about coin-operated laundromats. After stating that it will apply, the next paragraph of the letter states:

> However, all vendors of goods and services who charge GST on their sales will be entitled to recover the GST paid on their business inputs, that is, all the goods and services they acquire to operate their businesses. This is a substantial improvement over the current system in which federal sales tax is hidden in the price of business inputs and, hence, adds to their cost of doing business.

Another paragraph of propaganda, but still no reply to my question.

Finally, here is the simple answer to my friend who is trying to figure out what he is going to do with his laundromat operations in McCreary, Manitoba:

> With regard to coin operated laundromat machines, the GST will be 7/107ths of the total amount collected from the machine. For purposes of calculating their net tax of either remittances or refunds, laundromat operators will be deemed to have collected GST on their sales on the day on which they remove money from the machines.
>
> Once again, thank you for your letters. I trust my comments have been helpful. You might wish to forward the enclosed explanatory material about the GST.
>
> Yours sincerely,
>
> Brian Carter
>
> for Joel Weiner, Director
> Consultations and Public Affairs.

That is the response to my friend who operates a small laundromat in McCreary, Manitoba: "With regard to coin-operated laundromat machines, the GST will be 7/107ths of the total amount collected".

I would have thought that they might have had a suggestion as to how a small laundromat operator would collect this. People put in twenty-five cent pieces and that is it. The machines are geared for $1 or $2, whatever it may be. However, the answer from the department is that he has to collect 7/107ths. This, after eight months of correspondence, three letters, and finally having to go directly to the Minister himself, and waiting, in that case, from March 5 until July 19.

Mr. MacInnis stated in the introduction his three fundamental tests for an income tax: "Fair, efficient and understandable". If those tests are applied to the GST, I suggest that the GST is neither fair, efficient nor understandable.

This whole episode ended up in my writing to my friend, the laundromat operator, and I may as well put the letter on the record. He happens to be an old schoolmate of mine and we speak together in French.

[*Translation*]

This letter is in French. It is dated September 6 1990. It is addressed to Mr. Wilfrid Boiteau, P.O. Box 370, McCready, Manitoba, R0J 1B0.

> Dear Wilfrid:
>
> You have asked me that question quite a while ago—you can see that my first letter is dated October 19 1989 and that I have written other letters after that.
>
> I finally have an answer; five long paragraphs of propaganda and a short one saying that you will have to remit 7/107th of your sales as tax. Since it would probably cost too much to change your automatic machines to charge higher prices, you will have to pay this tax yourself.
>
> The Department of Revenue obviously does not know where it is going with this new tax. It took them nine months and three letters before they could answer.

GST is supposed to be a simple and direct tax! But even the minister of Revenue cannot answer a very simple question in nine months. And when the officials finally answer, is there any sense to be made out of their letter? They tell a businessman:

> You will hae to remit 7/107th of yours sales as tax.

So that is an indication of that new system which is certainly not easy to understand.

[*English*]

In Mr. MacInnis's introduction to the book *The Single Tax* by Mr. Dennis Mills, he continues:

> To be fair, an income tax system must ensure, to the extent possible, that taxpayers in similar circumstances pay similar amounts of tax.

Mr. MacInnis is talking about the income tax system. Let us apply the same test to the GST which my friends are proposing. I presume taxpayers in similar circumstances means taxpayers with a similar income. Surely, if that is applied to a sales tax the same rules should apply in similar circumstances.

Yet we have demonstrated clearly in this chamber that the tax does not apply to people in similar circumstances paying similar amounts of tax. We very forcefully pointed out the case of the north in the amendment proposed to exempt people in the Northwest Territories. I did not have a chance to participate in that debate. If I had, as I did in my vote, I would also have supported vocally the proposed amendment by Senator Waters. However, I would have pointed out that just to take the Northwest Territories as the barrier is not, in my view, sufficient.

In most of the provinces, certainly the three prairie provinces, and in northern Ontario and northern Quebec, we have areas that have weather conditions and problems of transport

as great as some areas north of the sixtieth parallel. I would have made a plea for areas in my province such as Churchill and the northern areas. I suspect that in Churchill, the weather conditions are probably worse than in many areas further north because of the influence of the bay. I would have made a pitch to protect other areas as well.

However, be that as it may, we proposed in that amendment to put in some degree of fairness by protecting people in those northern areas who have very different problems and very different costs. If a sales tax is simply slapped on at the point of purchase, they end up paying an awful lot more than people in the rest of the country.

Some time ago I read into the record the difference in cost for an individual living in Winnipeg in the same sized house as an individual in Richmond, British Columbia. The gentleman in Winnipeg, aged 70 and now retired, would be paying $2,200 for electricity and heating. His friend living in British Columbia in the same sized house with the same size of income, would pay $600 in heating and electricity. If 7 percent is added to those costs, they produce very different results. That is the reason we proposed an amendment that electricity and heating fuels be tax exempt, in order that there would be a degree of fairness. It is totally beyond my understanding why my honourable friends opposite are not prepared to accept that type of amendment when it is essentially fair.

To return to what Mr. MacInnis stated:

> To be fair, an income tax system must ensure, to the extent possible, that taxpayers in similar circumstances pay similar amounts of tax.

I submit that the same applies insofar as the GST: That taxpayers in similar circumstances pay similar amounts of tax. The GST does not do that. The GST discriminates by virtue of being simply one flat tax applied across the country, and in circumstances which are very different across this country.

My honourable friends are moving along with a tax which may work well in England: a unitary state which is small, with basically no extremes of climate, transport conditions and communication such as we have. The same applies in France. Admittedly, the climate on the coast of Normandy is not quite as good as that on the Côte d'Azure. However, it is very different from the climate in Canada when one considers Toronto and Iqaluit. It is not the same thing. You cannot simply import a tax system from another world and say, "Oh, that is marvellous. It works in France, it works in England, and so it willwork in Canada." And then impose it.

● (0630)

Just look at some of the other countries that have federal systems such as ours. Probably the closest one is Australia. Well, has Australia adopted a VAT or a GST? It has not. New Zealand has, their neighbour, has done so, but New Zealand is not a federal state. It is a unitary state, and again a much smaller state, and again a state where the weather conditions, the transport conditions, the living conditions are not that different. Whether you live on the south island or the north island in New Zealand, it is very much the same. There is not that great a difference.

However, in talking of Australia, if you live in Brisbane, in Melbourne or up in the very northern area, or if you live in the desert, you are dealing with very different conditions, and again tremendous expanse, tremendous transport problems. So Australia has not moved at this point. I know that my friends opposite will point to a recent press story which I found very interesting, which I think was, "Liberal Senator from Australia Recommends VAT tax," or something of the sort. I am sorry I do not have that story right at hand. The problem is that "Liberal" in Australia means "Conservative." My honourable friend, Senator Doody, has dealt with the Australian delegations and I think is aware that the party that labels itself "Liberal" in Australia is indeed the conservative party. It certainly was not a proposal made by a liberal-minded individual.

The GST does not meet the test that Mr. MacInnis says . . . must ensure, to the extent possible, that taxpayers in similar circumstances pay similar amounts of tax." That will not be the case with the GST. He goes on and states that in Canada, our income tax system does not do that.

> Depending on the source of income—

and I am quoting again from Mr. MacInnis at this point,

> Depending on the source of income, the ways in which it is earned, and the manner in which taxpayers arrange their affairs, Canadians may pay vastly different amounts of tax on the same amount of income.

He goes on:

> An efficient tax system must not unduly interfere with the allocation of economic resources, including both capital and labour. The Canadian tax system is fraught with special provisions to entice or discourage economic activities in particular segments of our economy—a task better left to the forces of a free market.
>
> But, where our system fails most miserably of all is in the test of simplicity. Income tax laws should be simple enough that most taxpayers can comply with them without professional help, and simple enough that the authorities can enforce them without undue expense, disputes and litigation. Well, our tax system is totally incomprehensible by human beings with average intelligence. It is largely incomprehensible by human beings with superior intelligence. Our tax courts are clogged with income tax cases. There is a whole industry of tax accountants and laywers dealing solely with disputes with Revenue Canada. The cost of income tax compliance is mind boggling. Our income tax laws must be simplified!

I agree with a good deal of what he says, as I said in my opening comments, I do not think our income tax system does the job that we need done in this country, but the same thing applies to the proposed GST. It must be simplified at the very minimum to a one tax system, tied in with the provinces—

[*Translation*]

Senator Bolduc: May I ask a question?

Senator Molgat: Certainly.

Senator Bolduc: When I was at the University of Chicago in 1952, there was a professor by the name of Henry Simmons who had written a book on a "One tax system". It was the subject of a major discussion within the university at the time. However, people eventually concluded that it was not only not efficient, but impossible to implement. I just wanted to mention that—I am going back 35 or 40 years now. It was discussed in great depth by American economists in the fifties—between 1948 and 1952. They concluded that it simply was not either feasible or practical.

Senator Molgat: Thank you for your comment, Senator, but was the proposal for a single income tax or variations on that thing?

Senator Bolduc: The economist's name was Henry Simmons.

Senator Molgat: Well, I really do not have time now to discuss it with you, but I would like to speak to you about it later, because it does interest me. I do not know whether you were here when I began my remarks, but the fact is I was not proposing that we have a single tax. I would like the income tax system to be simplified. If I really had a choice, I would opt for an income tax that affected all tax payers equally and truly reflected the individual's ability to pay, in other words, that was directly related to his income. It is the basic principle that I cannot accept in a modern system.

Senator Bolduc: But the weakness of that sytem is that you are taxing the economy's productive resources. You are taxing labour, intellectual resources, machinery, capital and everything that is productive in society, rather than taxing consumption. That is the weakness of an individual or corporate tax system. You are basically taxing everything that is productive—inputs, in other words. It seems to me that it would be much wiser, particularly since we already have an income tax system that is fairly onerous both for individuals and corporations—albeit less so for corporations. So, at some point, we simply must try to restore some sort of balance by introducing a consumption tax system, so that we will not be hitting the production side.

Senator Molgat: I really do not think your position and mine are all that dissimilar. I said initially, and I have just repeated this, that even though from a philosophical point of view, I would prefer that income tax really be based on how much an individual actually receives in income, but I realize that in a modern world, that single source of income is not adequate.

The fact is it is not always fair. Many people who currently do not pay income tax should be paying. Putting the system in place to recover that money would cost us a fortune. I am not proposing that we depend only on income tax, but rather, that we simplify it as much as possible and do whatever we can to make it more appropriate.

[Senator Molgat.]

On thing that concerns me about our current income tax system is that those who pay the most are salaried workers, people who receive a cheque every week or every two weeks. Those people pay the whole shot. They have no deductions, and indeed, they do not even see the tax, whereas many in our system are not paying their fair share, Trying to get at those people, though, would cost too much money, and that is why I agree that a consumption tax is necessary. I accept that fact. But I have also set out the conditions under which a consumption tax should be brought in. It must be applied equitably across Canada, in so far as that is possible, and it must be simple. What I do not like about this proposed tax is that we are going to have nine different provincial systems. The only province that has no consumption tax is Alberta. All the others already have a tax system in place. What I would like to see is a joint federal-provincial system, in other words, an agreement with the provinces on a single system, although the rate could vary.

Senator Chaput-Rolland: There could be just one.

Senator Molgat: The other provinces are not doing it. Right now, all the other provinces are taking the federal government to court. Alberta, for instance, is fighting the federal government in court at this time, as are the Province of British Columbia and the Province of Ontario—here are some clippings—

[*English*]

> Ontario to join GST court fight. Ontario's NDP government will join British Columbia and Alberta to fight the federal government's goods and services tax, Premier Bob Rae says. The provinces decided not to go it alone because the other provincial challenges are already underway, Rae said. He said the province would be intervening in the Alberta and B.C. court challenges.
>
> "We are going to mount a very, very strong case against attacks," Rae said as he left the cabinet meeting yesterday. "We think that the GST is interference with an important provincial jurisdiction and is not something that we can let go constitutionally without a fight."
>
> Attorney General, Howard Hampton, said Ontario will argue that by stacking the Senate, Ottawa has altered the purpose of the body which is to guarantee provincial and regional representation. He will also argue that the federal government does not have the right to impose a retail tax in Ontario.
>
> "Do not take the view that because we are intervening in somebody else's case, it is minor; that we are taking a minor bit part," Hampton said. "We will not be making the identical arguments that Alberta is making, nor the identical arguments that B.C. is making."
>
> B.C.'s court case is scheduled to start December 17 and Alberta's is expected to get to court sometime in January, he said.

[*Translation*]

So, I do agree that it should be simple and that we should reach some agreement with the provinces. We should delay the

implementation date of this tax so that we have time to come to some arrangement with the provinces. Right now, only one province is prepared to co-operate. Three others are presently before the courts to fight this tax measure, and the majority of the other provinces—other than Newfoundland, perhap—are all opposed. So I would like the government to take the time to simplify our tax system so that we can avoid superimposing some 4,000 federal public servants onto provincial bureaucracies in order to collect what is essentially a single tax.

Senator Beaudoin: The question of tax harmonization really has nothing to do with time. It has to do with the system. If Quebec can manage to do it within the space of a few weeks, why could not the other provinces as well? I believe the provinces currently challenging the constitutionality of the federal initiative would just as soon challenge in six months time. I do not think it is a question of time. The need to harmonize the two taxation systems arises from the fact that we are part of a federation. It is a little bit more complicated, but it certainly is not impossible. But I, for one, would not conclude that this is a sufficient reason to delay the tax's implementation. As far as I am concerned, because we are part of a federal state, we must come to some agreement between the two levels of government on matters of taxation—particularly taxation such as this. But I do not think that time has anything to do with it, or that the solution is to delay the tax's implementation. The problem is simply a result of the fact that Canada has two levels of government with the power to tax. Perhaps we could make a comparison with other countries. Someone started to draw an analogy with West Germany, which is also a federation, but the fact is it may not be exactly the same there. I am certainly not trying to say that there is no problem. There is indeed a problem of harmonization; but Quebec found an appropriate solution, and I, personally, do not believe that time has anything to do with it.

Senator Molgat: Well, Senator Beaudoin, let us just say that there are two issues involved with respect to an agreement between the federal government and the provinces on the new tax. There is, of course, the constitutional question. And based on what I just read you about what the Province of Ontario has been saying, it is clear that they intend to base their arguments on the constitutional issue. And certainly, this issue must be resolved. Is it constitutional or not? That fact must be established. Having established that—and I suppose you are in a better position than I to assess the issue—I suspect that the decision will probably be that both levels of government have the right—

Senator Beaudoin: Yes, I believe so.

Senator Molgat: That is what I expect will happen. Once that has been established, we can move on to the second topic of discussion, and that is precisely where we will need time to reach an agreement. I am the first to admit that compromise will be necessary. There will have to be some give and take on both sides. But it seems to me that this process would allow us to come up with a more acceptable tax for the country as a whole and if we were to see the provincial perspective as well, I think that would be to set a direction that is precisely the one you would recommend for our Canadian federation—manely that every province should have additional rights or powers over things that affect it.

As you know, you and I do not exactly have the same view of things: You are a lot more in favour of decentralization than I. But supposing you are right—that the provinces should be more independent. If that is so, and we want to introduce this federal tax, should we not in fact be giving the provinces an opportunity to discuss this with the federal government and say: "Let us agree on a tax to be applied across Canada, but with certain variations here and there". If we took the time to have these discussions, we would end up with a tax that would be more acceptable to the country as a whole. Whereas now, three provinces are already taking the government to court, and most of the others are saying they are also against this measure. What I am saying is this: Let us just take the time to solve the constitutional issue that this raises. Once that has been solved, then we can start working on compromises that will allow us to have a workable tax.

What I am trying to say is that this precisely will take time. And we must set aside the time to do it. Unfortunatley, in the midst of discussions with the provinces, Mr. Wilson suddenly decided to put an end to them. I, myself, suspect that the reason he did this was that he was in a big hurry to get it in place, so that implementation would not be occurring too close to election time, which is in two years. I do not think it was an economic decision. The issue of how to make the proper adjustments with the provinces was really a political discussion. They felt they had to act right away because if they did not, this unpopular tax would be coming into force just before an election. That is unfortunate, but that is the reality. But I do think we should take whatever time is necessary to reach an agreement with the provinces. Otherwise, we will end up with two taxation systems and two collection systems, and heaven knows we certainly do not need that in this country. We already have too much duplication as it is.

Senator Frith: If I am not mistaken, the only country or state that has two levels of taxation is Brazil; in other words, there are other countries with a federal system—like Germany, for example—but according to my information, Brazil is the only one with two levels of taxation and two taxes. Is that right?

Senator Molgat: Senator Frith, unfortunately, I am not in a position to answer your question. I cannot say whether it is the only country or not—indeed, I must admit that I am really not aware of the situation in Brazil at all. But it is my impression that in Germany—and perhaps Senator Beaudoin could help you in this respect—the lander do not have their own consumption tax.

Senator Frith: The reason for my question is the fact that it has been noted on occasion that no other federal state has a tax like the GST, but I have since been told that that is not true and that there are some countries with a federal system—in other words, two levels of government—and a tax similar to the GST. But the combination of the two—in other words, a federal state with two levels of government and two levels of

taxation—only exists in Brazil. And if my information is correct, the system does not work very well.

Senator Molgat: Thank you, Senator Frith, for that clarification. It is really quite interesting, and I suppose our researchers from the Library could probably answer that question. Perhaps another senator would like to participate in the debate—maybe Senator Beaudoin has some information in this regard. Are there actually other federal states that have two levels of taxation? It is simply my impression that those who have established such a tax are unitary states.

I repeat that it is my impression that Germany does not have two levels of taxation, even though it is a federal state.

Senator Beaudoin, I do hope I have answered your question. Are you satisfied with my answer, Senator Tremblay?

So, we all agree! If I am not mistaken, then, the francophones agree that we can have two systems of taxation: A tax on basic income, as well as a consumption tax that is equitable, provided we have the agreement of the provinces. We are indeed making progess! I think I can probably get through my speech in a few more hours!

But to come back to what Mr. MacInnis was saying, he was in fact talking about income tax. I believe the thrust of his statement was the need for a single tax system.

I could certainly accept what my friend opposite was saying—namely, that a single tax may not work—but I do think we have to look at the one being proposed, the GST, with a view to simplifying it. Mr. MacInnis was saying that:

● (0645)

[*English*]

> Our income tax laws must be simplified!
>
> The main reason they have to be simplified is in the very nature of the Canadian income tax system itself. It's what's commonly known as a self-assessing system. Under the law, it's up to you and me, and every other individual in this country, to be sure we pay the correct amount of income tax. If we make mistakes on our returns we are subject to heavy interest charges—and possibly a fine if we can't prove the mistake was innocent. That's hardly fair when the law under which we have to file our returns is barely understandable, even by tax professionals who spend their entire working lives and much of what should be their leisure lives—trying to understand it.
>
> It's particularly repugnant when you consider further that the cost of having a professional prepare a tax return for the vast majority of Canadian taxpayers, is *not* deductible for income tax purposes. To get a deduction for the cost of income tax advice you have to have either business income or a substantial amount of investment income. That's not the majority of Canadian taxpayers by a long shot.
>
> Could our income tax laws be simplified? Yes, they could. And they should, if for no other reasons than to get rid of the great uncertainty which stifles initiative, slows down the economy, and drives so much commercial activity underground where it is not taxed at all.

[Senator Frith.]

[*Translation*]

Honourable Senators, I freely admit that a consumption tax . . . of course, because these people have to spend the money they earn, even though they have not paid income tax, at least they should pay tax when they spend that money.

[*English*]

> A simplified income tax act would mean more revenue for the government and a fairer distribution of the tax burden. And the right way to accomplish all of the objectives—fairness, efficiency and simplicity—is to move to a single rate income tax system.

[*Translation*]

I hope Senator Beaudoin is listening, because this took place in 1961. I believe you were telling me about an economist at the University of Chicago . . . . What was the year again?

In any case, allow me to quote something written by Dr. Ken Eaton.

[*English*]

> The idea is not new. In 1961, Dr. Ken Eaton, a respected, 25-year veteran of the Federal Department of Finance, said:
>
> "The obvious benefits to Canada of a flat rate tax include: incentive to work harder and earn more take-home pay;"

[*Translation*]

That runs completely counter to what was said earlier in the discussion I had with my collegues opposite, who maintained that it destroyed motivation, since the tax was aimed at people who produced. But Dr. Eaton maintains that there is—

[*English*]

> . . . incentive to work harder and earn more take-home pay; Canadians would have money left to acquire a greater ownership of a Canadian industry; it would attract highly trained people to stay in Canada; remove the incentive to cheat on taxes; simplify tax provisions and reduce the cost of administration.

[*Translation*]

So, there is definitely another perspective on the issue besides that expressed by my colleagues earlier. I will now return to my text.

● (0700)

[*English*]

> Dr. Eaton was right. A single rate system without complex deductions, credits and exemptions would eliminate the need for complicated legislation and the totally unproductive incentive to find loopholes and other ways of avoiding payment of tax.

[*Translation*]

I am sorry to see that you are leaving us, Senator Beaudoin, because I think we could have had a most interesting discussion together. I am going to miss you!

[*English*]

> Dr. Eaton was right. A single rate system without complex deductions, credits and exemptions would eliminate the need for complicated legislation and the totally unproductive incentive to find loopholes and other ways of avoiding payment of tax. The underground economy would virtually disappear.

[*Translation*]

As far as I am concerned, one of the things we should be trying to achieve with our taxation system is indeed the elimination of all these complexities.

Right now, however, we are, quite frankly, encouraging people to evade tax. And with the GST, we will simply end up with a system where people will rely on a system of exchanging services.

For instance, the garage mechanic will repair the dentist's car in exchange for having his teeth checked and his dental problems solved without there being any exchange of money. We will in fact be encouraging the creation of such a system.

So, Mr. MacInnis goes on to say:

[*English*]

> Consider the advantages of a single rate system:
>
> 1. Simplification of the income tax act;
>
> 2. Lower taxes for most people;
>
> 3. A fairer application of the tax burden;
>
> 4. The elimination of loopholes and tax shelters, which would result in re-channeling of enormous resources into truly productive endeavours;
>
> 5. A significant withdrawal by government of influencing market decisions; and
>
> 6. A tremendous reduction in the cost of collecting the tax.

These, it seems to me, are objectives we should seek in the income tax system as well as but also in the present GST. I have accepted that we probably need a dual system, perhaps somewhat reluctantly, because of the conditions. Surely the objectives should be the same.

Hon. Dan Hays: Senator Molgat, may I ask a question?

Senator Molgat: Yes, please.

Senator Hays: With respect to both the GST and the single tax you are speaking of in the quote you have just read, you are getting into an area where there has not been much discussion or debate; that is, the differences between the tax systems of Canada and the United States. As you have been speaking, and in anticipation of my speaking later, I have been reading an article published in the *Canadian Tax Journal* of May-June, 1990. I will read a brief quote with respect to the harmonization of Canadian and U.S. tax systems, and then I will ask my question. It is a criticism of the GST. It says:

> The federal government has been concerned about harmonizing the income tax system with that of the United States. Yet there seems to be little concern about harmonizing the Canadian commodity tax system with its U.S. counterpart. The introduction of the GST will maintain the existing disparity between Canadian commodity tax rates and the rates in the United States, which are only about one-third of current Canadian rates.

There is an interesting footnote referring to an article about international tax harmonization by Mr. Francis Vaillancourt of the University of Montreal, 1990, which we can perhaps get into later. I will continue with the paragraph:

> For certain goods that are taxed heavily under the MST, such as automobiles and furniture, the introduction of the GST will lessen the disparity between US and Canadian rates. For other items, however, particularly services and other products that are taxed lightly or not at all under the MST, the GST will increase the disparity. Given the free trade agreement, the persistence of the disparity in commodity tax rates will make cross-border shopping more attractive to Canadians.

It is not unlike the comparisons of other countries you were discussing with Senator Beaudoin and Senator Bolduc. It is more important because disharmony with the U.S. tax system is something that Canadians must be wary of, cross-border shopping being one of the issues.

With respect to the GST and the tax you are talking about, which is the single tax, I wonder if you could comment on the differences they would present between Canada and the United States, bearing in mind the important trading relationship and our proximity, and whether or not either of these are a good idea.

Senator Molgat: Thank you, Senator Hays. I want to clearly point out that while I am dealing with Mr. Mills' proposal, the single tax, I am not necessarily advocating everything that he has said. I am trying to point out that there are other alternatives we could look at, and I do not think the government has done so. This is one alternative we could look at. I am not a tax expert and do not claim to be one. I have not studied what this means in-depth. Earlier a senator across the way said that when this was studied at the University of Chicago 30 years ago, there was opposition to a single tax. So I am not saying that this is the be all and the end all, but I think it deserves study.

With respect to your specific question, we have to be careful when harmonizing our tax system with that of our neighbour. Much as I do not like to be caught up in the U.S. orbit, we must recognize that they are next door. You only have to look at what is happening insofar as purchases across the border. Most of our major Canadian cities are within easy driving distance of the U.S. border. My own city of Winnipeg is 60 miles from the American border, and Vancouver is even closer. So if our tax system is out of whack with them, as it is now, with respect to a number of things such as alcoholic beverages and many food items, obviously there will be a tremendous attraction for the Canadian consumer to make purchases in the United States.

I think the GST will aggravate that. I will cite one example with respect to air fares. I am told that many Canadians,

instead of purchasing their airline tickets in Canada, cross the border and use American carriers. I think this will be aggravated by the GST. We will find that many tour operators and travel agents—and I do not fault them for it because it is a question of economics—will be recommending that passengers do not fly, for example, from Winnipeg to Florida, but buy a ticket that goes from Grand Forks, North Dakota, and have a bus to take them to Grand Forks, thereby saving a lot of money. I do not think our tax experts have considered the impact of this.

Canada's population is concentrated within 100 miles of the border. Every one of our major cities, except Edmonton I suppose, is within 100 miles of the border. It is a simple proposition for 90 per cent of the Canadian population to cross the border to shop, but we cannot operate in a vacuum. We must realize that our tax system must be able to face what is going on across the border from us.

Senator Hays: Senator Molgat, specifically with respect to your example of air transport, when the Department of Finance restructured the goods and services tax and reduced the rate from 9 per cent to 7 per cent, at the same time I understand there were increases in the excise tax on transportation, air travel in particular, and in some cases the use of a flat rate rather than a percentage of a total ticket, the idea being that travel over Canada would be taxed, but travel over a foreign jurisdiction would not. My recollection is that for the 7 per cent to give the federal government the tax yield it wanted, the excise tax was increased, because the GST was applied on top of the excise tax. Do you have any detail on that?

The point you are making is that this discourages the use of Canadian carriers because we are taxed much more heavily than U.S. air transport. I am wondering if you know any of the details about the increase of the excise tax on travel so that the yield would increase, because the GST was applied on top of it. In any event, my question will highlight the point you are trying to make if you cannot provide me with further detail.

Senator Molgat: Unfortunately, Senator Hays, I do not have those details. Some years ago when the federal government decided to impose what I think it called an airport tax, it was on a percentage basis with a maximum of, at that time, $50. There were substantial objections raised in my region, and I presume from yours as well because if it is, indeed, an airport tax, it does not cost any more if you are flying 4,000 miles from Vancouver to Quebec City—the airport costs are the same—than if you are flying from Quebec City to Montreal. Yet when you charge on a percentage basis, obviously the individual having a ticket that costs $1,000 pays a great deal more than someone who paid $200 for his ticket on a short flight. There were objections at that point from the western regions. I am not in a position to advise you as to what changes were made recently.

To return to the single tax proposal, I repeat that this is one of the possible alternatives. I am not saying that it is the cure-all for anything, but I think we ought to be looking at alternatives, this being one. The introduction by Mr. MacInnis sets out the broad approach we should take to the tax system in Canada. He says that there should be simplification and lower taxes. Of course, all of us want lower taxes, but we also want a fairer application of the tax burden, the elimination of loopholes and tax shelters and a tremendous reduction in the cost of collecting the tax. I think those are all things that we should be looking at with the GST.

[Senator Molgat.]

• (0715)

Now, Mr. MacInnis carries on again dealing with the single tax. He considers the advantages of a single rate system and he puts down six advantages and then continues:

> There is only one disadvantage. Some people who don't pay any income tax now might have to pay some under a single rate system, and some others might have to pay a bit more. However, this is offset by the fact that more income would be available to more people. It's the higher income earners who invest and take risks. If they are left with more disposable income, that extra income will soon find its way into productive uses, with the result that lower income earners will have greater opportunities available to them to increase their earnings. And they'd get to keep more of it under a single rate tax system. Over the longer term everyone would be better off.

After reading that section, here is where I say that there is room for a proper consumption tax, but again, I repeat, "a proper consumption tax". I laid out at the outset of my comments what this meant to me. It had to be fully protective of people at the lower end of the scale, not discriminatory in various parts of Canada, and it had to be simple to collect, which means tying it in with the provincial systems.

Mr. MacInnis finishes off his introduction by saying:

> So, why don't we have such a system? Because until now there hasn't been an elected politician with the required combination of economic insight, political will, common sense, and backbone to support it.
>
> Welcome Dennis Mills! Our country needs you.

For those who were not here earlier, that introduction is by Mr. Lyman MacInnis, the past-President of the Institute of Chartered Accountants of Ontario and of the Canadian Institute of Chartered Accountants, and a Member of the Canadian Tax Foundation. He is well-recognized in his own profession. He holds the Queen's Jubilee Medal for outstanding contribution to his profession and the National Business Writing Award. He is also the author of numerous books, so he is not a newcomer or an individual who does not know what is involved.

Now, what is it that Mr. Mills suggests?

> It is often said that industry is the engine that runs the modern economy. If that is so, the oil that keeps the engine running is the tax system. It is a tax system that encourages or impedes the will of the country to be productive. If the tax system is inefficient, the cogs and wheels, the valves and dials of industry do not operate at their full potential.

I think that is a very sound opening statement, and that is why we have to review the GST, to ensure that it is indeed an efficient system and will not end up by putting grit into the cogs and wheels and valves and dials of industry but, instead, will put oil in them and ease the system, not make it worse. I come back to the text:

> But the tax system does more than lubricate the motor—it is also the heart of the economy. For industry is not simply cogs and wheels and valves and dials—it is also people. If the tax system is unfair or complex, then people lose not only the will and the motivation to succeed but also their sense of involvement with the economy.

I think that is a fair statement. Part of the problem with the GST is that it suits the bureaucrats who designed it, but I do not think it suits the people. I think it is a bureaucratic approach which needs to be tempered by a people input, and that people input should come, at this point, by the provinces being directly involved in the final solution instead of being head-on against the federal government, three of them in court and almost all the others objecting. We have to work together so that it becomes a people system, properly attuned to the different regions of the country.

Mr. Mills continues:

> So, for Canada to aspire to a worldclass economy, industry and the people who are its life force must be supported by a tax system that is, above all, *fair*. And if people are to be sure that it is fair it must be *understandable*.
>
> A tax system that is unfair is a malignant organ right at the heart of the economy and it is for this reason that tax reform is such a vital issue in Canada today. Our tax system should not only provide the motivation to succeed, it should also reflect our value system and our national identity.
>
> We are a small nation in a big land and we are in great need of national productivity at all levels of the economy. But how can we rally Canadians, how can we appeal for teamwork and cooperation, how can we expect to galvanize the national will, if the root of the problem lies not in the ability of Canadians to respond but in the inequity, the complexity and the inefficiency of the tax system?

I think that most of us in this room, regardless of our political views, could agree with those statements. The question is: How do we arrive at this goal?

Mills carries on:

> I know at first hand how much individuals and businesses are handicapped under the current situation. I, too, have been a small businessman struggling to meet a payroll and having to face the bank manager in hard times.
>
> My wife and I have not forgotten what it was like in 1970, attempting to build the business and living in a basement apartment at $90 a month because it was all we could afford. And I know very well from my constituents in Broadview-Greenwood that this is still the situation for many families and businesses in Canada today.
>
> So, for many Canadians, the need for tax reform is not an interesting academic exercise but a problem that demands immediate attention. We *must*—

And that is Mr. Mills' emphasis with the italics.

> —find a better way so that we can restore their trust in the system.

In order to start building that trust I want to put my own cards on the table and explain exactly why I became involved with the Single Tax proposal for reform.

I believe we are all shaped by our experiences and I have been privileged to know some very special people who have had a great influence on my thinking and attitudes.

The first was my father, who taught me that you didn't have to *be* the best but you had to *do* your best in order to succeed. What made my father successful in business was his attitude towards service. Anyone can rent out cups and plates and tables, but it is how you treat your colleagues and your customers that counts. I believe that attitude to service is essential in whatever vocation a person chooses.

The second big influence came from Stuart Lawson, whose portable grandstand business we bought on the condition that he stayed and worked with us. Once exposed to this man, you could sense a special quality about him. Given time to reflect, you realized that what made him special was his attitude towards life.

Mr. Lawson was an energetic, intelligent and multi-talented person. When asked "How are you today?", he would pause, look you straight in the eye and say confidently, "Never Better!" He believed that each day of his life was better than the one before. Each day was his opportunity to meet and conquer new challenges. The statement echoed his happiness to be alive, active, caring and thinking. He took nothing for granted. He was never too busy to help others, to show interest in their projects or to let you know that he loved his wife and family.

The "Never Better" philosophy and way of life allowed Stuart Lawson to enjoy all 85 active years of his life. His attitude allowed him to work confidently along with fellow workers, exceptional athletes and powerful businessmen and women yet treat all with equal respect and dignity.

By adopting this "Never Better" philosophy, people show an unqualified joy for living, a special ability to meet daily challenges, and a love for family, friends and co-workers. To say that someone has the "Never Better" approach means that they are eager, caring, motivated and determined to make each day "Never Better".

The third important influence came from the Basilian Fathers at St. Michael's who taught me the importance of teamwork, both in the classroom and on the ice. It is this

notion of teamwork that makes it impossible for me to stand up in Opposition and criticize the government unless I can produce what I truly believe to be an equal or better proposition.

A fourth influence came from working as Senior Policy Advisor to the Cabinet Committee on Communications and also having the privilege of being on the senior staff of Prime Minister Pierre Elliot Trudeau from 1981 to 1984. During this time I also met Senator Keith Davey and it was he who told me to "lean to your strengths".

My strengths came from all the people mentioned above who gave me the confidence to act on my own beliefs and, when necessary, have the courage to go against the wind.

From four years of reading cabinet documents I had the rare privilege of learning all about the complexities of the issues in the governance of Canada. And the issues of the day were complex:—

Senator Frith: Excuse me, whom are we talking about?

Senator Molgat: This is Dennis Mills. Some of you may wonder why I give all this background. I am trying to show that he does have a very broad view of Canada and I think it is important to understand that. When I read the introduction by Mr. MacInnis, I gave his background because it is important to understand from what basis these people are speaking. Mr. MacInnis was speaking as a man who had been a long-time chartered accountant. Mr. Mills was speaking as a man who had been a long time in business and had lots of political involvement and could reflect his vision of Canada and has a reason to propose the changes. This is Dennis Mills himself.

Senator Frith: Can I ask Senator—

Senator David: Molgat.

Senator Frith: Thank you, Senator David. I remembered his name, although "Senator" was enough, but so that the record will show it clearly, it was Senator Molgat. I noticed that Senator Doyle has raised his glasses and is leaning forward, poised to say something.

Senator Doyle: I just wanted to be sure it was not Senator Mills you were speaking to.

Senator Frith: Not yet, apparently. This book is a biography, if I understand correctly, but I take it that it also sets out very fully the proposal that Mr. Mills is making for his single tax.

Senator Molgat, when you come to that part, I assume you are going to tell us, and I hope it will be in some detail, of the proposal for a single tax so that we can make the comparison between the single tax proposal of Mr. Mills and the GST. I should also like to ask if that book also contains some comparisons within itself to other single tax proposals. Certainly, the concept of a single tax did not originate with Mr. Mills. I seem to remember there was some chap from the west who was a candidate at one point for the leadership of the Conservative Party who had a single tax proposal.

Senator Austin: Pocklington.

[Senator Molgat.]

Senator Lucier: The man who sold Gretzky.

Senator Frith: This is the same man who sold Gretzky, I see. Did he have an abattoir or something?

Senator Lucier: Yes, he did.

Senator Molson: He was connected with Gainers.

Senator Frith: Yes. I must say that the first time I became aware of someone on the national scene proposing a single tax system was with this Mr. Pocklington. I wonder if Senator Molgat is going to put on the record something that will give us an opportunity to make a comparison between Mr. Mills' proposals for a single tax and the GST. Perhaps Senator Molgat could comment on how Mr. Mills' proposals differ, if they do, from other single tax proposals.

• (0730)

Senator MacDonald: Flat tax.

Senator Frith: Do they mean the same thing, flat tax and single tax? Perhaps Senator Molgat could also tell us about that.

Senator Molgat: You are correct, Senator Frith, it is not the first time a single tax was proposed. Indeed, at the time of the last conservative leadership contest, Mr. Pocklington made quite a point of pushing the single tax or flat tax. It is not something that Mr. Mills has completely originated. That is the reason I read his own background, to indicate that he does have this broad input from outside.

To answer your question directly and to show you where I am heading, the following are the various headings of the chapters. Chapter 1, Involving Canadians in Tax Reforms; Chapter 2, What is Wrong with the Current System?; Chapter 3, The Development of the Single Tax System; Chapter 4, The Advantages of the Single Tax System; Chapter 5, Other Tax Reform Proposals—

Senator Frith: Are you going to be able to give us selections from all of those headings?

Senator Molgat: I hope that I can, because it is important that we do look at alternatives.

Senator Frith: I think it is important to get them on the record early in this debate.

Senator Molgat: I might add that there are two more chapters. Chapter 6, The Problems with the GST, and Chapter 7, Advancing the Debate. I trust that what we are doing here is advancing the debate.

Senator Lucier: He did not get all the problems with the GST in one chapter?

Senator Molgat: No, I suppose not. However, that chapter runs from page 133 to page 148, so he has a selection. However, he may not address all of the problems in depth. By putting this on the record, I hope to have an opportunity of doing what Mr. Mills wants to do, which is to advance the debate. When the committee in the other place was allegedly studying the bill, one of the great disappointments was that it did not look at any alternatives and simply proceeded; it

supposedly listened to people, but there was no in-depth look at other proposals.

[*Translation*]

Senator David: I do not get the impression, Senator, that we were doing exactly the same thing in the Senate Committee.

Senator Molgat: Senator David, I guess I am getting old; I cannot hear you very well.

Senator David: Well, I will try to speak louder . . . You say the Commons committee proposed no alternatives—indeed, did not even consider any alternatives—but it is my impression that that is more or less what happened in the Senate committee as well. As I recall, Dun Mills was a witness before the Senate committee, at which time he explained at great length the theory you have just be discussing, but we did not in fact have the time or the energy or the opportunity to consider alternatives. Several were in fact proposed to the committee. About 12 pages of the committee report are devoted to a discussion of the alternatives—alternatives that were not considered seriously and where only an attempt was made to point out advantages and disadvantages; in other words, the kind of superficial consideration that could have been done verbally, as Senator Frith was proposing. But I think it is a little late now to get involved in that kind of study.

Senator Thériault: I would like to say in response to Senator David's comment that what he is saying is quite true.

Senator Frith: You are not speaking to the motion.

Senator Thériault: I am commenting on the question Senator David put to Senator Molgat. In response to his question, after hearing all the recommendations made to him, the committee decided that there had been so many representations made and that so many people were either totally or partially opposed to the GST that in the end, we had no alternative but to recommend that it be scrapped.

Senator Molgat: Thank you, Senators David and Thériault. In fact, Senator David, my feeling is that the committee simply concluded that it had no other alternative, given the kind of restrictions being imposed by the government—namely, that the tax had to be in place by January 1, 1991. The simple fact of the matter is that there was not enough time to really propose the proper reforms and that a far more in-depth study of the issue would be required before the appropriate recommendations could be made—that is all I was trying to say earlier. I really do not see why it is absolutely essential that the tax be in place by January 1. After all, the tax that we are changing—the Manufacturers Sales Tax—has been around for a long time. I freely admit it is not perfect, but I would also point out that when Mr. Mulroney's government came to power, that tax stood at 9%. Since then, the government has continued to increase it, not every year, but in a couple of different stages, since it is now 13.5%. So, if the tax was really that bad, surely in the eight years it has been in power, the government would not have seen fit to increase it from 9% to 13.5%, if it was really that terrible. Consequently, I see no reason why we could not take another year, or even two, to develop the means of changing that tax. My fear is that we will end up forcing on Canadians a new tax that is a lot more complicated and a lot more costly. I was saying a little earlier that our efforts should now be focused on harmonizing the tax with the provincial systems. True, your province has agreed to do so, but three provinces are also taking the federal government to court to fight the tax, and the majority of the others are opposed to it as well. So, I do think we should take the time to achieve harmonization.

Senator David: It may take a long time.

Senator Molgat: But the provinces really do have a major objection. For example, this is what the Alberta government has to say about it.

[*English*]

> Alberta News Release
>
> GST LEGAL CHALLENGE
>
> Dick Johnston, Provincial Treasurer, and Ken Rostad, Attorney General, announced today that the Government of Alberta will proceed with a legal challenge to the proposed Federal Goods and Services Tax (GST). A reference has been directed to the Alberta Court of Appeal under the Judicature Act. It will ask the Court to hear and consider certain questions regarding the constitutional validity of the GST.

[*Translation*]

Senator Molgat: So, here we have a very important province that is not only unhappy, but unhappy to the point of taking the federal government to court. So, all I am asking is that we take whatever time is necessasry. Let us just wait a year or two if we must, rather than bringing in a system that is going to be too costly. The federal government will need an army both to put the tax in place and to collect it. We have a good idea of what the cost is going to be. We were recently told that some $350 million would be required to make the system operational. And the provinces will then have to do the same thing. So I would just like to continue reading this press release from Alberta, because I think it is important that we be aware of attitudes across the country.

[*English*]

> "This legal challenge is part of our continuing campaign to stop the GST," said Mr. Johnston. "We believe that, in whole and in part, this tax violates several sections of the Canadian Constitution that are clearly in the realm of provincial authority," said Mr. Rostad.
>
> There are three key elements to the province's reference:
>
> First, the GST infringes upon provincial jurisdiction over the property and civil rights by interfering in the regulation of commerce. All businesses through the production and distribution chain are forced to be federal tax collectors, while the purpose of the GST is only to collect net tax revenue from the final consumer. The GST will be an administrative nightmare for every business person. They are regulated to collect the GST for the federal government and are forced to do so largely at their own expense.

In the case of zero-rated goods, such as exports and food, this entire tax collection superstructure is imposed on businesses for no revenue purpose at all, as the sale of zero-rated commodities yields no net revenue to the federal government. "Alberta businesses do not need another layer of regulations any more than they need another tax", said Mr. Johnston.

Second, the GST attempts to tax provincial Crown property which contravenes section 125 of the Constitution Act. By levying the GST on fees charged by the provincial government for certain uses of its natural resources, the federal government effectively taxes the province in the performance of its constitutional responsibility for the management of these natural resources. The GST will also tax provincial property by imposing the tax on top of provincial fuel and tobacco taxes, and liquor revenue, which are Crown property. "We cannot allow this unconstitutional intrusion by the federal government", said Mr. Rostad.

Third, the GST increases the tax burden on health care, education and municipal services which are the constitutional responsibility of the province. If the Alberta government were to provide educational services directly, Albertans would not bear a GST burden on education because the Crown has constitutional immunity. Albertans are being penalized for their choice to have education delivered in a manner that is responsive to local concerns.

Even with a partial rebate, the GST is an interference with the discharge of a provincial constitutional responsibility. "We will fight the federal attempt to siphon off money that Albertans pay for health care, education and municipal services", said Mr. Johnston.

The Canadian economy has already plunged into an Ottawa-made recession under the weight of the high interest rate regime of the federal government. This strategy has been strongly attacked by the Economic Council of Canada in its 1990 Annual Review.

The GST will inflict further damage to the national and provincial economies and prolong the recession, if it is implemented.

[*Translation*]

Senator Molgat: So you see, Senator David, that in the face of such difficulties, we really should take a step back, reconsider our direction and take the time to do things properly—as I say, it is not as though we could not possibly endure another year of the manufacturer's sales tax. We have had it since NATO was created. The government has raised it a number of times. I think we can live with it another year. So, I do not see it as essential that the tax be in place by January 1, 1991; we could delay it if necessary. Let us take a closer look at the alternatives before we get involved in something that we may regret—namely creating a whole new bureaucracy that is going to make everybody's life more difficult and cost Canadian taxpayers a lot more money.

[Senator Molgat.]

• (0745)

[*English*]

Hon. Dan Hays: Senator Molgat, in that context, I wonder if you are aware—we touched on it in the reading of that press release—that in Alberta's case the Government of Alberta does not intend to remit, or refuses to remit, the goods and services tax that is applicable on rents payable to crown corporations such as the treasury branch of the Alberta Liquor Control Board, which leaves the owners of those properties in a situation where they are legally obliged to remit the tax, but they cannot make themselves whole by collecting the tax from the provincial government.

I am asking if you are aware of that, because it was not clear in the press release. I asked the question to clarify that issue for the honourable senators, because it is a good example of the impossibility of the situation in which many people find themselves with the tax imposed and with the provincial government resisting it. they are out of pocket and they have no way of being reimbursed for the moneys they are required to pay to comply with the federal tax that the provincial government refuses to recognize.

Senator Molgat: That is an interesting point, Senator Hays. Possibly what I should do—because that was indeed a press release, and, as we know, press releases have to condense greatly the essence or the argument itself; they just give the basics—is put on the record exactly what it is that the Alberta government said; and then we will be clear, because I really think it is an essential part of this debate, one of my points being that there is no need to put down January 1 as something that is absolutely unchangeable. I think January 1 can be changed and should be. The federal sales tax can continue for another year. We can take the time to end up with a sensible Canadian system, instead of having one that has the provinces, except for the province of Quebec, opposed and fighting; and the fact that the provinces are fighting against the federal initiative indicates in this case that there are regional differences and that we shoudl be listening to the regions. We ought to finish with a system that is going to be acceptable.

In earlier comments with Senator Beaudoin, he pointed out that the provinces would always be opposed, because there is a constitutional question, and that was touched on in what I have said.

I admit there is a constitutional question, but at some point the courts will settle that. I suspect they will settle that between the federal and provincial governments. I am not a lawyer, but there are lawyers here who can judge that better than I. Once the constitutional question is settled, we can then discuss making the system work. That will take a little time, unquestionably. It will take compromise. It will mean that the provinces and the federal government will not get all their own way. I think we can arrive at a system that will be better for Canadians; but it means that we must first have enough time to settle the constitutional issue, so that it is clear that the players know what their position is. Then we have to deal with

the people issues, as to why it is that certain provinces want things done differently than other provinces.

We really come down to the essential question that we were involved with two years ago on the Meech Lake issue, that we have to have a way of enabling the provinces and the federal government to arrive at solutions. We can only do that, in my view, by sitting down and talking. I agree that it will take time, but it is far better to take the time than to rush into something, as was the situation with the Meech Lake Accord. We rushed into something without really involving in-depth discussions with the provinces. This is what we have to do if we are going to arrive at a sensible tax system.

Here are the elements of Alberta's GST court challenge.

> Alberta's challenge to the constitutionality of the GST is based on the opinion provided by legal advisers that the GST may contravene sections 92(13), 103, 125 and 126 of the *Constitution Act, 1867*.

Am I going too quickly for the reporters? I am trying to keep at a pace where honourable senators can follow me, because there are some intricate things here, and I may not be able to circulate all of the documents in time. If I rpoceed too quickly, please send me a signal.

> GENERAL QUESTION
>
> *Question 1*
>
> This question is very broad and refers to the Constitution Act in general. It asks the Court to determine whether the GST or any part of it is unconstitutional. This question is intended as a general introduction to the more specific questions and covers general issues not identified in the subsequent specific questions.
>
> REGULATION OF BUSINESSES
> INFRINGES ON PROVINCIAL JURISDICTION
>
> *Question number 2*
>
> Under the GST, the final consumer is the only one paying the tax on a net basis because at all pre-retail stages the tax paid is fully refunded through the input tax credit. The federal government, therefore, plans to impose controls on businesses to collect a tax which it intends to levy on the final consumer only. It is argued that such controls constitute an unnecessary infringement of provincial jurisdiction with respect to the regulation of property and civil rights.
>
> Section 92(13) states "In each province the Legislature may exclusively make laws in relation to matters coming within the classes of subject next herein-after enumerated; that is to say,... property and civil rights in the province."
>
> *Question Number 3*
>
> It is also argued that collection of the GST involves costs to every supplier of taxable goods or services and that the federal government has the obligation to repay those costs in full. Section 103 of the Constitution states that "The Consolidated Revenue Fund of Canada shall be permanently changed with the Costs, Charges, and Expenses incident to the Collection, Management, and Receipt thereof..."
>
> TAXATION OF PROVINCIAL CROWN PROPERTY
>
> *Question Number 4*
>
> Section 125 of the Constitution Act states that "no lands or property belonging to Canada or any province shall be liable to Taxation."

I put in an interjection here. I think that possibly touches the point that you were making, Senator Hays.

To continue back to the text:

> It is argued that the GST contravenes section 125 by taxing Crown property. For example, by imposing the GST on fees charged by the provincial government for certain uses of its natural resources, the federal government effectively taxes the province in the performance of its constitutional responsibility for the management of these natural resources. The GST also contravenes section 125 by taxing Crown revenue. For example, the GST is levied on provincial fuel and tobacco taxes, the revenue from which is Crown property, and the revenue remitted by the Alberta Liquor Control Board, which is also Crown property.
>
> It is also argued that the imposition of the obligation on the Government of Alberta to collect GST on the goods and services it supplies contravenes section 125.
>
> *Question 5*
>
> The collection and remittance of the GST also involves costs for the Government of Alberta. In some cases, the Government of Alberta may be required to remit GST not yet collected. It is argued that the imposition of these costs by the federal government contravenes section 126 of the Constitution Act. It is Alberta's position that section 126 guarantees the integrity of the province's general revenue fund solely for provincial purposes. Therefore, it restricts the federal government's ability to impose expenses unilaterally on the provincial Crown.
>
> TAXATION OF GOVERNMENT FUNCTIONS
> DELIVERED BY PROVINCIAL AUTHORITIES
>
> *Question Number 6*
>
> It is argued that municipalities, universities, schools and hospitals (the MUSH sector) provide public services by exercising, on behalf of the Government of Alberta, delegated provincial constitutional powers. These functions would be free of GST if they were performed directly by the province.

Senator Frith: Senator, I recall hearing the expression "MUSH," in committee. I think it stands for Municipalities, Utilities, something for the "S", and Hospitals. Is that right? What does the "S" stand for?

Senator Molgat: You are pretty close. You got two out of the four. That is a 50 per cent pass rate, Senator Frith.

Senator Frith: For me, that is very good.

Senator Molgat: The part in brackets which says "the MUSH sector" means Municipalities, Universities, Schools and Hospitals.

Senator Frith: The utilities would be included with the municipalities?

Senator Molgat: Yes, the utilities would be included with municipalities. It is Municipalities, Universities, Schools—

Senator Frith: I should get half a point for that.

Senator Molgat: Half a point. We will raise your mark to 60 per cent.

Senator Frith: Senator David gives me a 75.

Senator David: Another five points is not so much.

Senator Molgat: I come back to where I had left off, and we argue that tax immunity under section 125 therefore extends to purchases by MUSH institutions. Their purchases should be tax free.

> The Court is asked whether MUSH sector institutions would be tax free on their purchases if they were specifically designated by the province as being Crown Agents.
>
> The Court is also asked whether tax free status for the MUSH institutions would be obtained through the following arrangement, which would be made only with the consent of these institutions:

These are not numbered, but they are set out as four separate points.

> Alberta sets up a Crown Purchase Agency
>
> The Agency purchases goods and services that would be normally purchased by MUSH institutions
>
> As a government department the Agency would not pay GST on purchases
>
> MUSH institutions would acquire goods and services from the Agency as a grant. The Court is asked whether such grants would be free of GST.

There are the specific details. Now, again, this part, the elements of Alberta's GST court challenge, is in layman's language. I have the actual court documents, but I do not know if it is necessary that I read those in the record at this point.

Senator Frith: Keep them. I might want them.

Senator Molgat: All right. Possibly what I might do, with the help of the stenographic services, is to separate this.

● (0800)

Senator Hays: Perhaps I can ask the honourable senator a question. Has he thought at all about the implications of a single tax or a flat tax with regard to federal-provincial harmony? There are many problems with the GST, as the honourable senator has observed. Quebec is the only province on board, and it is anticipated that Prince Edward Island and New Brunswick may be leaning towards it. There will be difficulties of uniformity with other provinces if they do come on board. Can you tell us anything from your readings that would lead us to conclude that such a tax would be easier to sell on a federal-provincial basis than the GST?

[Senator Frith.]

Senator Molgat: Perhaps we should resolve ourselves into a Committee of the Whole and ask Mr. Mills to come back and see us.

Senator Frith: What a good idea.

Senator Molgat: In that way we could go into the matter in some depth. It would not delay our work too much and it would be very easy to do. We could spend an hour with him and get clarification on a number of these points.

However, I believe that the single tax would get us away from many of the problems of the GST. There are complications and those complications will vary from province to province. The other day I asked questions of Senator Murray based on the situation in my province of Manitoba. The Manitoba government has said to some of the provincial agencies, such as Autopac, the provincial automobile insurance agency, that they will not be subject to the tax, that they need not collect it. It is not clear whether they will or will not pay the tax, and it is not clear what position the federal government will take. The tax will have an impact on all these agencies. Every element of Canadian business and government will be affected if they purchase goods. There will be rebates and charges.

Alberta has asked what would happen if they set up a government purchasing agency to do all of the purchasing and, instead of the government providing, as it does now, grants to municipalities, hospitals, and so on, they simply give them goods on which the Alberta government has not paid the tax, to alleviate these institutions from having to pay it. If Alberta were to take that road and another province were to have a different system, there would be discrimination. If we went to the flat tax, the individual would pay. It does not involve a collection system or a tax that must work its way through the manufacturer, wholesaler and down to the consumer, nor does it involve the whole business of the relationship between the federal and provincial governments and municipal and crown corporations. Indeed, it will be a nightmare.

The point that I have been making is that we should not assume that January 1 is the be-all and end-all. Let us take some time and reflect on what we are doing, and, above all, talk to the provinces to arrive at a sensible system that can be enforced.

Senator Frith: Get back to some national reconciliation.

Senator Molgat: Yes. At this time we have friction within the Canadian system from a constitutional standpoint. For the government to take the lead and say, "We have been hasty; we have jumped into this and we are taking a step back to have a second look at it," would show good will and would provide the opportunity that Senator Frith has suggested, an opportunity for national reconciliation. Instead, we are heading into a battle with the provinces. So, in that regard, the single tax would eliminate those problems.

The part on which I still want to satisfy myself is that there will still be no evasion under the single-tax system. That is the

one reason why I can support a consumption tax, if it provides proper protection for the people in middle- and lower-income brackets, a simple system that has the cooperation of the provinces and is tied in with one collection system. I could accept such a system in order to reach people whom we might not be able to reach through another tax system, including a single-tax system. So I leave that open. I repeat, I am not necessarily convinced that the single tax is the only answer to the question, but it is certainly an approach that should be considered.

Senator Hays: Senator Molgat, I would like to ask you about the so-called Brooks proposal. The best way to put my question is to quote again from the *Canadian Tax Journal* of May and June. It reads at page 652:

> The proposal made by Professor Brooks is relatively simple. Instead of introducing the GST, the federal government would eliminate the manufacturers' sales tax in favour of increased reliance on income tax revenues. The Brooks proposal would allow for higher income tax rates, which would be achieved mainly through a federal personal income surtax.
>
> This simple proposal has a number of advantages over the GST:
>
> It simplifies the tax system tremendously by eliminating one source of tax revenue altogether.
>
> It avoids the conflicts that would arise between the federal government and the provinces from their joint occupancy of the retail sales tax field.
>
> It allows for the possibility of a more progressive tax system—that is, the rate increase could be made higher for high-income earners.
>
> It achieves greater harmony between Canadian commodity taxes and commodity taxes in the United States.
>
> It would produce a reduction in consumer prices of more than 2 per cent. (This calculation assumes, as the federal government does, that the savings to firms as a result of the elimination of the MST would be fully passed on to the consumer.)

It goes on to talk about the idea that a higher income tax would provide incentive to Canadians to move to the United States. Essentially it answers that question by suggesting that when you compare the taxes of the two countries and the different systems in terms of social services, and so on, it is not an incentive at all.

In any event, what do you think of Professor Brooks' proposal?

Senator Molgat: Senator Hays, unfortunately I was not a member of the Banking, Trade and Commerce committee that studied the tax. I had accepted some other obligations this summer of a military nature with which I am still involved, and I could not be at the hearings, particularly those in Manitoba. So I have not had a chance to review in-depth all these other proposals. I hope that when you make your contribution to this debate, as I trust you will, you will proceed to give us some other alternatives.

While you were quoting, I could not help but think that the one great advantage of a direct tax on individuals, be it through that system or through the flat tax, is that it does not encourage individuals to go to the United States to purchase goods, services and all those things that the GST will encourage people to do. The GST will substantially increase the cost of living in Canada. It will encourage people to make purchases outside the country and it will discourage people from coming to Canada. Admittedly if our income tax rates get too far out of line, it would create a problem as well, particularly with our higher-paid people or professionals. They will then look at the rates in other countries. For example, a doctor may say, "I could make more money in California."

However, you touched on an important point, that of the benefits of being a Canadian: the social structure that we have established; the tremendous benefits of our medicare system and the real stability that it provides; Insurance, peace of mind. There are many benefits that people should look at before they make that jump. Personally, I think there is less danger in that approach for Canada than a tax on consumption, which is too far out of line with the American system.

Let me come back to Mr. Mills. I was pointing out the background he has laid out. I know that some people laugh at the idea, saying that it is too simplistic and that it cannot work. After all, taxes have to be complicated, otherwise they are not good. Bureaucrats do not always like the simplistic approach, but the fact is that Mr. Mills is not coming from a vacuum or out of the blue; his credentials are good, and he shows here the things that have motivated him in his proposal. I think we should have that on the record, so that there is no misunderstanding. He goes on to say:

> From four years of reading cabinet documents I had the rare privilege of learning all about the complexities of the issues in the governance of Canada. And the issues of the day were complex: the Quebec referendum; constitutional renewal; interest rates at 24%; the National Energy Policy; and 6 and 5 restraints on wages and prices. And these were only some of the problems.
>
> What Canadians should know is that governments don't take decisions deliberately to alienate people. Sometimes they have to make tough decisions that they may dislike but which they believe present the best creative options available.

One does wonder at times what the government is trying to do with the GST. It almost seems to be a deliberate attempt to alienate the provinces, particularly when Mr. Wilson suddenly cut off discussions with no warning and decided that he would go off on his own. Mr. Mills goes on to say:

> For example, Michael Wilson is not setting out to be hard on seniors in his policy decisions. Rather than suggesting that he is, we would be better employed assisting in the search for improved alternatives to his policies. That is what the Single Tax proposal is intended to do—

provide a more creative and improve option for tax reform.

● (0815)

That is exactly what we should be looking for.

I am fully aware of the complexities of the tax structure, so when people insist that a complex society must have complex taxes I can dispute this from a position of strength. I firmly believe that, if we can simplify the system, make it understandable and so restore trust, the people of Canada will respond by improving our national productivity out of all recognition—and I am not alone in that belief.

As an aside, for the help of our stenographers, they can get a copy of the book from the library, which they can verify against their text. I will not refer to pages, but I think it will be easy for you to follow along. I am presently at page eight. I want to make your life easier because your days are going to be as long as ours, and I think we should ease your burden as best we can.

I may not be an economist but I know how to find solutions to problems by going to the best minds in the country and then putting together a team of people to translate the theories into action.

I also believe that the Single Tax System is the best answer to our present problems and I am going to do my best to see it implemented.

So the main purpose of this book is to advance the debate on tax reform as a matter or urgency. In order to do this, all Canadians need to be involved but many Canadians are at a disadvantage because so much information about taxes is written in "legalese"—a language most of us find incomprehensible. In this book we are including some background information on taxes and we have attempted to present our proposal in readable form.

So, before we begin to consider the Single Tax Proposal (or compare it with the present system or other possible solutions), we need to back track and take a look at how taxes evolved, why they are needed, what they are used for, what different forms they can take, why people tolerate or become disatisfied, and finally what terminology is used in describing tax systems.

In any discussion, misunderstandings can occur when people do not understand the concepts involved because special terminology is used whose meaning is not always clearly defined. Sometimes there are even different definitions of the same terminology and that also gives rise to confusion.

In order to avoid this, we have included in this chapter a set of definitions for the special terms that are associated with taxes and that are used throughout the book.

He gives a brief history of taxes, which, as we are looking at what is going to be a fundamental restructuring of the Canadian tax system, might be worth putting on the record as well. It is of a more general nature, but, in these circumstances, it should be put into the record. He says:

[Senator Molgat.]

Taxes—the second certainty of life—have been around for almost as long as man has existed.

As soon as some of the poppulation took on the job of "governing" they needed to be supported by the rest of the population. In a very short time the process became bureacratized—one of the first uses of writing was to make records of tax collections. In ancient Crete the earliest form of Greek was used to make lists of tax payments.

THE USE OF TAXES

Over time, nearly everything has had a tax imposed on it, from salt (France) to having "too many" rooms in a house (The Netherlands). Especially popular are those items that at any one time are considered undesirable—today's versionis are the so-called "sin-taxes" on tobacco and alcohol.

Taxes are used for a variety of purposes from financing war to protecting domestic markets from foreign goods. Sometimes taxes are even used in an attempt to alter the behaviour of the population: to encourage them to have more (or less) children; to help persuade them to save rather than spend; to make it more rewarding to donate to charity or to political parties.

Forms of Taxation

There have been many different forms of taxation but the main ones today are: taxes on property or wealth; customs and excise duties; value added and sales taxes; social security and payroll taxaes; and personal and corporate income taxes.

A main distinction is between *consumption* taxes (like the proposed Goods and Services Tax) and those which tax *production* (like personal and corporate income taxes).

This was part of the discussion I had earlier this morning with Senator Bolduc who said that when we tax on the basis of personal income tax, we are taxing production and reducing the incentive to production. I recognize that, which is why I can accept a mix of the two systems, provided they are fair, simple, equitable and undertaken in conjunction with the provinces.

Another distinction is between *direct* taxes (like income taxes) and *indirect* taxes (like the Manfuacturers Sales Tax).

Income Taxes

Income tax, as we know it today, was first introduced in England, which was at the forefront of the new industrial revolution. It was used in the late eighteenth century to finance the Napoleonic wars, so it is possible to argue that both of Canada's founding cultures were responsible for the beginnings of income tax.

I will admit that this comes from different sides of the issue, but he has a point.

At first it was only a temporary measure. However it was not long before it was reintroduced on a permanent basis in 1842.

The early income taxes were flat rate and only applied after a large personal deduction, which exempted the less well off; taxing the working poor is a relatively recent development. Later came more complex additions, such as graduated rates and special interest deductions and credits.

Taxes in Canada

In Canada the powers and responsibilities of the federal government and provincial governments are outlined in the Constitution Act (1982), which was originally the British North America Act. At the time of Confederation (1867), it was the intention to create a powerful central, or federal, government in Canada. The federal government was therefore given the major responsibilities, as well as the authority, over major revenue sources. In order to match the major responsiblities with the financial authority, unlimited taxing power was given to the federal government.

To the provinicial governments were allocated matters of more direct local importance. As these were seen as having less importance at the time of Confederation, provinces were given less command over revenue sources than was the federal government. During the years immediately after Confederation, many of the provincial responsibilities were relatively unimportant but, today, they have acquired major importance. Education and health care, for example, now comprise a large portion of the total provincial government expenditures.

This reinforces the point I have been making, and I repeat that we must have harmony with the provinces when we are entering a major tax revision such as this. It is insane to pit federal against provincial in this kind of discussion. We need to sit down together and arrive at some compromise of one system if we are going to enter into a consumption tax. The provinces now have their own sales taxes which vary from province to province. There are good reasons for the provinces having different sets of rules and conditions because the situation is not the same in every province; and, before the federal government rushes headlong into this, it should sit down with the provinces, without artificial or political deadlines established by the present government which says we have to have the GST implemented long before the next election so that people will have forgotten about it; they will have accepted it, and the money will come in by the barrelfull, and the members of government will be able to make big fellows of themselves before the election.

Hon. Paul Lucier: I wonder if the Honourable Senator Molgat would permit a question at this point? Senator Molgat has always been a great friend of the north, and I know that when he refers to harmony with the provinces he is also referring to harmony with the two territorial governments. As we know, representation was made to the Banking, Trade and Commerce committee and also to the committee of the House of Commons by both territorial governments strenuously opposing the unfairness of the GST and the manner in which it is going to treat, in particular, the people of northern Canada.

When you speak of harmony with the provinces and the territories—I am sure that is what you meant to say, Senator Molgat—during the committee hearings, members of the tourism industry, particularly big game guides and fishing guides, made a strong point that the GST would discourage tourism in the north, not only foreign tourism but Canadian tourism. As I said the other day, one can fly to Hawaii and not pay tax, but if one flies to the Yukon or to the Northwest Territories one must pay tax on the flight, which will increase the cost of doing business in the territories. We know that tourism is a provincial responsibility. The governments of the provinces and territories spend a lot of money promoting tourism, which the GST is now going to tax. It seems to me that one level of government is promoting something that is within tis jurisdiction, while the federal government is taxing it. How does that fit in with the harmony among the provinces and territories that was mentioned by you?

Senator Molgat: Senator Lucier, let me make it clear that when I said "provincial governments," I was not excluding the territories. You and your colleagues from the north have made it clear to me that the north is a total and essential part of the country, but I do not believe they have provincial or territorial sales taxes.

Senator Lucier: They do not; that is correct.

Senator Molgat: Do they have the legal authority to introduce a sales tax at the moment?

Senator Lucier: They probably do, yes.

Senator Molgat: It would be an interesting point. In any event, please understand that when I say "provincial" I include territorial insofar as authorities of taxation is concerned. Certainly, when you discuss tourism you make a very good case. Some provinces may want to put more emphasis on tourism than others, and some obviously depend on tourism much more than others. Regions within provinces are very much more affected, and I think that there is a sound reason for provinces to say they want certain exemptions or changes because the conditions vary. It is for that reason that the federal government should sit down and make an arrangement with the provinces and not proceed in isolation with one flat tax right across the country without that provincial input. It is absolutely essential. One of the major weaknesses of the tax now proposed to us is that the provinces have not agreed. Not only have they not agreed, but they are taking the government to court. It is ridiculous for Canada to be going along in this way. Let us step back.

• (0830)

If I may just step aside from what Mr. Mills is saying, I should like to point out some of the letters that I get from across the country. Here is one that I presume most senators have received. This is from Paul Haynes Comics and

introduces "Captain Tax Time". This is from Oakville, Ontario. The letter says:

> Your fight against the G.S.T. is a worthy cause. To let you know you are not alone, and to let you identify the real villains, we enclose our Premier Edition of Captain Tax Time.
>
> And please note the serious message contained in Captain Tax Time's Open Letter. As the recent Ontario election demonstrates, the people want a square deal.
>
> Yours very truly,
>
> J. Paul Haynes
> Publisher

His fight against taxes, and against this particular tax, is in this particular comic book, "Captain Tax Time", but, as he points out, there is a serious message at the back, and I think it is worthy of notice. As I have been reading Mr. Mills' background of taxes and how they arose, I should probably read what this man has to say. This is an open letter from Captain Tax Time:

> Dear Fellow Taxpayers:
>
> "*In this World, nothing is certain but death and taxes.*"

That is a quotation from Ben Franklin.

> Ben Franklin made that telling observation in a letter, in French, to Leroy in 1789. Since then, taxpayers in North America and democracies throughout the World, have grudgingly lived with its basic truth.
>
> They have done so because all Governments, including freely elected Governments of all democracies, require money to operate, and that money is ultimately obtained from its citizens through taxation. Paying taxes is, if not a patriotic duty, certainly a necessary first step if you want to have a functioning society.
>
> All citizens know this and most willingly pay the taxes levied upon them. But lately it seems that Politicians and Bureaucrats the World over take a knee-jerk approach to dealing with Revenue problems.

Now, is that not what we are having right now from the federal government, a knee-jerk approach in which suddenly we have to go into this GST without caring what the provinces have to say? I come back to what Captain Tax Time has to say:

> They see the large number of middle and low income earners and turn to them automatically when they need additional funds.
>
> They even scheme the best ways of getting ever-increasing sums from these naive (in tax matters) income groups, turning away from income taxes as a too visible and accountable technique. They turn instead to value-added taxes (Canada's impending Goods and Services Tax is a type of value-added tax) where increases come easily with increases in economic activity, and the rates sound low (at least initially) because they are levied on all transactions instead of just the incomes portion of the economy.
>
> But it is really the administration of these taxation schemes and their relative impact on lower and middle income groups that is causing taxpayer rebellion on a World-Wide basis.

He highlights the following sentence:

> Taxpayers are incensed when they hear about large corporations and wealthy individuals that pay no income tax.
>
> They cannot afford the high-priced talent required to find a way around tax laws. And while they do not understand most of the complicated tax-avoidance arrangements, they are infuriated when they come face to face with obvious inequities that involve all taxpayers.
>
> In Canada, one such obvious inequity is the inability of low and middle income taxpayers to obtain a deduction for the cost of having their tax returns prepared for them. Wealthy taxpayers obtain such a deduction on a routine basis by burying it in accounting costs.
>
> Professional Accountants routinely bury tax return preparation costs in accounting fees, knowing full well that Canada's income tax laws do not allow a deduction for the cost of preparing returns. These are the same parties empowered to certify the accuracy of financial statements. Perhaps they prepare tax returns at no charge, but apart from isolated clinics for Seniors, we have not heard of that happening.

I think that most business men who hear me reading this can only say that yes, that is true, that is exactly what goes on. Who is getting the shaft in those circumstances? Well, it is the individual at the bottom of the scale who has to go to a tax agency because the present income tax forms are so complicated and so difficult that they defy being filled in by most individuals. These individuals have to go and pay for it, but they cannot deduct it. The big corporations can bury the cost in their accounting costs. There is no charge for them. I come back to the text:

> The position of Revenue Canada is even more infuriating. In the face of surveys that indicate 70% of taxpayers get help in preparing their returns, and over 46% pay a fee for such help, they routinely maintain that all taxpayers can complete their own returns.
>
> Revenue Canada makes these claims despite an accuracy rate of less than 50% in answering taxpayer phone enquiries, a functional illiteracy rate of 25% throughout the whole population (with functional illiteracy defined as the inability to follow written instructions) and an innumeracy rate of 50% throughout the whole population (with innumeracy defined as the inability to perform simple addition and subtraction).

I interject here to ask honourable senators please to note that figure: 50% innumeracy rate in the whole population. It is an unbelievable number. If you say that innumeracy means the inability to perform simple addition and subtraction, it is a sad comment on our educational system in this country.

Taxpayers with illiteracy and innumeracy problems have no more ability to complete their own tax returns than have paraplegics the ability to walk. Yet paraplegics can deduct the cost of their wheelchairs.

The Government orders us to file tax returns. For those unable to perform the task, a deduction or credit should be allowed when they pay others to do so. And if no deduction is to be allowed, then we demand that all wealthy taxpayers be reassessed a taxable benefit equivalent to the cost of tax return preparation buried in their accounting fees.

Revenue Canada has had no problem in arbitrarily assessing taxable benefits for the personal use of automobiles. Why have they never been able to do the same thing for the cost of preparing the tax returns of the wealthy?

Abraham Lincoln said that the United States would not survive half slave and half free. Captain Tax Time says Canada will not survive with 95% of the population paying its full share of taxes and the wealthiest 5% paying little or no taxes at all.

Sincerely,

Captain Tax Time.

As I said when I began, this is a comic book, and the producer of this, Mr. Paul Haynes, says in his letter that he wants to get the message across in a humorous way, but that there is a serious message.

[*Translation*]

Senator LeBlanc (Beauséjour): Would the Honourable Senator allow me to ask a question? He spoke earlier of harmonization with the provinces. A number of us read the proceedings of the debate that took place last weekend among members of the Quebec Liberal Party, when militants insisted the provincial government adjust the GST on books and reading material in general.

The honourable Senator Molgat will recall that we advocated a similar measure when tabling one of our amendments. I am delighted to know that Senator Solange Chaput-Rolland is with us this morning. I believe that she will be particularly interested in your response, as Mr. Gérard-D. Lévesque has shown a great deal more sensitivity to this issue than the Honourable Senators opposite and the government they serve with admirable loyalty—indeed, all the more admirable because it is complete, indiscriminating—indeed, blind loyalty. I suppose it is because they believe that they must behave like a lot of sheep and follow the signal of those who have brought them to 14 and 15 % in the polls—namely, the Minister of Finance and his buddy, the Prime Minister.

Mr. Gérard-D. Lévesque initially resisted, but common sense and the need to think things through eventually prevailed, so that when he came back to Quebec, he in fact proposed tax relief in the area of books, book sales and sales of printed materials. I would ask my colleague if he does not in fact regret that harmonization talks between the provincial and federal governments came to an end. Our colleagues opposite cited as an example the total agreement between the Province of Quebec and federal government with respect to taxation. But are they not concerned about the feelings of the people who have been following these problems closely and who are the most threatened by them—in particular, publishers and companies that deal with books and printed material. Are they not concerned that the perfect harmony our colleagues opposite spoke of so euphorically earlier may in fact be disintegrating? Indeed, their pigheadedness, their complete refusal to listen to the pleas of one of their own colleagues, who is herself an author, is quite unbelievable. The government's refusal to see nothing and to do nothing to ensure that those whose livelihood depends on intellectual pursuits are not driven to bankruptcy by this kind of tax measure is completely incomprehensible to me. Should not the example of Mr. Gérard-D. Lévesque even coming, as it does, at the last minute, be a source of inspiration to our colleagues opposite?

Senator Molson: I guess that is a question.

Senator Molgat: Thank you, Senator LeBlanc. I hope our colleagues opposite will want to answer that question themselves, because I think they are probably in a better position to do so than I. I must say that the tax adjustment proposed by the Quebec government for books and publishing materials delighted me, although I failed to see it in the light that you have just presented it in, which is completely logical. This is a perfect example of the fact that harmonization, about which so much has been said, is not really working. If there really had been meaningful discussions with the provinces and a real attempt to reach agreement, we would not now be in this predicament where the provinces, who tried to co-operate, find themselves unable to do so.

To get back to the issue of taxing books and published materials, the figures I have once again read to you indicate that Canada has a real problem when it comes to education, and rather than increasing the tax on books, we should actually be providing subsidies to encourage Canadians to read more and improve their education. We certainly should not be discouraging education in this country.

Senator LeBlanc (Beauséjour): Do you not think we should suggest that Senator Chaput-Rolland, who expressed her views on the subject with graet emotion, play a more prominent role regarding the discussion that took place in Quebec last week? I am sure she still has some contact with the provincial Liberal Party. She certainly did have before. Could she not take it upon herself to make representations to Prime Minister Mulroney's henchmen on this issue, including explaining the changes being proposed by Mr. Lévesque? We may yet see a last minute conversion—perhaps not on the road to Damascus but at the entrance to the neighbouring town—on the outskirts of Damascus, in other words. Perhaps in this way, Mrs. Chaput-Rolland could be freed of the demons that have been torturing her ever since she told this Chamber that she believed Mr. Mulroney had promised that he would exempt publications and the publishing sector from the tax; by doing so, perhaps we could kill two birds with one stone.

Indeed, perhaps even hundreds or thousands of birds since, on the one hand, we would be providing Mr. Mulroney with an opportunity to show his generosity, to be—what is the word—"enlightened". And I do not mean this in the sense of showing the way to others, but simply appearing enlightened to the electorate. As I was saying, Mrs. Chaput-Rolland would recover her serenity and peace of mind—something that she has not had since allowing herself to be in the poor company of other colleagues during a vote on the issue, rather than abstaining, as her colleague, Mr. Castonguay, did.

Whether or not she pleaded with her House Leader to be allowed to avoid the humiliation she must have suffered when she rose and voted against the interest of publishers and intellectuals across the country, I believe it might be worthwhile suggesting to Mrs. Chaput-Rolland or one of her colleagues—perhaps the government leader, who expresses himself with such elegance—indeed, far more elegantly than I myself do—that there be another attempt to wrench one last concession from the government on the road to Damascus; one last conversion however, however modest. We all know there is greater joy in finding one lost sheep than in having the 99 others. In this case, the lost sheep are all those who blindly went off in the wrong direction. I am quite convinced that many of the profound errors that governments make are in fact the result of pigheadedness and of a bureaucracy that served previous governments badly and serves the present government badly as well. What I mean by that is they go out of their way to find formulas that are not based on good common sense, as one might hope, but are just intended to make people's lives difficult and produce the kind of income tax forms you talked about earlier, that are so complicated now that an ordinary Canadian can no longer look after his own income tax.

Finally, I would ask Senator Molgat, who is a man of considerable charm and can be very persuasive, to approach Mrs. Chaput-Rolland or, if she refuses, one of her colleagues who mounted a less vigorous defence of publishers' interests but could still carry the message forward, so that we might finally see a modicum of common sense prevail and stop oppressing Canadians by taxing books and reading materials.

I was recently shopping for Christmas presents in an Ottawa bookstore, and I noticed that even though these people do not generally get mixed up in politics, a number of publishers had in fact stuck a little card on many of the books in this French bookstore asking the government to at least refrain from taxing books which, particularly in French Canada, are already quite expensive.

European books are also now being sold in Canada, and Senator David will certainly agree with me that books from France being sold in Canada are already very expensive. If you add a 7% tax on top, it will certainly act as a disincentive, yet the government is spending hundreds of millions of dollars to get ready to collect a tax that has not even been passed into law yet.

Senator Molgat: Thank you, Senator LeBlanc. I would certainly encourage our colleague, Senator Solange Chaput-Rolland, as she indeed in fact indicated she had reservations regarding this tax on books. She participated with us in this debate. I am sure that she will be willing to take the opportunity to give us her views on the subject.

[Senator LeBlanc (Beauséjour).]

Other than that, I do not know what other kind of encouragement I can provide, other than these words. If by speaking to her personally, I could provide greater encouragement, I would certainly be very anxious to do that. I believe we need to hear everyone's point of view in this debate.

As I have said so often this morning, you will never have me believe that this tax simply must be implemented by January 1. If we really want to take the time, we will!

The manufacturer's sales tax is still with us. It has not be abolished. It can certainly stay in place for another year. In the meantime, we can work towards making our tax system fairer than the one currently being proposed—one that could in fact make special provision for books, in particular. That was the subject of the Liberal Party's first amendment. We could concentrate on that issue and find a solution to the problem.

If we insist on implementing the legislation by January 1, we will obviously be forced to bring in a new tax regime that is not only unfair and very costly, but that will have a detrimental impact on the provinces and the regions. We simply must take the time to develop a fairer system.

My colleague, Senator Lucier, was speaking earlier of the impact of this tax on the tourist industry. That is an issue that affects the regions, the provinces and the territories.

I have received many recommendations in this regard. Here is one of a regional nature. It is from the Province of Saskatchewan. The people who have sent me this petition do in fact work in this industry.

It is actually addressed to Prime Minister Mulroney. I have only been sent a copy. So, Mr. Mulroney has received it. The people who signed it are in the catering business. The heading is:

● (0845)

[*English*]

Petition condemning the proposed GST.

> We, the undersigned owners and operators of Canadian fishing and hunting lodges and resorts, wish to express our unequivocal opposition to the proposed Goods and Services Tax (G.S.T.) on the tourism industry and any political party or candidate supporting such a regressive tax for the following reasons:
>
> 1. While Canadians have no choice and will continue to have haircuts, buy new houses and other goods and services, Americans who constitute the bulk of our customers do have many options on where to spend their leisure dollars (Alaska, Belize, South America, Mexico, Costa Rica, etc.) and non Canadian options will only become more attractive than they already are.

2. The ultimate result of the G.S.T. will be less U.S. consumption of our unique outdoor products, putting many operators out of this already troubled business.

3. The loss of business will most adversely affect northern communities and native peoples where unemployment is already at an unacceptable and immoral level (Staff: client ratio in industry 1:1 to 1:3)

That is indicative of a very, very high employment factor in that particular industry.

The covering letter with this petition is dated May 24 and states:

The Honourable Gildas L. Molgat,

The Senate of Canada,

Ottawa, Ontario.

Dear Senator Molgat:

The following resolution was passed at the 1990 spring meeting of the Saskatchewan Outfitters Association:

"That the Saskatchewan Outfitters Association go on record as not supporting the proposed Goods and Services Tax as presently proposed.

The Saskatchewan Outfitters Association request the Government of Canada to exempt all non-residents on all package tours to the province. Fishing and hunting tour packages should be treated as an export product and be exempt from the GST.

Failure to do this will mean severe economic consequences to the Saskatchewan Outfitting Industry and will further increase the high level of unemployment in northern Saskatchewan, particularly in regards to the northern native populations."

It is imperative that the Government of Canada consider this resolution. Failure to do so will have serious consequences for many businesses and people in the province.

The introduction of the Goods and Services Tax will totally change the fabric of the industry. The increase in prices charged to clients as a result of the GST will put the Canadian product at a competitive disadvantage.

We are presently aware of many outfitting operations that will be moving their base of operation outside of the country during the winter of 1990-91, in anticipation of the G.S.T. The only part of the operation that will occur in Canada is the fishing. All marketing and packaging of the product will be done out of the United States.

The economic benefit to the country will be decreased substantially.

We again ask for industry exemption to the G.S.T.

PS: Also included in this package is a petition signed by lodge operators across Canada condemning the G.S.T.

Yours truly,

Cliff Blackmur,
President
Saskatchewan Outfitters Association.

Senator Lucier, that is the view of the Outfitters Association of Saskatchewan. The petition is signed by lodge operators and owners across the country. I am sure this plea by the Saskatchewan Outfitters can be repeated by tourist operators throughout the country in every province and in every territory. And I note an interesting comment that he makes in his submission, that what would remain in Canada is the fishing. In other words, the use of our resources will continue, but the employment around the other aspect of it, the printing, all of the work that goes into the preparation of the tours, the individuals who work in the office to arrange the tours, all of that other work will cease to exist. What will be left to us is the lower paid work. The resource extraction, the planning, the work, the printing, the business head, the operation will be outside of Canada. I had not really focused on that particular aspect of the effect.

• (0900)

Tied in as well with this question of tourism, of course, is the restaurant and hotel industry, and I have here a letter from an individual who was in the restaurant industry. It so happens that the gentleman is originally from Manitoba, although he does not live there now. He is presently living in Surrey, B.C., but he is originally from Rivers, Manitoba, and he still owns a restaurant in Brandon, Manitoba, called the Soup Kettle, and he is violently opposed to this tax, considers it to be a regressive tax and sends me a document entitled, "GST and its Negative Impact on Restaurants and Middle and Lower Income Individuals", and possibly I should put that one in the record as well. It is dated January 22, 1990, originally addressed to the Honourable Michael Wilson, Minister of Finance and readdressed to me.

Re: Negative effects of GST.

1. Decrease sales especially in soft areas of the country.

2. Increase cost to customers in an area that they would not otherwise pay FST.

3. Compound taxation on food. 7 percent on 7 percent yields 14.49%.

He is talking about the Manitoba situation where our provincial sales tax is 7 per cent.

4. Increases costs to businesses in areas that they previously paid no tax such as on rents and accounting fees to name a few.

5. In soft economies greatly reduces operators chances to pass on costs to customers because an increase in prices to a customer also increases the tax that the customers will be paying.

6. Tax will reduce the number of tourists that will come to Canada because that will give them less money to spend while they are in the country. Most will look at the increased cost and ignore the fact that they can get a rebate. It will be claimed by a very few.

7. The Government is passing the dirty work on to the retailer to take the wrath of the customer who already object strongly to paying PST on food and other items. Many cashiers are paid poorly now and this will sure not help. The people who are not making minimum will be away from the battle lines as usual.

8. The small business person will have to do a lot of extra bookkeeping to keep track of the GST paid in each expense area and this will make the work load greater with no compensation. Again the little person gets the shaft. A lot of small operators have very poor booking systems now, like once a year for tax time, this tax will not improve the system.

We have to remember that many, many in the restaurant industry are indeed small, single operators. It is likely to be a family operation or one individual operator with very few employees. They do not have a computer system and a complicated accounting system to keep track of their inputs and outputs.

9. When a commercial property is purchased GST must be sent to the government and financed only to have all the GST returned to the purchased in the next quarter! A lot of unnecessary paperwork and inconvenience and no benefit to anyone.

10. The introduction of the GST will follow the same route as PST and personal taxes once they were introduced, they all went up, never really down. The amount the government takes from the individual is in the range of 60% to 70%. At what point does it stop? We have no choice we must pay and pay. The gas tax is another good example.

11. The introduction of the GST will see many smaller customer orientated businesses go bankrupt due to reduced sales because the customer does in fact have less to spend. The GST is not revenue neutral. It is obtaining 90% of its revenue from the individual not the businesses who can afford to pay more considering all their deductions.

12. The GST is a one sided tax the individual is the only one who eventually pays, the rest can write it off or pass it on! Many can least afford it especially in some parts of the country.

13. The GST will reduce the disposable income mainly for individuals that at present are in the middle and lower incomes, the ones that can least afford it.

14. The 7% on retail is the same as 13.5% on wholesale. The Government assume that the retail price is double the manufactures cost. So in effect no prices will fall and many more will go up.

15. The present government never used this tax as an election issue, if they had they would not be in power today, the electorate are strongly opposed to this tax regardless of politics.

He goes on:

[Senator Molgat.]

I have evaluated the tax on my own restaurant business operation and I projected a 7% loss in sales. I would be collecting $22,000 in tax I do not presently collect and my operating cost would rise by $5,800. The net result is that I would be sending $16,200 in taxes in the first year alone; if I survive from the decreased sales and increased costs and labour.

Please evaluate the above points with an open mind. I know we have to cut the deficit but this is going to hurt the segment that can least afford to help. They spend all their money just trying to stay afloat.

He is speaking about the lower end of the income bracket. This is Murray Watts. He signs "Murray Watts, a small businessman, Surrey B.C."

So there, Senator Lucier, in answer to your specific question regarding the effect on tourism, are responses from the people who are in the business, not from me. It is one thing for me to stand up here and say, "Well, you know, this is what I think it is going to do in the industry." There are the Saskatchewan outfitters, a large group representing many outfitters. This is what they say. Then there is this small businessman from my own province, and this is how he sees it.

Senator LeBlanc: Senator, if you will permit a question again. I find what he is saying is very interesting and very significant. We tend to talk about the North as the far north, and we also tend to think of regional underdevelopment as mainly an eastern problem, and I am going to try to attach my question—and I have to explain why I am going to precede my question with an explanation. If one looks at the map of Canada, the northern tier right across the country, practically from Port Edwards in British Columbia to Labrador, the northern tier is the underdeveloped part of the country with some very minor exceptions. Be it the native people in the northern prairie or northern Ontario or northern Quebec. Be it the people who live above Prince Rupert in British Columbia. There are real economic problems caused by distances, isolation, access, and I am going to talk about fisheries because I happen to know a little bit more about it, and I am going to talk about it in terms of tourism.

Senator Murray: When the time comes for you to intervene in the debate—

Senator LeBlanc: I apologize.

Senator Murray: You propose to do that when the time comes, to intervene in the debate, one assumes.

Senator LeBlanc: Yes, I will, but I may not have time to come to that because we are on to the impact of the tax on tourism. We all know that fish caught by a sportsman has economic ramifications which are very, very much higher than a fish caught and canned or served in a meal immediately or frozen or whatever way to do it, and for that reason the northern areas—and I am thinking of places like La Ronge and others and places in northern Quebec where my colleague Senator Watt knows so well, and in fact we discussed occasionally—the appeal that these places have is that they are very isolated and the very protection of the resource and multiplica-

tion of the resource comes from the fact that there is isolation, and therefore natural protection. When we look at the appeal for people from all over the world and look at the number of Japanese tourists that are sports fishing in British Columbia every year, the appeal right around the world is the isolation in the sense of unspoiled nature, the appeal of being outdoors, camping outdoors, et cetera. This is a resource which Canada has in great abundance and we are in one of the very favourite countries, and it has economic benefits for the population that lives there locally. Senator Roblin will understand this. The economic benefit to a fisherman in the northern prairie is not devived from sending his fish to be processed, at obvious cost, to a fish plant in Transcona or to have fish distributed in southern Canada by what is a necessary and expensive process. The great benefit that that resource has is to try to put it to the extent possible at the disposal of tourists and those who find the appeal of these regions to be very, very tempting and who would use these attractions if you did not overload the circuit with an additional tax, like this one. I would like to ask Senator Molgat what his knowledge of the northern area of his own province is, and if he would not agree with the fact that in Transcona, in the very area which he knows so well, the Winnipeg area, if the resource had been used more for the benefit of the local fishermen, either to bring in tourists or to put it to some use which tourists would visit—if those benefits would not, in fact, have been greater than having to survive in very difficult circumstances especially when you are thinking of transportation south.

• (0915)

Senator Molgat: Thank you very much for your question. The honourable senator is certainly in an ideal position to put that question, having been Minister of Fisheries at one time. Of course, he knows the operation of our Freshwater Fish Marketing Corporation in Manitoba and, indeed, throughout the west and wherever it operates. There is no question that there is more value in a lake trout caught as an angling fish by tourists than in a lake trout caught in a net by a fisherman in a northern lake. That fish then has to be transported, usually at substantial cost, to the processing facility in Transcona and sent to market.

However, in order to maintain the value of the angling fish, there must be a concentrated tourist market. We must ensure that the people who are presently employed in the commercial fishery will benefit from the tourist industry. They know the commercial fishing business. They have been in it for years and usually the operation has been passed from father to son. The channels for gathering and selling the fish are there and they have the equipment and know-how to do the job. The Freshwater Fish Marketing Corporation is there to buy the fish. It is the easiest route to follow.

To transform that industry to tourism would require a concentrated effort. The GST would be an impediment to that effort. The outfitters said in their presentation that the adverse effect would come mainly in northern areas, areas where fishing, angling or commercial, is the only source of income. Exempting the GST from the tourist industry in these areas would help these people to transform their operations from commercial fishing to tourist fishing, or to operate in both. However, we need the assurance that people presently engaged in the commercial industry will benefit from the tourist industry. Definitely, they should be tied together. Certainly the GST would be a discouraging factor in that process. I hope that answers your question.

Senator LeBlanc: Thank you.

Senator Molgat: I come back to what Mr. Mills was saying about taxation. I had come to the point where he was providing a short history of taxation, which I think is important to understand fully what it is we are doing. We are heading off into a new field, and we ought to know from where it is we began. He is talking about the use of taxes, and goes on to say:

> Taxes are used for a variety of purposes from financing war to protecting domestic markets from foreign goods. Sometimes taxes are even used in an attempt to alter the behaviour of the population: to encourage them to have more (or less) children; to help persuade them to save rather than spend; to make it more rewarding to donate to charity or to political parties.

Then he goes on to cover the forms of taxation which I have already discussed. He indicates that income taxes were first brought in in England to finance the Napoleonic Wars and that they became a permanent tax in 1842. Then he deals with the situation in Canada and goes on to the effects of change, where he wrote:

> The Fathers of Confederation never foresaw how the tax system would change. The provinces were given direct taxing authority and the federal government indirect taxation powers. At the time of Confederation, direct taxes were very unpopular and little used. Indirect taxes are taxes imposed on one person, but paid in part or in whole by another; they are taxes that can be shifted. Commodity taxes, like the sales and excise taxes levied on manufacturers, are indirect taxes. The manufacturer on whom the sales tax is levied can pass the tax on in the form of higher prices.
>
> As the provincial jurisdictions expanded, they needed vast sums of money for welfare, education, roads, and hospitals. The provinces had to exploit all of the various kinds of direct taxes and, prior to World War I, they made use of succession duties, corporation taxes, and income taxes. The federal government, until World War I, stayed out of the direct tax field. In the 1920s, the provinces began to make use of gasoline taxes and, today, the most common direct tax used by the provinces is the retail sales tax.
>
> Income taxes were supposed to be temporary, according to the Federal Government during World War I. After the war, Ottawa reduced sales taxes, personal income taxes and corporate taxes, but the temporary taxes became permanent.
>
> The depression brought about a decline in imports which reduced tariff and excise revenues while the

increase in unemployment put pressure on government spending. To cope through the 1930s, the government increased sales taxes, personal income taxes and corporate taxes on a regular basis. As well as forcing tax increases, the Depression also focused attention on the instability and constitutional *impasse* of the Canadian taxation system.

Recommendation for Reform

By 1937 the federal government was forced to act, and appointed the Rowell-Sirois Royal Commission to review federal-provincial relations—which included the obvious problems with the tax system. Although the BNA Act gave the provinces specific rights to levy direct taxes, the Rowell-Sirois report recommended that all taxation of personal and corporate income be given to the federal (at the time the Dominion) government. In return, the provinces were to receive transfer payments (equalization grants and tax rental agreements) that would compensate for lost tax revenues and help to reduce regional disparities.

The Effects of World War II

The federal government and the provincial governments were just beginning to discuss the federalist nature of the problems when the financial pressures associated with World War II influenced a new agreement. With approximately 90% of all federal government expenditures directly related to the war effort, the provinces agreed on a temporary basis to give the federal government full power over corporate and personal income taxes.

The ability to use direct taxes to influence fiscal policy was immediately used by the federal government and they began to raise taxes and deduct those taxes at source. After the war, discussions continued between the provinces and the federal government on the tax system. With a series of five-year agreements, various equalization grants and tax rental agreements were commonplace for over 15 years.

Federal-Provincial Relations

Direct taxes, unpopular at the time of Confederation, have proved to be powerful fiscal tools that are more suitable than indirect taxes for implementing fiscal policy.

During the Second World War, a more equitable tax system existed when the provinces gave up their major tax fields (personal income tax, corporate profits tax and succession duties) to the federal government in return for tax rental payments and equalization payments.

The equalization payments were designed to lessen somewhat the gap between the revenues of the wealthy provinces and the poorer provinces.

Quebec stopped taking part in rental agreements after the war, arguing federal interference with provincial autonomy.

The other provinces, whose expenditures were increasing rapidly, pressed continually for a greater share of the revenues, while the federal government, noting its own rising expenditures, kept resisting.

In 1962 the tax rental agreements were terminated and the provinces were made responsible for levying their own corporate and personal income taxes. The federal government agreed to collect any taxes imposed by the provinces, provided the tax base was identified in the same way as the federal tax base.

That brings me to what I believe is essential in the proposed GST. We have to have the same agreement in connection with the GST as we have with the provinces insofar as personal and corporate income taxes are concerned. We need one collection system. The rates can vary as they do now on the income tax, but we must have one collection system. As Mr. Mills says, the agreement would work, "provided the tax base was identified in the same way as the federal tax base." Obviously, we would have to agree as to exactly what items would be taxed and what items would not be taxed within that one system. The amount can vary. If Ontario wanted to top-off the federal tax with an extra 2 per cent, let it do so, and if Manitoba wanted 4 per cent, let it do the same, as long as there is one collection system and not a great big bureaucracy repeating what already exists in the provinces. Admittedly, there are variations in what is taxed and what is not taxed between provinces. However, surely we can sit down as reasonable individuals and say, for example, "We will not tax children's clothing, but we will tax such and such. We won't tax books but we will tax something else." Mr. Mills went on:

> Quebec collects all its own taxes, and Ontario collects its own corporate taxes.
>
> The conference on constitutional reform in June 1969 made some progress toward agreeing on the division of the taxing powers. There was agreement in principle that both the federal and provincial governments should have access to both direct and indirect taxes.

● (0930)

It is an important agreement because it removes the constitutional challenge, provided all the provinces agree—apparently they did in 1969—and provided that both levels of government would have access in the direct and indirect. At least that removed one constitutional hurdle and means we can proceed with a straight discussion, regardless of whether or not you have the right to do so. That is agreed.

By the mid 1980s, the federal government's revenues came from:

personal income tax	42.1%
corporate income tax	13.3%
sales taxes	12.2%
customs import duties	5.1%
other	20.6%
non-taxrevenue	6.7%

Basically there are six sources, personal income tax being predominant at 42 per cent.

In contrast provincial revenues had a much wider base:

There are 18 different revenue sources at the provincial level against six sources at the federal level. Within the 18 provincial sources, personal income tax comprises 21 per cent of the total; whereas in the federal situation, personal income tax comprises 42 per cent. In other words, the federal government is twice as dependent at the moment on personal income tax compared to the provinces. Of the provincial revenues, personal income taxes comprise 21.3 per cent; corporate income taxes, 4.2 per cent; general sales taxes,11.8 per cent; motor-fuel taxes, 3.4 per cent; other consumption taxes, 2.4 per cent; property taxes, 0.2 per cent; miscellaneous taxes, 2.2 per cent; universal pensions, 1.4 per cent; health insurance premiums, 3.4 per cent; workers compensation contributions, 2.8 per cent; natural resource revenue, 7.6 per cent; privileges, licences and permits, 2.2 per cent; liquor board profits, 2.2 per cent; sales of goods and services, 2.1 per cent; return on investment, 10.5 per cent; other own source revenue, 1.6 per cent; general purpose transfers, 5.8 per cent; and specific purpose transfers, 14.9 per cent. The source of that information is the *Provincial and Municipal Finances (1985)* published by the Canadian Tax Foundation in 1986. So we see that the federal government is much more dependent on personal income tax. It has basically six sources of revenues, whereas the provinces have identified 18 different sources of revenue, none having the predominance of the personal income tax in the federal field.

In 1962, the Prime Minister of canada, John George Diefenbaker, appointed a Royal Commission to investigate the tax system. Six volumes and five years later the Carter Report made several recommendations about the tax system which have variously been called reforms, realignments and ridiculous. Perhaps the most famous phrase from this report was Carter's comment that "A buck is a buck is a buck" which has sometimes been attributed to Edgar Benson. Although, by today's standards, Carter's recommendations were not that radical, he received little support from business, from the finance department or from many of his fellow politicians.

Two years later (1969), Edgar Benson, the Liberal Finance Minister, responded to the Carter Report with a white paper on taxation. Those recommendations also failed to get support from business, the finance department, or the politicians. So, when a Tax Act was introduced in 1972, it contained little of Carter's original recommendations.

Resistance to Reform

As a reform of the tax system, the Carter Report was simply not accepted, particularly by the special interest groups. The consistent lobbying, public campaigns against the provisions, and the lack of political will, resulted in the Tax Act of 1972 being substantially amended.

The political reality of facing such a determined opposition to tax changes resulted in little attempts at reform for the rest of the 1970s. In 1981, the Liberal Finance Minister, Allan MacEachen—

I am pleased to see that he is here with us.

—introduced a budget that unexpectedly reintroduced the tax reform debate to the citizens of Canada for the second time in a decade.

If one point was made, in the tax reform debates of the 1970s and the early 1980s, it was that the special interest groups were well organized, well funded and well connected with the media. After their campaign against the government programs, the government was forced to withdraw most of the reform measures.

Complicated System

From the end of the Second World War until 1962, every finance minister in the federal cabinet added exemptions, incentives and programs to redistribute income, encourage business development and gain votes. Taxes continued to grow in order to meet the demands of the social safety net of Canadian society. Complaints that the tax system was inefficient, unfair and too complex were commonplace.

At the beginning of the 1990s, citizens still believe our tax system is unfair, inefficient and too complicated for the average person. The Mulroney/Wilson tax reform measures that have been introduced contain few attempts to eliminate the special preferences enjoyed by special interest groups. The rhetoric, suggesting that the provisions in the 1987 white paper and the GST are true tax reforms, rings hollow compared to other efforts since 1962.

Therefore, a reform of the federal tax system is still badly needed. Apart from improving the federal system it might also encourage a reform of some of the provincial tax systems to make them fairer, simpler and more efficient.

Why Taxes are Needed

Earlier forms of taxes were used to support the lifestyle and the conquests of rulers. Even today taxes still have to be used for defense purposes and to provide government residences. In a large, modern, democratic country, the governing of that country is delegated to a few who have to attend to the job full-time. So taxes have to support the salaries and expenses of the elected members of Parliament and the permanent staff of the various government departments and ministries.

In Canada, several different levels of government levy and spend tax revenues: federal, provincial, regional and municipal governments are all involved in the process.

Hon. Dan Hays: Senator Molgat, I appreciate being enlightened on this topic. I wonder if you can comment on the general concept of tax reform as an integral component of what a country does to be competitive in the world. We talk a lot about this with respect to the global economy. We now have many companies that are multinational—certainly international—and you are quoting extensively from Mr. Mills' single tax text.

I wonder if you could draw our attention, by giving us your own views, to how tax reform plays an important role in the country's strategy to be competitive in the world today. I note

that some countries are doing a better job of that, which is one of the reasons we have a high deficit and why our future does not appear to be as bright as it should. What would give us confidence in our country? That is one of the things that I hope to comment on when I have an opportunity to speak to Bill C-62.

I thought I would interrupt you at this point because you are familiar with what is in Mr. Mills' book. It would be helpful if you could enlighten honourable senators on how tax reform plays a role in the strategy of the country as a whole with respect to its competitiveness. No country is more interested in that than Canada because, per capita, we rely more heavily on exports than any other country in the world.

Senator Molgat: Unfortunately, Senator Hays, I have to repeat what I said earlier. I am not a tax expert by any means, and I do not think I am in a position to give a reasoned, technical answer to your question. My response would be more in the sense of one who has been involved in politics and dealing with people for many years.

One of the concerns of the Canadian people now is the economy. There is no question they are concerned about the deficit. Unfortunately this tax is not being presented as a tax that will deal with the deficit. Senator Finlay MacDonald spoke eloquently while the committee was travelling, and I will not quote his statements. It is definitely a topic of concern to Canadians.

To return to how we compare our taxes to those of other countries, we are in a unique position in Canada. We are not like a European country that has many neighbours very close by. They are small, homogeneous countries that do not have our regional economic differences. Ours is a country that deals with one other country ten times our size in economics and in population. We have an inter-connection of transport and communication by radio, television and film. Many Canadians travel south in the winter for a whole host of reasons, one of which being the better weather. We are much more under the influence of our neighbours than are European countries. People in Germany do not feel the same pressures the French, British or Italians do.

● (0945)

Everything in our society links us closely to the Americans, as does language. True, we have two languages here, but the major language of business is the same. So there is a particular problem for us in this matter of having a tax system that is not completely out of step with theirs. I think we have to be very cautious about that. I do not like to look at it in the sense that we are forced to do something because the Americans want us to do it. I want to be free to do what we want to do as Canadians. However, I cannot help but accept, by the reality of geography and economics, that we have to be very careful that whatever we do does not put us too far out of step. After all, many Canadians are increasingly travelling to the United States for economic reasons. Often they are going to buy across the border and, unfortunately, I am afraid that even more of them will be tempted to do so if the GST goes through. So we have to be careful that we are not too far out of step.

Senator Hays: Senator Molgat, you discussed my question in a Canada-U.S. context. I really had in mind a broader context, but let me go to your Canada-U.S. comparison and how that affects us. As I understand it, the United States has just gone through a difficult process of addressing its deficit. The means they have decided to use, in part, included an increase in taxes, notwithstanding the President's commitment during the election that there would be no new taxes. I guess that was an undertaking he always knew he would have to break, and it is now broken. It appears that that is the route that they have decided to follow to address their problems, which are not dissimilar to ours—that is, a rising deficit, heavy debt service, with a lot of that debt service dependent on foreign investment, particularly from Japan and Europe. I wonder if you could agree or disagree that that is a signal to Canada that a consumption tax puts us out of sync with the United States and puts us at risk in ways that we had not anticipated when the goods and services tax was planned, and that that might be another reason for rethinking it at this time?

Senator Molgat: Thank you, Senator Hays. If I put my reply in terms of the American context, I think I tried to explain why I thought that that one was so important to us for a whole host of reasons. However, I agree you cannot simply ignore that we are living in an ever more dependent world, but I do not think that our tax regime in Canada, compared to, say, the tax regime in Japan, has that much of an impact on Canadians. We are not that aware of what the Japanese setup is. Quite obviously, it is different when you come to the question of tariffs. I am thinking of the discussion we had a couple of days ago about the tariff on canola and canola oil and our dealings with Japan.

As far as our Canadian population is concerned, we still have to focus more on the U.S. question. However, be that as it may, I do think that in any of our tax measures we have to look at what it is that we want to do as Canadians, and that has to be the first priority, but we cannot do it in a vacuum. We have to be conscious of the countries we deal with and the countries with which we have rapport whether by history, geography or economics. We cannot be too far out of step. Moving to a GST will certainly put us more out of step with our main neighbour and our main economic partner.

I wish I could give you a more tax-expert approach to it, but I am not in a position to do that. As I said at the opening of my comments, I can only really relate to the proposed tax as a Canadian who has been involved in Canadian politics for a very long time, and I sense this problem. Perhaps I overemphasize the American problem, but to me it is an overwhelming one for us, and I cannot think of any other country in the world that has that same relationship at all. If we look at the countries in the rest of the Commonwealth, it is true that New Zealand has a somewhat similar relationship to Australia, with a similar population difference, one to ten, but even though Canadians seem to think of them as being close neighbours,

they are not. They are separated by 1,500 miles of ocean. They do not have the cross-country border.

For us, it is an entirely different operation. We have a strip 100 miles wide and about 3,000 miles long where 90 per cent of our people live and where there is that constant flow. I am afraid that, very often, we know more about what goes on in the United States than about what goes on in distant parts of our own country. So I have to see the tax impact as one mainly connected with the American scene and less with what goes on in the EC, for example. Perhaps I am too dominated by what I consider to be, perhaps not dangerous—although perhaps it is dangerous, in a sense, to Canadian independence—but that pervasive influence of the United States. It is not by any ill-will on their part but by the very fact of what they are and how big they are. I do not know if I have gone any distance to answering your question.

Senator Hays: Well, you certainly tried, Senator Molgat, and I thank you for that.

Senator Molgat: All right. So to come back to tax reform, Mills goes on to say:

> The provision of law and order within a country, and protection from threats from abroad, also needed revenue raised from the population, and modern armed services, police forces and the judiciary are also funded via taxes. Most citizens would support the wisdom of having the services of the courts, the army and the police under central control and financing. The alternative is a system of private warlords and arbitrary justice with the weakest going to the wall.

He then discusses social programs:

> As developed countries became both more complex and more specialized, and the responsibilities of the family, the community, and to some extent private enterprise, were increasingly taken over by government, revenue was needed to pay for those additional services. Social security systems, health services, and environmental protection agencies all require money to pay for them and taxes have to be raised to meet those costs.
>
> In Canada, federal taxes now have to pay for a long list of items. These can include a wide range of expenditures: the salaries of immigration judges, teachers and astronauts; the costs of subsidies to farmers and fishermen; maintaining embassies abroad or Canadian parks at home; and helping our less developed neighbours or the less fortunate within our own boundaries.

Then he goes on to why people accept taxation:

> Whether people have to be coerced into paying taxes by force or whether they are grudgingly accepted as a necessity, they are never popular. So unpopular can they become, that they have started many a revolt and revolution. The United States, one of the most powerful nations on earth, came into being over a dispute about taxes. But, in a modern democracy, such as Canada, most people agree that taxes provide useful or necessary government programs and services, even though they sometimes disagree on what any particular government decides is useful or necessary.
>
> *The Limits to Acceptance*
>
> However, this acceptance is based on several conditions: that the "pain" is shared equally amongst the population—

And I think that is very important. That is an essential element of fairness in a tax. One of the great objections of Canadians to the GST is that they do not feel that it is fair. I come back to what was said in this chamber regarding the people in the North who are going to feel the impact of the GST much more than people in the South. There is no question about that. It is not a surprise that our Inuit friends came and sat in our galleries when Senator Watt presented his resolution on the North. They are going to be directly affected. It is not something that will be happening to someone else eventually. If the GST goes in—God forbid that it will—the people represented by my colleagues, Senators Watt, Adams and Lucier, are going to bear a much greater proportionate share than other Canadians. Mr. Mills says, the "pain" must be shared equally. Well, people do not feel it is being shared equally. The people in my province of Manitoba, by proportion, are going to pay a higher amount of GST than Canadians living in Ontario and Quebec. The basic manufacturing of this country goes on here in the central provinces. When you move those goods to our part of the country, there are transportation costs, and we will pay the GST on those transportation costs. To the extent that there is less competition as you get away from the bigger centres, and the prices are higher, you will pay a larger share of the GST. So there is an inequality in the system.

Mills goes on to state that the second condition for acceptance is that the workings of the system should be able to be understood by the average taxpayer. Well, I do not think that the GST meets that test either. Not only do I think that the average taxpayer will have difficulty in understanding it, I think the government has difficulty in understanding it. For those who were not here earlier in the course of my comments, I read some correspondence I had with the Department of Finance. I will not read it now, but I would simply point out that back in October of 1989, I was seeking information on behalf of a chap who had been a constituent of mine when I was in the provincial legislature of Manitoba. He operated a small coin-operated laundromat in a small village in Manitoba, which operated by people putting in four quarters, pushing the lever and starting the machine. His question was whether he had to pay the GST. I said I really did not know but that I would try to find out for him. I started on October 19 with a letter to the Department, to which I received no answer. I wrote again on January 24, again to Information Services, and again received no answer. I wrote again on March 5, this time to the minister himself, not having bene able to obtain any answer from his Information Services. I finally received an answer on July 19, and it included a page and half of propaganda first about how great the GST was, and then a short reply to my question:

> With regard to coin-operated laundromat machines, the GST will be 7/107ths of the total amount collected from the machine.

Now, I sent that answer to my friend who operates the laundromat. How can he figure out what he is going to remit on the basis of twenty-five cents collected? It is 7/107ths, and I submit that it is not a simple answer.

• (1000)

I do not think the GST meets the second test put forward by Mr. Mills, that the workings of the system can be understood by the average taxpayer. The GST is apparently not understood by the bureaucrats, if one judges by the length of time it takes to give an answer and the type of answer given.

The third test Mr. Mills puts forward is that the money collected is used effectively for the purposes agreed by the majority of the citizens. Collecting taxes, never a popular task historically, can only be carried out to the limits of tolerance of those having to pay them.

Senator Olson: Now that the operator of the laundromat knows he has to collect 7/107ths of the total that is collected in the machines, how will he arrange to collect that money from the people who are putting the coins in the machine? Is he supposed to take it out of his own pocket. If the usual required amount is two quarters, which it usually is, will the vendor put in three quarters? I am curious how the operator will collect it from his customers without either overcharging or undercharging them. According to the reply to the letter you received, even if there are machines left that are set up to take a nickel, neither a nickel, dime or quarter works out. What does your friend say about that part of it?

Senator Molgat: Senator Olson, I am sorry, but I do not know what solution he has come to. All I can tell you is that I sent him a copy of the letter from the minister's department. As he and I usually converse in French, my reply to him was in French, but I will give you a quick translation of what I said. I told him that correspondence started on October 19, 1989, that there were several letters and I sent him copies. I told him that finally I had a reply: "five long paragraphs of propaganda and then a short paragraph telling me that you will have to remit 7/107ths of tax on your sales. As I suspect, it would cost you too much money to change your automatic machines in order to increase your prices. I am afraid that you will have to pay the tax from your own pocket."

I do not know what solution my friend will eventually accept. However, he has a real problem because his is not a big operation. The town of McCreary has a population of 800 or 900, so the laundromat is not a great, bustling enterprise. I would suspect that the cost of converting his machines to take another coin of some type will be more costly than it would be worth. However, if he does proceed to the change, he will probably either be overcharging or undercharging, if one looks at the increase purely from a GST remittance standpoint, because I do not know how one splits 7/107ths of twenty-five cents. I do not know what the solution is. It certainly imposes on a small businessman a very large cost item.

[Senator Molgat.]

Senator Lucier: Senator Molgat, you say that the laundromat operator has a serious problem. However, I wonder whether the operator has a serious problem or whether the poor people in that region who use his services have a serious problem. As I said in my earlier remarks regarding laundromats, the only logical solution for this poor guy to try and get out of this mess is to increase the price. If it is presently $1.00, which it usually is, it will be to increase it by a quarter. He is going to put a twenty-five cent tax on. So while he will have to remit 7/107ths, it will be the poor people in that area who will pay. As I said before, rich people do not use laundromats; it is poor people who use laundromats. They are the ones who will have to absorb this and take a 25 percent shot on it, not a 7 per cent shot, because the operator cannot put a seven cent slot on the machine. He has to put a twenty-five cent slot on the machine.

Senator Molgat: Senator Lucier, you are correct. If he proceeds to change the machines to take the extra twenty-five cents, there will be an overcharge insofar as the GST is concerned and the public using the machines will be paying substantially more. Because it is not a big operation, I suspect he may find that the cost of changing the machines would be too high, in which case he has to absorb and pay the 7/107ths—what a simple calculation—when he remits at the end of the period the money collected. It will be a nightmare for him; and for his customers, it may be a substantial additional charge.

Your reasoning is correct that the bulk of people who use laundromats are people who are in the lower income category. If they had more income they would probably own a washing machine. Although some people who use laundromats are people who are travelling or have no permanent base, people with a permanent base who use laundromats generally are those who are not able to afford washing machines. Therefore, there is a discrimination.

I think it is important that we have the background of Mills' thinking when he is developing his tax approach in order to understand why it is that he is proposing what he is. That is the reason I give this background which he has in the book.

Senator Olson: Honourable senators, I rise on a point of order. I have received another flyer on my desk, with no indication where it came from. It is an editorial with the headline "Pass the GST". I do not know who is sending these things around, but we are getting a little tired of our desks being used for mailboxes. I have a mailbox and they may put it in there. It looks like the gremlins are at it again. This editorial in *The Vancouver Sun* states, "Pass the GST", so I guess perhaps Senator Carney knows where it came from. Did Senator Carney have this put on our desks? I thank her very much, but I do not need any more propaganda. I read the headline and that is enough.

I will tell you that I do not want my desk cluttered up with these things. I have a mailbox for that purpose. I thought we agreed the other day that we were not going to have this propaganda distributed to our desks.

Senator Barootes: It is our form of petition, Senator Olson.

Senator Olson: That is what it is. It is a terrible abuse to have this photocopied and sent to us. I have read this kind of garbage before.

We will spend quite a few hours arguing that this sort of information is not in the Canadian interest. We have hundreds of pages of good documentary evidence given to us by Canadians who are concerned about the GST.

That is not the point. The point is that if our desks are going to be garbage-collection places, I believe that senators on both sides of the house would agree that it would not be a good thing to deteriorate to that kind of mess in this place. I hope honourable senators opposite will stop doing this.

Hon. Pat Carney: I should like clarification of your remarks, Senator Olson.

You said that it is not in the national interest for the *Vancouver Sun* to run this editorial.

Senator Olson: I did not say that. I said that this should not be put on my desk.

Senator Carney: You said that it was not in the national interest to have this kind of garbage published. Are you saying that the *Vancouver Sun* does not have the right to write an editorial that says:

> Enough is enough. It's time Liberal members of the Senate stopped horsing around with the goods and services tax and let Canadians get on with the job of learning to cope with it.

Are you saying in this chamber—and I am asking for clarification —that the *Vancouver Sun* has no right to take an editorial stance on the GST, as it has?

Senator Olson: I did not say that. Senator Carney can say that as many times as she likes, but there are many witnesses here.

Senator Austin: The record will show what he said.

Senator Olson: I did not say that the *Vancouver Sun* could not publish that. There are other papers in Canada that print things that, in my view, are garbage.

I object to the fact that someone is putting this on everyone's desk, cluttering up our environment and using up trees, as the environmentalists say, for things that are absolutely unnecessary. We had a discussion about this the other day. We said that we did not want this kind of garbage—whether it is good garbage or bad garbage—put on our desks.

It was pointed out that every one of us has a mailbox. That is where we expect to receive communiques from any other senator or anyone else in the country, not piled up on our desks. If the Senate is not going to make a prohibition against this kind of ridiculous distribution, I want everyone to know that I do not want this scrap on my desk. This is a private area for me to use while I am here.

Perhaps we have an admission. "Me thinks thou doest protest too loudly." It is probably Senator Carney who did this. You have no right to pollute my desk or anyone else's desk. If you want to do this in the future, at least have enough respect for other senators to find out whether or not they want you to pollute and contaminate their desk with your propaganda. I, for one, do not want this.

Hon. Roméo LeBlanc: Honourable Senators, at some point this issue should be referred to a Standing Committee on Rules. I have noted that this is a spreading habit, and I use that word advisedly.

Even though we have been issued these rather voluminous and noisy garbage cans, I do not think that is a reason to use perfectly good paper. This is not even recyclable paper, which means it is environmentally friendly. What is more unfriendly about it is to be deluged with propaganda.

Unless we establish a rule, at some point the pro-abortion or anti-abortion groups may hand over a pile of propaganda. The messengers will then be asked to distribute it to us. Unless we address this issue, it will become completely exaggerated.

Hon. William E. Kelly: I should like to raise a point of order. Honourable senators, we are here to debate Bill C-62. While this discussion is fascinating and very interesting, it does not seem to me to have anything whatsoever to do with the order we are debating.

Senator Olson: You are supposed to raise a point of order at the first opportunity. That is what our rules say, and we still follow the rule book.

Senator LeBlanc: Senator Kelly has just said that we are debating the bill on the GST, and he has asked why we are having these irrelevant discussions. He has just passed judgment on a document which I suspect came from Senator Carney.

Senator Olson: She kind of admitted it.

Senator Carney: No, I did not.

Senator LeBlanc: If Senator Kelly wants to say that these things distributed by Senator Carney are totally irrelevant, I would love to see them settle that among themselves.

Senator Carney: On a point of order. Senator LeBlanc stated without equivocation, that I distributed this *Vancouver Sun* article. I would have been delighted to have done so, but, in fact, I did not personally distribute this editorial. I point out that it says—what you call propaganda—is that the uncertainty and divisiveness created by the stonewalling of the Liberal senators are only making things worse.

I am interested that you say that a *Vancouver Sun* editorial, writtenby an independent newspaper, widely respected in the west is propaganda. I will ensure that the *Vancouver Sun* is aware of your views.

Senator Roméo LeBlanc: While you are talking to the *Vancouver Sun*, if they are still talking to you, you might tell them that if they want some lessons in divisiveness in order to write the next batch of editorials, they should take the record of the present government. They would find that, not only in connection with the GST but in a whole series of other fields, Canadians have been blockaded "braqués les uns contre les

autres" by this government. Perhaps then, when they check this editorian and make a correction, the honourable senator might want to distribute that also.

• (1010)

[*Translation*]

PRIVILEGE

Hon. L. Norbert Thériault: Honourable Senators, I believe the Leader of the Opposition in the Senate has already informed the Government Leader in the Senate and the Speaker that I wanted to raise a question of privilege. I would like to tell my colleagues on both sides of this Chamber that I am not trying to prolong the debate nor my participation in it by raising this question of privilege.

This morning I got up earlier than usual and read the *Globe and Mail*, as I generally do, because it is recognized as the mouth-piece of the Liberal Party, and in any case I make it my business to read it.

I came across an article that shocked me and insulted me as a French Canadian. I have had enough of being classified as a francophone from outside of Quebec! I am a Canadian of French origin, and I was in Canada before the Quebecers.

I had only the English version, using the *Globe and Mail's* adjectives, of Yves Beauchemin's famous comment. Before raising my question of privilege, I wanted to see what Quebec journalists (if we really can apply that term to most of them in Quebec) had to say on the subject.

Apparently Yves Beauchemin appeared before the Bélanger-Campeau Commission and said, and I quote: "The francophone community outside of Quebec reminds me of a still-warm corpse".

I have something to say to Mr. Beauchemin, and I hope Senators Tremblay and David will pass my remarks on to him. I am insulted at remarks of this type from certain Quebecers who think they are the only French-speakers in the world! I sometimes wonder whether these remarks are made out of ignorance or malice.

If Quebecers have become so much better than everyone else, if they want to have their own country at all costs, hell, let them have it! I am fed up with this paternalistic attitude on the part of Quebecers who think they know the answer to everything.

Honourable Senators, I protest vehemently against this type of insults that we are constantly getting from pseudo-intellectuals or journalists in Quebec. They should apologize for their radicalism, for their inward-looking approach, and their attitude that they are the Cat's Meow!

Some Hon. Senators: Bravo!

Senator Paul David: Honourable Senators, I do not wish to defend Mr. Beauchemin. As you know, he is a writer of some renown in Quebec. Moreover, I think you should make your protest to him directly. Either he was correctly reported in the newspaper from which you quoted, or he was not. Journalists sometimes, in fact often, distort a writer's ideas.

[Senator Roméo LeBlanc.]

If we were to assume for the moment that the allegation is true, I do not think one Quebecer represents all five million French-speaking Quebecers.

Senator Thériault: I am very pleased to hear Senator David's clarification.

I would just like to tell him that according to the *Globe and Mail*, Mr. Beauchemin said he was not sorry for making his remarks shortly after his appearance before the Commission.

Hon. Arthur Tremblay: Honourable Senators, I am rising on a question of privilege because of the way in which Senator Thériault expressed his outrage—quite correctly, by the way—at Mr. Beauchemin's remarks.

I full support his reaction to Mr. Beauchemin's comments. I do not hesitate in sharing his feelings in this regard.

My question of privilege is based on the fact that Senator Thériault gradually moved from talking about Mr. Beauchemin to talking about Quebecers generally. Toward the end of his comments, he seemed to lump many Quebecers in with Mr. Beauchemin.

I certainly agree with Senator Thériault's reaction to Mr. Beauchemin's remarks, which were completely out of line. There has been considerable discussion of these remarks on Ontario 30 and elsewhere here in the region. However, I think Senator Thériault is making a serious mistake by attributing the same attitude to other Quebecers. It has never occurred to me personally to adopt the so-called paternalistic attitude he referred to at the end of his comments.

Senator Thériault: Honourable Senators, I certainly understand that Senator Tremblay has not always paid attention to the type of patois I use, because I think this is a type of patois used by certain Quebecers. I can imagine that if one is a Quebecer and lives in Quebec in the extreme nationalistic context that exists at the moment, one might not always pay attention to statements of this type. But I can tell him that as recently as two or three weeks ago, maybe less, Lise Bissonnette wrote an editorial in the *Le Devoir* that is somewhat similar to what I have been saying. It is true that my accusations do not apply to all Quebecers. In fact some members of my own family even live in Quebec. Not all Quebecers are doing this, but there is a group of pseudo-intellectual journalists in Quebec at the moment who behave like Beauchemin. That is why I say: "If the shoe fits, wear it".

bSenator Leblanc (Beauséjour): I saw how upset Senator Thériault was this morning at 6.30 when he told me about this matter. We wanted to check exactly what had been said in the French-language newspapers, because, personally, I have never found that the world can be interpreted by a single prophetic voice, in this case the *Globe and Mail*, over which Senator Doyle formally presided. I think the matter is much more significant than the mere irritation that we may feel at the statement made by Beauchemin. I think the question of francophone minorities underlies much of the discussion going on at the moment about the constitutional future of our country.

Personally, I do not intend, whatever happens, to repatriate Quebec. For me, Quebec is no more my homeland than France

is. Whatever the future of our country may be I will remain where I have been since 1603—in the Acadian community. Having said that, I think we should perhaps have a more thorough discussion of this matter, perhaps preferable here rather than in the other place, because I think there is more serenity here, once things calm down a bit.

There is more serenity to examine the role of minorities in constitutional discussions since 1867. There is no doubt that since the beginning of confederation the discussion on francophones outside and even inside Quebec, was defined in religious terms much more than in linguistic terms.

I think it would be a good idea not only to express our legitimate indignation at Mr. Beauchemin's statement, but to raise questions about the status of minorities in Canada, and there are one million of them—whatever happens in the country's constitutional future.

Senator Molgat: Honourable senators, since I was here in the Chamber, I did not have an opportunity to see the article referred to by my colleague, Senator Thériault. As a person born in Manitoba and as a French-speaking Canadian, the question is of great interest to me, and I would like to take part in the discussion of this point of privilege. However, I will reserve my remarks for another time, because I am in no position to speak at the moment. I do share the concern expressed by many regarding some of the comments coming out of Quebec.

As I said, at the time of the Meech Lake debate, I always thought of myself as a French Canadian, and I was never happy with the term franco-Manitoban, francophone outside of Quebec, or whatever. I am a French Canadian and we kept our language in my province. It was not always easy, but we managed to maintain it. In my case I will not go any further for the moment, until I have a clear idea of exactly what was said.

To get back to the discussion, there was a comment about something that was circulated in the House this morning.

• (1020)

[*English*]

With regard to the material that is sitting around in the chamber, perhaps it is something that the Senate rules committee should consider. At the very least, whoever distributes material in the chamber should identify himself or herself so that we know the source.

Senator Olson: Prohibition.

Senator Thériault: Unless they are ashamed. The honourable senator indicated that perhaps it is Senator Carney, and certainly she seems to have established some proprietary right to this document; perhaps she was embarrassed about distributing it.

Senator Olson: She did not sign it.

Senator Murray: I think it is trying to waste time.

Senator Carney: As the Leader of the Government in the Senate says, I believe you are just trying to waste time. I do not know whether you are seeking employment as an editorial writer for the *Vancouver Sun* but you have certainly conveyed that impression. I am more than happy to read the entire editorial into the record, if that would satisfy you.

Senator Thériault: That is not the question. Who distributed the article?

Senator Carney: As I pointed out before, I support this editorial supporting passage of the GST bill, but I did not distribute it in the chamber.

Senator Thériault: Did you have it distributed?

Senator LeBlanc: My difficulty with Senator Carney is a little bit like Senator Kelly's comment a while ago. On the one hand, Senator Carney accuses us of wasting time, but, on the other hand, she continues to promote her piece of paper. She has to make up her mind. Either the editorial was valuable enough to be distributed and, therefore, valuable enough for us to stop and consider, or it was not—in which case why was it distributed? I do not think she can have this one both ways. On the other hand, that is usually what editorial writers do: they often start with an assumption and often finish with their prejudices.

Senator Carney: Honourable senator, it is not in the journalistic tradition to suggest that editorials are merely prejudices. I do not believe this editorial can deserve that title.

I will read you this paragraph, so that you understand my point.

> Perhaps Senator Allan MacEachen, the Liberal House leader, would enjoy playing the Grinch who stole Christmas, by blocking the delivery of GST rebate cheques worth $600 million to some eight million low- and middle-income Canadians.

Senator Thériault: Whose money?

Senator Carney: The next paragraph:

> But they're not the only ones who would suffer. Any further uncertainty about the introduction of the tax on Jan. 1 will create chaos for businesses already hurting because of the recession. Let it pass, Mr. Grinch, and let's try to make the best of a bad situation.

I do not find that a matter of prejudice; I think it is a matter of judgment and of good, reasonable thought.

Senator Olson: Pure garbage! Pure garbage!

Senator LeBlanc: Senator Carney read the article. First of all, I really have a fairly high opinion of the *Vancouver Sun*, including, occasionally its editorial page. I am sorry that in some ways Senator Carney has shaken my confidence in the *Vancouver Sun*. To think that that paper could take, practically holus bolus, the propaganda put out by the Department of Finance on the GST operation—and it is propaganda to which they will not even place a signature. They tried to hide under the multicoloured folder that came through our mail slots.

I mean, this is a bunch of reluctant parents that we have around here. No one wants to take responsibility for this sheet of paper which was distributed. People pay with public money

for this propaganda. They do not even do what the official agent in any election does, which is to at least have his name appear at the bottom of the page.

Now we are served with an editorial or something, disguised as an editorial, which does not appear to have been written by anyone. I suspect it is cut out, pasted and printed with those new copying machines.

Senator Carney: An editorial is an editorial.

Senator LeBlanc: These days one cannot even see the line of the cutting and pasting. It was just pasted and put into a printing press straight from the Department of Finance. Well, that is all right. The Department of Finance, with that sort of operation, obviously has good connections through Senator Carney.

Senator Lucier: Honourable senators, I wonder if Senator Carney could explain why she is so anxious to believe the editor of the *Vancouver Sun* instead of 85 per cent of the people of British Columbia who are opposed to the GST, including those who were to receive cheques.

Senator Murray: Is this your intervention in the debate, or is that it?

Senator Lucier: No, no. I was just asking her a little question.

Senator Murray: Senator Molgat has a speech to make, if he is permitted to complete it.

Senator Olson: Give us your explanation.

Senator Carney: I am sorry, I did not hear your question, Senator Lucier.

Senator Lucier: I will repeat it. I was wondering why you are so anxious to believe and support the editor of the *Vancouver Sun* instead of the 85 per cent of the people of British Columbia, including those who were to receive these cheques, who are opposed to the GST and are supporting what we are doing.

Senator Carney: I support the editorial in the *Vancouver Sun* because I think it has made a very sound and reasonable point; but that is not the issue in discussion here. The issue is that you senators are challenging the right of a leading Canadian newspaper to express its editorial views.

Senator Olson: No, no.

Senator Carney: You continually call it propaganda and that is your position; and I will ensure that it is conveyed to the *Vancouver Sun*.

Senator LeBlanc: I beg to differ. I think you will look at the record and, if I am wrong, I will apologize; but I do not think I used the word propaganda. I said they often start with one idea and often finish with their prejudices.

Senator Olson: That is propaganda.

Senator LeBlanc: I have to say it has been my experience as a working journalist that very often there is a rather substantive wall between the editorial division and the information division. The latter normally informs and gives some knowledge to the people. This may not be the case with editorials. Very often the editorial division finds that its own opinions are so important and so sacred that they should never be diluted by reliable information.

[Senator LeBlanc.]

• (1030)

Hon. Richard J. Doyle: Honourable senators, if I may, and if Senator Molgat will forgive me, I should like to comment on what the honourable senator has said about the walls between editorial writers and those who gather the news. I would like to assure Senator LeBlanc that they are now more penetrable than they once were. The reason for that is that many times editorial writers nowadays are finding it necessary to correct the rather loose habits of some of those who pose as reporters and write articles that do not appear on editorial pages.

Senator LeBlanc: Honourable senators, I think Senator Doyle, with that statement, has allowed us to measure the loss his newspaper suffered when he left. I suspect it is that sort of clear thinking and lucidity that was lost to the *Globe and Mail*.

There is increasingly a problem in Canada, I am afraid to say, and I suspect that one of the bad habits was acquired during the debate on free trade. I am sorry for that—not for the result; on the result I will have another opinion another day. I can say that, on the business of the owners of newspapers—especially in situations where there is not a spectrum of newspapers being distributed, as one had in the old days in England, but where there is, rather, a one-newspaper market—they make interventions and peddle their own ideas. that is, perhaps, where I got the word "prejudice." That tendency in this country has contributed to the serious loss of the sort of journalism that Senator Doyle not only defended but embodied.

Senator Olson: Honourable senators, I must clear up one point. I raised the question of privilege originally because the copies were being distributed to senators' desks here in the Senate chamber. That was the question of privilege. It was not, as Senator Carney suggested, about whether the editor of the *Vancouver Sun* has the right to print anything he likes.

Senator Carney: Check the record.

Senator Olson: Oh, I will, but I have people seated beside me who can verify it right now. I can tell Senator Carney that, as far as I know, there is nothing wrong with my memory. I remember exactly what I said.

I object to this material being distributed in the Senate chamber and I object to its appearance on my desk. The only thing I want to see on my desk is a paper that has to do with a motion that is being made, for example. I like to get that kind of thing in writing. If there are any Orders of the Day that must be dealt with, I also like to read committee reports and the kinds of things that come at the various stages of routine proceedings. But I do not care how good or bad editorials are, nobody has the right to clutter up my desk with them. That is what has been done.

Honourable senators, what surprises me is that we had this discussion the other day. I thought we had agreed on both sides of the house that it was a bad practice and that we should stop this kind of distribution. Put the stuff in the mailboxes, if you like, although I must say that at home I have a little sign on our mailbox asking that the mailman not deliver flyers and that kind of thing. That creates clutter, and it is absolutely against the concerns of a lot of people who are worried about the environment, and all of the trees that are cut down to provide newsprint for that sort of mail, and so on.

I do not want it in my mailbox. I do not want it on my desk, either. I just want to make sure that that is clearly known. My question of privilege is not what Senator Carney suggested it was, that we were trying to object to the *Vancouver Sun* printing what it likes to print. It can do that and can distribute it to people who subscribe to that paper, or to anybody else, but not those in this chamber. That is the point.

Senator Molgat: Honourable senators, I really do not know who distributed this document in this particular case and I do not intend to seek out who distributed it. But I think that we should consider for the future whether or not, when someone wants to distribute something, he or she should put his or her name on it. I freely confess that I have distributed things at times without doing that.

Senator Steuart: But his were all true.

Senator Olson: At least they were not propaganda.

Senator Molgat: However, we can discuss that at another date.

I do find, however, something in the editorial with which I agree. It states:

> Most Canadians still don't want the GST. Neither do we.

I find that there is something in the editorial of definite value. It recognizes the true facts of the present situation.

Senator Carney has brought forward that constant complaint that I think Mr. Oberle brings out all the time, that we are preventing people from getting their rebate cheques. The fact is that what we are trying to do is to prevent people from being gouged by the GST when it is implemented. That is what we are trying to do. Let us make no mistake about what this is all about. Those so-called rebate cheques are a blackmail operation.

Senator Olson: Even bribery.

Senator Molgat: It is an attempt to con people. It is an unbelievable action by a government to try to buy people off. It is hard to believe that a conscientious government would even consider that kind of practice; that it would even consider sending out cheques to people in advance of passing the tax—which is still not in effect—in an endeavour to lure them into it. Then, after January 1, if they get their cheques, the government will shove it to them, and shove it to them hard, day in, day out, every day from then on.

Don't kid yourselves into thinking that the rebate will reimburse those people at the bottom end of the scale in comparison to what they will pay. They will end up paying a lot more in GST than they will ever get back in rebate, particularly when one considers that the amendment we propose to index the rebate has been refused. This is the road to loading more taxes onto these people and the rebate will not cover them. That is where we are.

MOTION FOR THIRD READING—DEBATE RESUMED

Hon. Gildas L. Molgat: Honourable senators, this brief interlude has permitted me to obtain some more information for Senator Lucier, who was interested earlier in the effect the GST will have upon tourism. In specific reply to Senator Lucier, I would like to place on the record some of the things that were conveyed to me regarding the tourist industry.

I received, for example, a letter from a Mr. A.L. Taylor, National President of the Alliance of Canadian Travel Associations. This letter is dated April 12 and was addressed to me, the Honourable Gildas L. Molgat, the Senate of Canada. It states:

> Dear Senator Molgat:
>
> As the Senate prepares to debate the Goods and Services Tax, I feel that as the National President of the Alliance of Canadian Travel Associations (ACTA), I must once again bring to your attention, Senator Molgat, the specific concerns of our 3,200 members regarding the way the GST has been applied in the travel industry. We have tried repeatedly to discuss changes with the Government that we feel are necessary to protect our industry.

• (1050)

> So far all of our concerns have fallen on deaf ears despite the fact that ACTA has not opposed the tax in general, just the way it has been applied to the travel industry. We hope the Senate may be able to accomplish some changes in the present legislation to offset the severe consequence the act in its present form will have on the travel industry in Canada.
>
> Because you and your colleagues are long-serving members of the federal government process in Canada, I do not have to acquaint you with the details of Canada's travel and tourism industry, and numbers of people that depend on it for their livelihood, nor the fact that tourism will be the world's largest service industry by the year 2000. Considering the impact that tourism should have on Canada's future, and given the potential to reduce our deficit with a positive inflow of tourism money, it is inconceivable to our members that every action taken by our present government is designed to reduce Canada's income from tourism by approximately $1 billion per year and will eliminate up to 25,000 jobs.
>
> We hope that during your debate you will use every means at your disposal to correct the negative applications of the GST to tourism and travel in Canada. To assist you, I have attached the details of some of ACTA's major concerns. If I can assist you further at any time, please contact me at your convenience. As well, we would

appreciate your office informing us of the dates of any public hearings on the GST so that we may attend and present our views.

I replied to Mr. Taylor, indicating that there had been no dates set for the hearings to be held. At that point in April, the bill was still under debate in this place.

They have concerns about the goods and services tax, which I will read:

CONCERNS ABOUT THE GOODS AND SERVICES TAX

1. Inbound tourism, already adversely affected by a budget cut to tourism Canada from $35M to $20M, will further decline under the Goods and Services Tax due to Canada being seen as a high cost destination.

The general impression that will be created by the GST is that we are a high-cost destination.

This has been a problem in the past and will become even more so in the future. U.S. tour and bus operators have already expressed their concerns about bringing tourists into Canada, and Canadian inbound operators will be at a distinct disadvantage versus off-shore operators.

Solution:

Treat travel and tourism as an export industry as it applied to the inbound portion for foreign travellers.

2. The GST as applied to the retail and wholesale industry renders the Canadian industry uncompetitive with U.S. suppliers. The unilateral tax increase cannot be overcome by the Canadian industry. The most likely result would be that up to an estimated $150 million of income to airlines and travel agents in Canada will be lost to American competitors due to the provision that transborder air travel will be treated as domestic travel. We cannot help but wonder why air travel was arbitrarily selected to be taxed on a transborder basis.

Solution:

Rescind the provision in the present Goods and Services legislation that transborder air travel will be taxed as domestic travel.

3.The provision that the GST will apply on the Air Transportation Tax (ATT) creates a "tax on a tax" situation. This sorry situation was further exacerbated by an increase in the percentage of ATT to be applied to each ticket from 5% to 7% at the same time that the average rate of GST was dropped from 9% to 7%. This will increase lower air fares disproportionately and could affect the feeder airline system carefully created by the major airlines to service their major routes. It also places an unfair increase on the lower cost traveller.

Solution:

GST should not apply to the ATT and the ATT should be reduced to the original 5% proposed.

[Senator Molgat.]

4. Zero-rated international travel sales will still require the GST be remitted on the retailer's commission and claimed back by the supplier as an input tax credit. If a sale is zero-rated, why should any GST be generated?

Surely this is another complication and has a negative impact on the cash flow of the supplier and is costly to account for all parties.

Solution:

A zero-rated sale should not require this "cycling" of Goods and Services Tax.

5. The lead time to implement this tax by January 1, 1991, is limited and will place an unfair burden on small businesses. The government's own timetable assumes the final act will not be ready before mid-August. How can businesses be expected to adapt to collect tax on forward contracts starting September 1st and complete the changeover of their entire accounting and reporting systems by January 1, 1991.

Solution:

The implementation and date should be extended, say, to July 1, 1991.

This is a thoughtful submission. I compliment this group for not only presenting the problem, but suggesting solutions. We cannot guarantee that the solution in every case is the right one, but at least they propose solutions to the problem.

I have another letter which is closer to your area, Senator Lucier. This letter is from the Cariboo Tourist Association, Williams Lake, British Columbia. I will admit that that is not the Yukon, but it is getting closer to you.

Senator Lucier: We are neighbours.

Senator Carney: You do not know your geography. Williams Lake is nowhere near the Yukon.

Senator Molgat: The Cariboo is certainly closer to the Yukon than to Ottawa.

Senator Lucier: Winnipeg is not in the east, but they were in the Grey Cup last week.

Senator Molgat: I do know where Williams Lake, Hundred, Mile House, Quesnel, and Prince George are. I have been to all those places.

Senator Barootes: We wish you were there now.

Senator Molgat: Senator Barootes, in many ways I wish I was there also. It is delightful country, but we have other tasks at hand right now.

The Cariboo Tourist Association is at P.O. Box 4900, Williams Lake, British Columbia. I suppose my name has thrown them off somewhat because they address me as Mrs. Molgat. I get that quite frequently. My name is indeed a little confusing. The letter says:

RE: GOODS AND SERVICES TAX

The Cariboo Tourist Association has over 330 members, primarily from the private sector, involved in various

activities serving visitors to the south central area of British Columbia. Our members include fishing resort operators, guest ranches, guide-outfitters, hotels, motels, restaurants, service stations, fishing tackle shops, chambers of commerce and civic governments.

Visitors primarily come from Canada, United States and Europe to enjoy our resorts and outdoor activities.

Our Board of Directors is gravely concerned about the effects the Goods and Services Tax will have on the tourism industry, its ability to compete due to higher costs imposed by the administration of tax collection, and its ability to attract Canadians who may be lured elsewhere by prices not subject to GST.

There is concern about the demands made upon operators to collect taxes and buy new equipment to do it.

We have communicated our concerns to our Member of Parliament and asked him to relay our concerns to the House of Commons.

Our letter to him discussed the following items:

1. Accommodation rental increases.

2. Provincial Parks' not being required to pay the tax, therefore not collecting it, and being at a further unfair advantage with regard to privately operated campgrounds.

3. Foreign purchases of Canadian vacations and foreign purchases of Canadian vacations at resorts owned and operated by non-Canadians. The collection of GST may slip between the cracks with these operations.

4. The removal of the 13.5% manufacturers tax will not offset the 7% tax which is included on $%all$% goods and services.

5. Currency exchange rate. As the dollar rises, so does the cost to foreigners for Canadian products. The ability of Canadians to afford off-shore vacations also rises.

6. Other export products are free of GST to the buyer.

7. Rebates cannot be applied for unless a visitor spends $285.00 (to generate $20.00 GST). This unfairly allows the visitor to high cost areas such as major cities to receive rebates, but visitors depending on camping or low-cost accommodation will have no opportunity to obtain rebates, nor will short stay visitors. We understand the National Tour Association has received a group rebate program which will not require individual spending of $285.00 to qualify for rebates.

8. Capital costs. The imposition of 7% on prices already including 13.5% GST costs.

9. Non profit associations. We have been notified we must start charging 7% GST after August 1990 for memberships and services relating to 1991.

What nerve!

The tax law has not been passed, yet the tax man knocks.

In these times of recession threats, inflationary high interest rates and inflation feeding taxes, our association can ill-afford the unproductive costs of dealing with the confusion, frustration and difficulties of pro-rating charges which are levied on an anniversary and/or occasional basis.

We also question collection of a tax for which there is no legislative authority.

The Cariboo Tourist Association is not against taxation, or tax reform. Both are necessary.

Taxation should be fair. Tax reform should start with the GST. The Association supports reform and supports a much reduced GST rate with no exemptions allowed.

We request that the Senate notify our Association of the dates and locations of meetings in British Columbia so that we can prepare to attend.

We applaud the Senate in its initiative to foster, maintain and promote the principles of democracy in Canada. This letter has been sent to all Senators. We urge you to do everything in your power to defeat the Goods and Services tax legislation as it now stands, and to promote tax reform for the benefit of Canada and Canadians.

Yours very truly,

Pat Corbett,
President

This is a very sensible letter. Senator Lucier, here are more answers to your request for the effect of this tax on the tourist trade. This seems to be a general reaction everywhere.

Earlier, I was asked for information on the VAT or GST in other countries. The slight interlude that we had permitted me to organize my information, and I can now respond more fully to the question that was asked by Senator Frith, with particular reference to the experience abroad. The point I was making at that time was that there is a big difference, in my view, between a VAT, a GST or a consumption tax in a unitary state as compared to the same type of tax in a federal state, where the federal components have sales taxes of their own, which is the case in Canada. Nine of the provinces presently have a sales tax, and we are imposing a new tax in addition to that sales tax.

Those who have been here for some time have heard me make this argument before, but I see there are newcomers whom I must try and convince of the rightness of my argument. I will not repeat the argument in full, but I will give you a condensation so that you will appreciate it fully.

• (1110)

In answer then to the statements I was making at that time, I was asked a question about other countries, and federal countries in particular. I thought perhaps that what I had best do is give you the section from the *Canadian Tax Paper No. 88*. The title is *The Economics of the Goods and Services Tax*, and it is by John Whalley and Deborah Fretz. This is a publication of the Canadian Tax Foundation. I have a Library

copy here stamped October 11, 1990, so it is certainly a very recent issue.

Perhaps I should read the forward into the record, then there is no argument as to the validity of the credentials of the document and the credentials of the individuals who have written it.

For the sake of the reporters, I may not be able to give them the text right now, but they have the title and I believe the Library has other copies, if need be. I will make my own copy available later, but I may need it sometime during the course of the argument. It may be that some of my colleagues have this document as well. If any of them do, perhaps they could supply it to the reporters, as it will ease their task.

I am quoting first from the foreword:

> A fundamental and highly controversial change in the Canadian tax system is the introduction of a value-added tax to replace the longstanding manufacturers' sales tax. The proposal for a VAT was included in the federal government's white paper on tax reform that was published in June 1987.

In passing, I might add that that proposal did not get any great publicity during the election campaign, despite what has been said.

> After extensive public hearings and parliamentary debates, the legislation implementing the proposal—the goods and services tax—was enacted by the House of Commons in April 1990. As this volume goes to press, the tax is under consideration by the Senate. The scheduled implementation date is January 1, 1991.

I might question—this is not from the text, it is my own comments—I might question their statements about extensive public hearings, because I believe that the House of Common's hearings were, in fact, very shortened hearings, and very limited hearings. Insofar as extensive parliamentary debates, I also believe that that is a vast exaggeration, as closure was used constantly. If anyone is interested, I have the occasions on which it was used. It was used regularly to stifle debate in the other place. Fortunately, the Senate is doing the job that it should do in giving the matter in-depth discussion.

> This study reviews the debate on the GST. The authors investigate the operation, deficiencies, and economic effects of the MST and summarize previous attempts to reform the federal sales tax. They present many of the arguments in favour of the GST, and explore the proposed base for the tax, the form it should take, and whether financial services should be included in the tax. They evaluate alternatives to the GST involving changes in the sales tax, the payroll tax, and the personal income tax. Finally, they look at other countries with value-added taxes—Japan, Australia, New Zealand, and Mexico—to see what Canada can learn about the GST from experience abroad.
>
> John Whalley is a professor of economics at The University of Western Ontario and is the author of numerous books and articles in the tax field. Deborah Fretz is a research analyst at The University of Western Ontario.
>
> Rosemary Shipton edited the manuscript, Michael Gaughan verified the references and quotations, Jim Lyons helped with proofreading the galleys, and Eve Gillies compiled the index.
>
> As with other foundation publications, the views expressed in this volume are those of the authors and should not be attributed to the foundation or its members. D.J. Sherbaniuk, Director, September 1990.

[Senator Molgat.]

The document represents the views of the researchers, not of the foundation. The researchers are qualified people; a professor of economics, author of numerous books and articles in the tax field, and a research analyst. I think we can depend on the accuracy of their statements. We may disagree with some of their conclusions or some of their opinions, but we have to remember that they are, nevertheless, the opinions of qualified people.

I am quoting now from Chapter 11, "What Can Be Learned From Experience Abroad?" This is in specific reply to the question asked by Senator Frith earlier this day.

> Because there has been so much experience abroad with attempts to reform indirect taxes and introduce value-added taxes (VATs) or goods and services taxes (GSTs), it seems sensible in closing to review this experience and assess what can be learned from it for future possible directions for Canada in this area.
>
> Origins of the VAT
>
> The VAT was first introduced in France in 1954, and subsequently in other European countries in the late 1960s and early 1970s. An even larger number of developing countries have since introduced the tax, although in most cases the tax effectively remains restricted to the manufacturing level. Table 11.1 from Tait—

When they refer to Tait, they are referring to Mr. Alan A. Tait's publication, "The Value-Added Tax: Why and How," in *Report of Proceedings of the Thirty-Sixth Tax Conference*, 1984 Conference Report (Toronto: Canadian Tax Foundation, 1985). Here at this particular time they refer to particular pages. They refer to Tait at different times—certainly in the whole of the volume they do, but I do not know if they do so in this chapter. In case the name "Tait" comes up again, you will know what that refers to.

So to return to the document:

> Table 11.1, from Tait, shows the sequence of introduction by country, the taxes replaced, the intended revenue effects, and other changes which occurred at the same time.
>
> Experience with the tax reflects operation with the credit-invoice VAT rather than the subtraction-method tax, and much of this comes from Europe. The tax seems generally to be relatively easy to administer, although table 11.2, also from Tait, indicates that following its

> introduction rates have tended both to multiply and to increase significantly.

Please note that: They have tended to multiply. Please note that the experience is that the rates have tended both to multiply and to increase significantly. I remind you that that is what a lot of Canadians have been saying. They have been saying, "Yes, you will start off with 7 per cent, but we know what will happen; next year it will be 8, next year they will have to go to 9, and then 11."

When we look at what this government has done with the FST, we have good reason to believe that, because when we consider that, when the present government came to office in 1984, the FST was at 9 per cent. It has since made four successive increases and is now at 13.5 per cent. I think Canadians have a good reason to be leery of a tax which was originally to be set at 9 per cent, then during the course of the debate, to make it a little more palatable, it was reduced to 7 per cent. If Canadians look at the FST experience, they have reason to be wary. If they look at what has happened in other countries, as documented by this study, it has tended to both multiply and increase significantly.

> This concern that the VAT is too easy to collect and, consequently, that there was little pressure on governments to reduce deficits through control of expenditures was the main reason given for rejecting the VAT in the United States, when tax reform was eventually enacted in 1986.

I repeat: ". . . too easy to collect and, consequently, . . . little pressure on governments to reduce deficits through control of expenditures . . ."

I know Senator MacDonald will be particularly interested in that aspect because of his concern about the deficit. I think we should pay close attention to that statement, ". . . too easy to collect and . . . little pressure on governments to reduce deficits through control of expenditures . . ."

> The third volume of the US Treasury tax reform documents, devoted exlusively to the VAT, makes it clear that the main argument against the VAT is that it is a "money machine" for government.

I repeat that in the United States Treasury tax document specifically dealing with VAT, they say that the main argument against this tax is that it is a "money machine" for government. This is exactly what Canadians are concerned about, that they will be "milked" steadily, repeatedly, continuously, in ever-increasing amounts, with no attempt by government to control expenditures, because they know that they have got that easy way in which to bring in the money.

I repeat, why the urgency to have it done now? Why do we have to have it right now in January 1991? For political reasons; not economic reasons. It could wait until next year. The reason is that the government wants this "money machine" in operation now so that prior to the election, they can spread the money around the country, and incur great expenditures in order to try and buy another election. That is the reason for the rush.

Hon. Jack Austin: I wonder, Senator Molgat, if you have information as to whether Senator Everett was able to obtain a letter from the Minister of Finance with respect to the level of GST? Was he concerned about that level remaining at 7 per cent? Also, did he obtain the assurance of the Minister of Finance that this government would not change the level of the GST from 7 per cent?

Senator Molgat: That is a fascinating question, Senator Austin. I do not know. I would have to speak to my colleague to find out exactly what the minister told him. I would be very surprised if the minister tied his hands in that way.

An Hon. Senator: Do not hold your breath.

Senator Molgat: I regret that we did not pass the amendment that was proposed by Senator Lawson and on which we voted on yesterday, to guarantee that the funds would all go to deficit reduction. I am surprised that some of my friends opposite, and particularly Senator Finlay MacDonald, my good friend from Nova Scotia, who has shown an interest in that deficit, did not jump up and second the amendment, because I think it would go right along with his sensible views of what needs to be done. I would have loved to have had that whole-hearted support. I think it is you, Senator Lucier, who has the quotes on that.

Senator Lucier: Yes.

Senator Molgat: I think you read them to me one day. I was not at the hearings, but I thought, "Now there is a sound thinker."

Senator Lucier: And a very honest man.

Senator Molgat: Yes. A man who says it like it is. A true Nova Scotian who says it like it is. Yesterday, when he had the opportunity, he let me down. That is too bad. That is the way of politics.

Senator Austin: I just wanted to ask you again, Senator Molgat, on this point you are making, whether you are aware—and this does bear out the point you are making—that even tax experts believe that the level of the GST will have to be raised. You were saying that Canadians, across the board in our communities, are of the view that 7 per cent is not where the tax will end up, and that that is one of the greatest causes of alarm and anxiety in our community. I have an article here which appeared in the *Financial Post* on Tuesday, November 27, under the headline: "A 9% GST looms, tax lawyer warns". The article states in part:

• (1120)

> The proposed 7% goods and services tax will probably be raised to 9% after the next federal election to allow Ottawa to get a grip on the growing deficit, a leading tax lawyer predicted yesterday.
>
> Claude Desaulniers, a tax expert with Montreal law firm Stikeman Elliott, told reporters people who think the GST will not come into force are dreaming.
>
> "I think (the tax) will be there for a long time," he said, speaking at a media briefing organized as part of the Canadian Tax Foundation's annual conference . . .

> Desaulniers said that if interest rates remain high, pushing the interest payments portion of the federal deficit even higher, the federal government will be forced to increase the GST.
>
> Desaulniers, noting that every one percentage point increase in the GST will generate $3 billion in added revenue, . . .

He also reminded his audience that Finance Minister Michael Wilson originally proposed a 9 per cent levy but pulled it back to 7 per cent because of political pressure.

The article goes on to state:

> He said the GST legislation is very complicated and this will ensure lots of work for lawyers and accountants, both in applying the GST law and contesting its interpretation.
>
> "This bill is so technical. There are so many provisions and the more complicated a bill, the more loopholes that can be found."

Those remarks, Senator Molgat, are from a very eminent tax expert who works for a very eminent tax firm. He is warning the Canadian public that as soon as the next federal election is over this government, which proposed this revenue-neutral tax, will be raising it to 9 per cent. Perhaps Mr. Desaulniers is being conservative, if I can use that word. Perhaps it will be raised to 10 per cent or 12 per cent.

Do you have the same concerns as those of Mr. Desaulniers, Senator Molgat? Do you have additional evidence to show that technical people such as Mr. Desaulniers who question the level of the GST and how long it can remain at that level are accurate?

Mr. Desaulniers has also said that the French version of the law is an adaptation and not a direct translation of the English version. He said, "The French version is quite different". The article in the *Financial Post* goes on to state:

> A company could decide how it will charge the GST based on the French version of the law even though the English version says something else, Desaulniers said, and it would be up to the courts to interpret just what the legislator meant. " This will certainly give rise to many interesting cases before the courts."

My second question to you, Senator Molgat, is whether you have examined the differences between the English version and the French version and whether this alarming report that there are substantial differences between the two versions will give rise to considerable problems of interpretation by the Department of National Revenue. Would you agree that, undoubtedly, it will cause major cases of litigation before the courts?

Senator Molgat: You have presented me with a number of questions, Senator Austin. Later in my comments I will deal with the question of the increases, and I will give you specifics with regard to what has happened.

I can tell you at this point what I have already put on the record. That is to say that Tait in his study found that the rates have tended both to multiply and to increase significantly. That is what Tait's study shows, and I will give honourable senators those figures later on.

Second, in its study the U.S. Treasury saw the real dangers in this kind of tax constantly increasing. The U.S. Treasury called such a tax a money machine. Insofar as that side of it is concerned, I think you can rest assured, Senator Austin, that the quotations you gave are accurate.

Your other point had to do with the differences between the French and the English systems. I must confess that I am more familiar with the French system than I am with the English. I am not in a position to make a comparison between the two. However, my impression is that the countries of Europe are presently moving toward harmonization. Because of the integration of their economies right now, it has been realized that they must harmonize.

In fact, just over a year ago we had consultations in Paris with the French concerning their system. It appeared to me that their system was quite complicated. It has different levels for different types of products. They do not have a proposal such as ours, which is a flat rate proposal.

My understanding of what the French told us at that time is that they are moving toward getting all these matters harmonized so that all the countries of Europe will end up with the same system. I think that with the economic integration that is going on in Europe now they will be forced to do that. If they were to continue with different levels of taxation, many distortions would be introduced into their system.

It is difficult, considering the proximity between the countries. For example, if Luxembourg has a different rate—which it has at present—than does Belgium or France, difficulties may arise. We think that it is easy for Canadians to hop across the border to purchase goods in the United States at lower costs. It is a great deal simpler to do that in Europe because the distances are less. For example, if you live in northern France you have a choice of shopping in France, Luxembourg, Belgium or Holland, which are all within an hour's drive of some cities in the north of France. Thus, I think that they have to harmonize their rates.

Senator Austin: Senator Molgat, I think that you have missed the point with respect to my question. Perhaps I read the article too quickly.

Senator Molgat: Did I miss something?

Senator Austin: The last part of my question concerned the comment of Claude Desaulniers of Stikeman Elliott, who said that the French version of Bill C-62 is an adaptation, not a direct translation, of the English version. He said, "The French version is quite different." He went on to speculate that a company could decide how to interpret the GST based on the French version even though the English version states something quite different. He speculates that there will be an enormous amount of litigation and a pile up of work for the Department of National Revenue. He is quoted in the newspaper article from which I read to have said, "This will certainly give rise to many interesting cases before the courts." That is one of the major problems with the legislation which this house

did not attempt to rectify. Nor did the other place attempt to do so. The French version and the English version are not in accord in a number of significant places. I wonder how this house could possibly give consideration to a bill, and perhaps pass it into law, which would create such a proliferation of issues for Canadian citizens.

Senator Molgat: I was indeed way off track, Senator Austin. I thought you were asking me to compare the VAT system in France with the VAT system in England. You were talking about the GST in Canada as written in French and as written in English. I am sorry I missed the point.

I have not tried to compare the two. Obviously, if there is a difference between the French and English texts, then we will be in real trouble. That is because the two texts are valid in law. You are a lawyer while I am not, Senator Austin. You could go before a court and make such an argument—

Senator Poitras: That is what we wanted to do in the committee.

Senator Austin: You have had many opportunities to introduce a corrected language version in this chamber.

Senator Murray: When?

Senator Austin: At any time you wished to do so. You could have introduced an amendment. In fact, one still speculates as to what Harvie Andre meant when he mentioned a few days before the house came back in September about his willingness to entertain amendments. The poor *Vancouver Sun*, which Senator Carney was quoting earlier, went for the bait and said that the most civil thing that the government had done so far was to announce that it was prepared to receive amendments. I could read the editorial. However, I will spare senators opposite the punishment which Senator Carney levelled upon us.

Senator Murray: Are you making your intervention in installments?

Senator Austin: No. I am responding to a comment raised by you, Senator Murray.

Senator LeBlanc: It would be very interesting to hear the editorial.

Senator Austin: The *Vancouver Sun* is the leading paper in terms of circulation in the province of British Columbia. The problem is that in terms of its editorial page it is highly equivocal. It wants to stand on many sides of a question so that it can put itself on the right side as the future unfolds.

Senator Molgat: I realize, Senator Austin, that one should not reply to a question by asking another question. However, do you know if Mr. Desaulniers gives any examples concerning differences between the French text and the English text?

Senator Austin: That is not pointed out in the news story. However, apparently in his address to the Canadian Tax Foundation he did give some examples. I have asked for the text of his remarks, which I have not yet received.

Senator LeBlanc: Mr. Desaulniers is not a light-weight. He is a very serious and substantive citizen. If he has made in a speech a serious allegation such as that and underlines the problem as being very serious I wonder if somewhere in the Privy Council Office somebody did not mix up a distinguished society paper with papers on the GST. Perhaps that is how we entered into a situation in which distinguished lawyers such as Mr. Meighen and a number of others opposite will find themselves before a judge who is not bilingual in one of the official languages and who will make a judgment which will cause their client to end up somewhere in a superior court. This will inflict incredible expense on the citizens of this country.

This is a body of adults. When we are told something as remarkable as the fact that there are some glaring differences between the two language versions in a country with two official languages we say nothing. Does the government not feel any onus to say anything about that? Will it simply let the citizens go to the slaughter of recourse in the courts in trying to find an arbitration? Frankly, I think we should adjourn right now for a few days to see what the other side intends to do before we discuss this question any further.

• (1130)

Senator Murray: We will move that at 5 o'clock, according to Rule P-2.

Senator LeBlanc: I am quite sure that Senator Murray could get unanimous consent quickly if he were to request that. Let us at least take 48 hours. Because the bureaucrats are up in Wakefield it may take a few hours for their return, but once they get back they might want to sit down to compare the two versions. Perhaps they could call in a competent editor or reviser—we have one in the Senate who is very good—to at least try to make some sense of this.

I am not a lawyer, but as an ordinary citizen who started his journalistic career covering the city court, who saw ordinary citizens trying to disentangle themselves from the web that had been woven by the system, I just do not understand how we can sit here, quietly discussing something which appears to me to be obvious, and not get an answer from the government side because it has been hit by this "mutism", if that is an expression. They have all not only taken leave of their senses in the usual capacity, they have taken leave of one sense in particular, which is that of hearing.

Senator Molgat: Honourable senators, I regret that I was distracted at the time Senator Austin raised his point. I got off on a lengthy comparison of the English and the French or European systems. The point raised by Senator Austin is exceedingly important to Canada. If there is a substantial difference between the French text of the law and the English text of the law, then quite obviously we should not pass the law until we get it reconciled. Not only will we be open to substantial litigation, but this may also cause serious economic problems if certain people proceed on the basis of one law and there is another version that says something different.

I would hope that the government would be looking at this matter with the utmost urgency and that Mr. Desaulniers has specific instances of these differences that he can provide now

so that the corrections can be made. I have some idea of how difficult it is to translate properly any document, but it is even more difficult when dealing with a legal text. It is an extremely difficult and highly specialized job. I think that our legal experts have tended recently to approach it in a different way. Instead of trying to translate mot pour mot, I think what they are trying to do now is to go to the concept of the law and to write it in the initial instance in each language. They do not attempt to do a mot pour mot translation, which can end up with some real dislocations. I believe what they are trying to do is think "What does the law intend?" They then write it in that language. I think that is the proper course.

However, if that has not been done, then I caution the government that it ought to look at this situation with the utmost urgency. Otherwise, we could be heading into some serious troubles.

[*Translation*]

Senator David: I think the explanation you have just given is excellent. The way to translate from one language into another has been changed and when I came here I was a member of the committee on legislation. I had a lot of difficulty to interpret the clause by clause meaning of pieces of legislation from one language to another in most cases. As far as I am concerned, it was rather from English into French that I had to interpret. I asked someone to explain to me exactly what you have just said, namely that translation is not literal anymore. It is not anymore simply a grammatical exercise; in fact, they try to keep the concept of each of those sections. So, I have no difficulty to believe that there are some slight differences between the two texts in a bill made up of hundreds of different clauses. Now, I would like to know who is that Mr. Desaulniers and to ask him to send us in writing the differences he sees between the English and the French text. He will probably get the same answer as I received several times, about several bills, mainly that the concept of the section is kept in both cases but that it is expressed with different terms.

● (1145)

[*English*]

Senator Austin: Senator David, perhaps I could answer, since I initiated the question in the first place. Mr. Desaulniers is described as a tax expert with the Montreal law firm of Stikeman Elliott. He made an address before the annual conference of the Canadian Tax Foundation. Part of his comments—which are reported only briefly in the *Financial Post*—are that the French version of the law is an adaptation, not a direct translation, of the English version. He went on to say: "The French version is quite different." He then speculated that a company could decide how it will charge the GST based on the French version of the law even though the English version says something different. Then he stated that it would be up to the courts to interpret just what the legislator meant. He said: "This will certainly give rise to many interesting cases before the courts."

[Senator Molgat.]

Therefore, while I do not have the specific material—and as I said to Senator Barootes earlier in the debate I have asked for comparisons to see how serious the differences in the text will be—it is clear that an expert has concern and is notifying the business community that there will be problems that will give rise to litigation. I think honourable senators who know anything about tax practice will know that the Department of National Revenue will interpret the rules to suit its best case. It will choose from the English or the French version as suits the position it wishes to take. That puts the onus on the taxpayer to disprove the interpretation of the Department of National Revenue.

Clearly, in a great many cases individual Canadians will be facing litigation in order to determine their rights. There is an additional burden placed on everyone by Bill C-62 if the translations are not properly done. And those are not costs that are recoverable. They may be recoverable in part, but certainly tens of thousands of dollars will not be recoverable. They will be lost costs, and all because the government has presented a bill that does not have proper confirmation between the two languages.

This is an extremely technical bill. Therefore, generalizations of meaning are inappropriate. They might be appropriate for the translation of some piece of literature, but neither in Senator David's field, which is medicine, nor in my field, which is law, can we afford to have anything but precise translation.

[*Translation*]

Senator Poitras: You might allow me to have a reaction to your statement because in the Senate committees, in particular in the Committee on Banking, we have to read both the English and the French text, clause by clause, unless all the members of the committee dispense from doing it. Now, we did not have either the permission or the time to do this in spite of our request and this is one of the weaknesses. When we do not comply with the rules, when we do not follow the appropriate procedure, the Canadian public has to foot the bill in the end. I agree with the honourable Senator that we should not allow such things to happen again.

● (1200)

[*English*]

Senator Frith: Honourable senators, Senator Molgat said earlier that he is not a lawyer. On this very point of the lack of . . .

[*Translation*]

Furthermore, I agreed that, in our present situation in Canada, while we have both official languages, it is always very important that both texts match. This is certainly true in the Committee on Banking, especially for a tax bill. The study in committee must give the opportunity to check if both the English and the French match.

[*English*]

I was going to ask Senator Molgat whether he was aware of the fact that there is an added difficulty created by discrepancies or lack of agreement between the two versions. There is a

well accepted rule of interpretation that taxation statutes are interpreted very strictly. In any book on interpretation you will find that the courts have always taken the view that, when a legislature wants to tax, it must be very clear as to its intent. I know that Senator Poitras, as an accountant, is probably familiar with that. He has probably had it used either for or against him in his practice.

I wonder whether Senator Molgat is aware of that rule of interpretation, which underlines the difficulties created by any lack of concordance between the two versions.

[*Translation*]

Senator Molgat: Well, I thank Senator David and Senator Poitras for their recommandation. I think we agree on the way we should proceed for translations because the word-for-word translation does not work. We agree that we must go to the essence of the language, to the essence of the concept, that we must draft the regulations. Now the question is to determine whether the mistakes or the lacks of concordance, as indicated by Mr. Desaulniers, are such that they require urgent attention. I think it is important to ask Senator Austin.

[*English*]

to get from Mr. Desaulniers the specifics. I note that Senator Austin has requested them, but it is important that we receive that material so that we can judge whether indeed there are substantial differences—differences that could cause problems for chartered accountants, for lawyers or for businessmen in terms of interpretation.

We ought to have a look at that material as soon as possible. I am sure that my friends opposite will agree with that approach. All I can do is ask Senator Austin to press Mr. Desaulniers. This is still Friday. He should be able to send his material to us by fax. Indeed, we might ask Senator Murray whether the people at the Department of Justice could have another look at this question. Perhaps they, too, can advise us of any problems that they see so that, as we proceed in this debate, we can examine them.

If I may, then, I will come back to what we can learn from the GST or VAT systems abroad.

• (1215)

A number of questions have been asked of me about comparisons with other countries, comparisons with federal states and non-federal states. I will read the material as I have it from this document by the Canadian Tax Foundation.

I was saying that the U.S. government or the U.S. Treasury Department turned down the VAT on the basis that it was a money machine for the government. And I continue quoting from the book at page 134:

> When the VAT was introduced in France in 1954, it was seen largely as a method of avoiding the cascading present in the turnover taxes in Europe at the time. It was not seen as a revolutionary change aimed at moving existing taxes onto a broader base. Indeed, cascading in the turnover tax was a major problem not only in France, but in Germany and other European countries as well. In addition, cascading created incentives for vertical integration within firms and major difficulties with rebating taxes at borders. These border tax adjustments were required because of the administration of the turnover taxes on a destination basis.
>
> Thus, while the VAT was proposed by the French civil servant Maurice Lauré in the early 1950s largely as a way of removing cascading within the existing turnover tax, it came to be regarded as a successful and desirable tax following its introduction in 1954. After the creation of the European Economic Community (EC) in 1958, the tax took on new and major importance as attempts to achieve fiscal harmonization and the elimination of fiscal frontiers between countries got underway.
>
> A major objective for European integration has been not only to remove tariffs and other trade impediments among countries within the integrating union, but also to move to common fiscal arrangements and ultimately eliminate fiscal frontiers among member states: taxes on imports and rebated domestic turnover and other taxes. Early on in the then accelerating process of European integration, a committee was appointed under the chairmanship of Fritz Neumark to consider how best to harmonize indirect taxes in Europe.
>
> This committee considered a number of options, including retail sales taxes, but came down in favour of the VAT as the best common harmonization objective in the indirect tax field. The recommendation was based largely on the argument that in order to eliminate fiscal frontiers among member states, it would eventually be necessary to move from the existing destination basis used in turnover taxes to an origin basis among member states of the EC—that is, a tax at the point of production. The destination basis—what Shibata . . .

Shibata, in this reference, is Mr. Hirofumi Shibata writing in "The Theory of Economic Unions: A Comparative Analysis of Customs Unions, Free Trade Areas, and Tax Unions." In Carl S. Shoup, editor, "*Fiscal Harmonization in Common Markets*", Volume 1, *Theory* (New York: Columbia University Press).

> . . . subsequently called the "restricted origin basis"—would remain between EC member states and third countries. The committee held that administering a retail sales tax, the rival broadly based indirect sales tax, on an origin basis was a contradiction in terms, and would, therefore, be incompatible with the integration aims of the EC.

That is partly what I was trying to say to Senator Austin in my earlier comment when I thought he was asking for a comparison of the system in France and in England, whereas he was really asking for the difference between the French and English versions of the tax in Canada. I did try to answer the broader question.

> The VAT also appeared to be preferable to a retail sales tax as a harmonization target for indirect taxes in Europe for a number of other reasons. It already existed in France. It was relatively easy to implement, given that

the change would be from a turnover tax to a VAT for most of the original European member states. Finally, it was viewed as superior to a retail sales tax on compliance grounds, since taxes were also collected from larger primary producers at earlier stages in the production process and invoices could be matched.

With its adoption as a common harmonization target in the 1960s, European countries in the EC then began to adopt the tax. Between 1968 and 1972-73, most of them implemented the tax. The newly acceding countries (the United Kingdom, Ireland, and Denmark) also adopted the tax in place of their existing indirect taxes.

Now, to go specifically to the various countries, first of all I think it is important to list here which countries have gone to the VAT so we can have a look at which ones are federal states and which ones are unitary states to have an idea of when the various countries entered into the system and any other specific information per country. This would permit us to have a valid comparison. I am dealing now with Table 11.1, which is "Details of the Substitution of Value-Added Tax for Other Taxes by Country, and Effects on Revenue". This table indicates the country, the date on which the VAT was introduced, the taxes that it replaced, and the intended effect on revenue.

This is important to us because it seems to me we have had various contradictory statements on this. We have been told all along that this is revenue neutral; in other words, that it should be "equal yield".

Senator Lucier: We have not been told that by all of them; only by some of them.

Senator Molgat: No, by some of them; but certainly the governmental official position is: It is revenue neutral. I think the Prime Minister repeated that as recently as a month ago when he was in Vancouver. I assume that the government position is that it is revenue neutral and we have to operate on that basis. We will also look at other simultaneous tax changes, in the event there were any.

We start off with Argentina; they introduced the tax in January 1975. It replaced a wholesale sales tax and it was intended to be equal yield. In other words, revenue neutral, as Canada says. The other simultaneous tax changes were "provincial tax".

Austria introduced VAT in January 1973 which replaced a cascade wholesale tax and was, again, equal yield. The other change at the time was the lowering of income taxes.

Belgium introduced VAT in January of 1971, replacing a cascade wholesale. It was intended to produce equal yield and there were no other simultaneous tax changes.

Bolivia introduced VAT in November of 1973, and the taxes replaced were a multi-stage ring system sales tax. Again, the government said it would be equal yield but there were, in this case, some other simultaneous tax changes, being new luxury tax rates and increased excises.

Brazil is a country that came up earlier in Senator Frith's question. Senator Frith was inquiring about the situation in Brazil which, I understand, is a federal state and which has provincial or state retail taxes as well.

Senator Frith, in answer to your question regarding Brazil, VAT was introduced there in January of 1967, replacing the cascade tax on sales and consignments. It was rated to be equal yield; in other words, revenue neutral.

Senator Frith: I see.

Senator Molgat: There were no other simultaneous tax changes brought in at that time.

Senator Frith: So is it two levels of tax or not?

Senator Molgat: The only information that I have here is that it was introduced in January 1963; it does not say anything specific about—

Senator Frith: About state taxes?

Senator Molgat: No, and I have nothing in the detailed conclusion.

Senator Frith: Thank you.

Senator Molgat: In the detailed conclusion, which I will come to later, I have information on the specifics in Japan, Australia, New Zealand, and Mexico. There was a section on the United States, but, of course, the United States does not have a VAT so it will not be a direct comparison. I do not have details about Brazil except that they introduced VAT in January of 1967 and it was intended to be equal yield.

Chile brought the tax into effect in March of 1975 and it was replacing a cascade turnover tax. They were honest; they said increased revenue was to be the intended effect. At the same time they also brought in some additional taxes on gasoline, income, and property.

Colombia had an early introduction of VAT which occurred in January of 1965. There was no sales tax in Colombia prior to VAT so it was a brand new tax. They clearly indicated that it would be an increase in revenue; at the same time they brought in other simultaneous tax changes on income, property, and capital gains taxes. There is no indication whether those changes were up or down; simply that they were changed.

Costa Rica brought in the VAT in January of 1975 and it replaced a multi-stage ring system sales tax, the same as Bolivia. They again were honest and said it was going to be an increase in revenue. At the same time they brought in some increased excise taxes.

Denmark introduced VAT in July of 1967, and it replaced a wholesale tax. They stated it would be an increase in revenue and, at the same time, they lowered the income tax.

The Dominican Republic introduced the tax in November of 1983 and I regret I have no information on whether it replaced a tax or what the intentional revenue was or any other simultaneous tax changes; the columns are blank.

Ecuador brought VAT in during August of 1970 and it replaced the turnover taxes on mining and manufacturing. The intended effect on revenue was an increase; other simultaneous tax changes were a reduction in mining taxes.

France brought in a simpler VAT in January of 1968 but VAT had been previously introduced in 1954. So this was then a revision, probably to begin some harmonization with the EC. It is shown here as January 1968, but that was a simpler VAT and it was equal yield. At the same time, tax exemptions were abolished and income tax adjusted.

The Federal Republic of Germany introduced the VAT in January of 1968 to replace cascade retail; it was to be equal yield and no other tax changes were proposed.

Guatemala introduced the VAT in August of 1983 and it replaced stamp duty on sales, services and imports. There is no indication as to the effect on the yield and no indication of other simultaneous tax changes.

Haiti brought in the VAT in November of 1982. It replaced 79 excises; it was to be of equal yield. They also brought in replaced commissions, levies and excises.

● (1230)

Honduras introduced the VAT in January of 1976. It replaced a single-stage ring system sales tax. The intended effect on revenue was to be an increase. There appear to be no other simultaneous tax changes.

Ireland introduced the VAT in November of 1972. It replaced a wholesale and retail sales tax. It was to be of equal yield and there were some other tariff reductions at the same time.

Israel brought in the VAT in July of 1976. It replaced various sales taxes. It was intended to increase revenue. There were no other tax changes at that time.

Italy introduced the VAT in January of 1973. It replaced general and local government sales. It was intended to be equal yield. There were no other simultaneous tax changes.

The Ivory Coast introduced the VAT in January of 1960. It replaced the Manufacturers' VAT. The intended effect on revenue was equal yield. There are no other simultaneous tax changes indicated here.

South Korea introduced the VAT in July of 1977. It replaced eight sales taxes representing 40 per cent of revenue. That is quite a dramatic tax reform. The intended effect on revenue was to be an equal yield. The other simultaneous tax changes were changed excises.

Luxembourg introduced the VAT in January of 1970. It replaced the cascade wholesale tax. The intended effect on revenue was equal yield. There are no other tax changes indicated.

Madagascar introduced the VAT in January of 1969. It replaced a cascade production tax. The intended effect on revenue was equal yield. There are no other simultaneous tax changes indicated.

Mexico introduced the VAT in January of 1980. It replaced the cascade production tax. The intended effect on revenue was equal yield or increase. The other simultaneous tax change was a lower border VAT of 6 per cent.

Morocco introduced the VAT in January of 1962. It replaced a cascade production tax. The intended effect on revenue was equal yield. The other simultaneous tax changes were changed corporate and production taxes.

Netherlands introduced the VAT in January of 1969. It replaced the cascade wholesale tax. It was to be of equal yield, and at the same time they brought in lower income tax.

New Zealand introduced the VAT in May of 1986. It replaced a wholesale tax. It was intended to yield extra revenue. At the same time they brought in changed income taxation.

Nicaragua introduced the VAT in August of 1978. It replaced the multi-stage ring system sales tax. I am not familiar with this multi-stage ring system sales tax, but it seems to be prevalent in quite a number of Central and South American countries. I presume that there was an agreement between them for a harmonization of taxation. The VAT was intended to be equal yield. They reduced customs duties at the same time.

Niger introduced the VAT in January of 1986. It replaced the cascade manufacturers' tax. It was intended to yield extra revenue. It replaced existing taxes on services.

Norway introduced the VAT in January of 1970. It replaced the retail sales tax on 65 per cent of consumption. Strangely enough, the intended effect on revenue was to be a loss. This is the only country that has indicated that. The other simultaneous tax changes were reduced income and property taxes.

Panama introduced the VAT in January of 1976. Previous to that they had no sales tax, so it did not replace anything. They intended that there would be an increase in revenue. The other simultaneous tax changes were that stamp taxes were reduced and excise taxes were increased.

Peru introduced the VAT in January of 1973. It replaced the cascade production and stamp tax. The intended effect on revenue was an increase. There were no other simultaneous tax changes.

Senegal introduced the VAT in March of 1961. It replaced the Manufacturers' VAT. It was intended to be of equal yield. There were no other simultaneous tax changes.

Sweden introduced the VAT in January of 1969. It replaced the retail sales tax. The intended effect on revenue was equal yield. At the same time, they brought in a 1 per cent payroll tax to offset the lost revenue.

Turkey introduced the VAT in January of 1986. There is no information with respect to what taxes were replaced, or the effect on revenue, or other tax changes. I assume that the information is not available.

The United Kingdom introduced the VAT in April of 1973. It replaced a multi-rate wholesale tax. They are the second country to indicate that they expected a loss from the introduction of the VAT. They did make some other tax changes at the same time. The selective employment tax was removed.

Uruguay introduced the VAT in January of 1968. It replaced a manufacturers' single-stage tax and a cascade turnover tax. The intended effect on revenue was equal yield. They did not make any other changes in their tax system.

I hope this answers the questions that were asked of me earlier regarding the details of the introduction of the VAT in other countries.

• (1240)

I want to deal now with the experience with the VAT in Europe. I think we have to look particularly at an item that is concerning Canadians. That is whether we are indeed going to be faced with this constant increase. Are we going to have the "money machine" effect that the U.S. Treasury talks about? Are we going to have, year by year, or every second year, another increase? I think that what should guide us is what has happened elsewhere, particularly in Europe. What has happened in other countries? How is the tax perceived?

I will read to you exactly what these researchers have to say about the experience with the VAT in Europe. They say:

> It is important for Canadians to understand that the European VAT was not in and of itself an attempt to introduce a truly broadly based tax. It was the end result of a successful reform largely aimed at removing cascading which was present in pre-existing turnover taxes in most European countries. There was no pre-existing retail sales tax system, as Canada has at the provincial level, that worked well. The objectives, therefore, were different from those underlying the reforms now being proposed in Canada.

So they did not have a system, as we have, with nine provinces already levying a sales tax. That was not the European operation.

> The experience with the VAT in Europe is generally viewed as good, although there are blemishes. The tax is now widely seen in Europe by both tax administrators and taxpayers as a simple tax which is easy to collect. Although there have been concerns over compliance costs, these have primarily concentrated on the same segments of the economy for which problems have arisen under the income tax: small business and sectors in which there are a large number of smaller taxpayers, such as farming.

Please note that they have had particular problems in those segments of the economy for which problems have arisen under the income tax; small business and sectors in which there are large numbers of smaller taxpayers, such as farming.

> Any tax would face problems in these areas. Tax returns seem easy to fill in, and the crediting mechanism seems to work relatively well. There do not seem to have been major complaints about the tax, and the tax base has remained relatively stable over long periods of time.
>
> As Table 11.2 indicates, however, there has been a clear tendency both for rates under the tax to rise over time and for rates to multiply. Most European countries introduced the tax with a single rate; most now have three, and in some cases, four rates.

There are two things that happen. One is the escalation of the tax itself, and the other is the development of a larger number of rates. One may start off with a single rate; that is, the initial objective, as they perceive the tendency has been to increase the number of rates.

> There are a number of other problem areas with the tax which would certainly be encountered in Canada were such a tax to be introduced. Farming is one, because of poor record keeping in the farming community and the large number of taxpayers involved. Farmers generally do not keep good records for taxes which they pay on their inputs, and substantial amounts of pro rata apportionment are used for such items as taxes on fuel inputs in Europe. These have been the source of much wrangling between representatives of the farm community and the government in many countries. In addition, the large number of farmers who have been brought into the indirect tax system through the introduction of the VAT has resulted in political conflict in some countries.

Now there is a footnote—

Senator Frith: Excuse me, Senator Molgat. It being almost 12:10 p.m., I am on my feet simply to say—and I mentioned this in an informal way to the Leader of the Government—that as far as our side is concerned, we are prepared to give unanimous consent to a break of about an hour for lunch. If it is the wish of the house.

Senator Murray: Honourable senators, there is no disposition on this side, given the projected length of this debate, to interrupt business for that purpose. We will be taking turns in taking a bit of refreshment as the afternoon goes on, but we intend to maintain quorum.

Senator Corbin: To the Honourable Leader of the Government, they are not participating in the debate, what is the point of sitting around here? We may as well all go for lunch and resume. What do you gain?

I guess he is deaf and dumb today, he is not even reacting.

Senator Phillips: Honourable senators, I believe that in a short time there will be some refreshments in the Reading Room.

Senator Frith: I thought on previous occasions we did break for an hour. On a couple of prior occasions we broke for an hour. That is why we raised the matter of a luncheon recess. However, we have our answer.

Senator Molgat: Well, inspired by that, I launch forth for the rest of the afternoon. There is no point in getting nervous at this time.

Returning to the VAT in Europe: It is indicated, as I have said, that the VAT has resulted in political conflict in some countries. There is a footnote on that, which possibly I should put on the record, because it has to deal with what is still a major Canadian industry, and certainly in my part of the country, still a major industry, and that is the farming community. So the footnote reads:

> Under the new GST, sales of agricultural products and farm livestock will be tax-free. Farmers will be entitled to claim input tax credits on their purchases, but will need to keep adequate records in order to do so. It is expected,

however, that this record keeping will parallel that necessary for filing income tax returns, and will not result in extra bookkeeping.

Perhaps we can evade some of the problems they have had in Europe with the farm community, but we will have to wait and see.

Hon. D.G. Steuart: I wonder if I may ask a question?

You mentioned the problem which they are having in Europe, and the problems we foresee in Canada with our farmers with regard to record keeping. I am sure we all realize that it would be quite a burden. Is there any information available, that you know of, to indicate what has happened in some of these countries that have a VAT, what kind of breakdown there is in farming records, what kind of lack of tax collection, or any indication of what the farmers have been put through legally in court cases? I think that would be worthwhile to know, because the government, while having shown no inclination to make any amendments or give any relief to anyone in the country, has said on several occasions that after this tax, if such tax goes into effect, it will consider somewhere down the road taking a look at the problems the tax will create.

We already know that it is going to create tremendous problems, especially for the farm community where you and I come from, and perhaps even more so for the farm community in Ontario and Quebec, where they probably have far more transactions. It will cause problems for the dairy farmers, egg producers, and so on, and for the grain farmers, who are having great difficulty, as they have relatively few items to sell. This would not be true of mixed farming.

● (1250)

I wonder if you, senator, have any information that could be brought to the attention of the government concerning the problems that have arisen. Are you aware of any information that the government has or research it has done which we could pass on to our farmers to help them obey this law and gain back some of the money they have input? If they cannot claim any of it back, it will not do them any good. Do you have any information whether the Government of Canada has done this research and is prepared to give it to our farmers? If not, what information do you have? Or do you have any idea how this has worked out in other countries which have a VAT system and which have some experience in these matters?

Senator Molgat: Unfortunately, Senator Steuart, I do not have any information as to what studies the Canadian government might have done in this area. Possibly, senators who were on the committee might enlighten us in that regard. Perhaps they could tell us if representatives of Agriculture Canada appeared before the committee. I have not checked the index of witnesses and thus I do not know offhand. I think it would have been very proper for Agriculture Canada to conduct such a study in this area because it is one department which has potential problems. Perhaps other departments of government have looked at the situation as well. I have no information on it. Senator Poitras, who is vice-chairman of the committee, may have some information. I do not know.

Senator Poitras: I am not aware of any.

Senator Molgat: We might get some of our research people looking into it to see just what was done.

Certainly, in Europe, and while I do not have chapter and verse what has happened, the statements are clear that there have been concerns over compliance costs. These have been primarily concentrated on the same segments of the economy for which problems have arisen under the income tax: small business and sectors in which there are a large number of smaller taxpayers, such as farmers.

The European experience is that they have had difficulty with compliance. The direction from which you are approaching the problem, Senator Steuart, is what this will mean to farmers. I suspect it may mean that in a good number of cases they will not get the rebates to which they are entitled. That is the risk in a system where they have to pay the tax up front. They have no choice. You and I know what the farming community is like. There is a multitude of pressures on farmers at certain times of the year, whether it be at seeding time or harvest time. Farmers do not always take the time or the trouble to get all their invoices and keep them in order. If their business operated over the course of the year, and if they had an accountant running the business, which is very often the case because of the size of the business, the accountant can't be on the combine when the fuel truck comes up. I think there will be a danger that rebates to which they are entitled will not being collected. That is the difficulty I see from a farmer's standpoint.

Senator Steuart: Have you had any complaints from Manitoba farmers who are having difficulty in finding out where they stand? I talked with a farmer the other day who farms in the Birch Hills district near Prince Albert. In an effort to diversify his farming he went into growing canary seed. This might not seem serious to some, but it is extremely serious to him. He has not been able to find out if he has to charge the GST to people who buy canary seed from him. For a while it looked as though he would have to. In one way the regulations appear to show that if one grows seeds or grains other than for human consumption then the GST must be charged on their sale. Yet, another place in the regulations states that if the same seeds or grains are grown for feed for cattle and other animals, then the GST does not have to be charged and all the inputs can be claimed.

The farmer I am speaking about is attempting to diversify his farming, and this is something we are trying to encourage as the sales of our standard grains are running into difficulties. His complaint is that he doesn't seem to be able to get any answer from those who should know.

According to the government, it is on the verge of putting this tax in place. This farmer is about to enter another season and has to do his planting at this stage of the game. He has to decide whether he should continue with this particular crop or abandon it and concentrate on others. Have you had any

complaints in that regard from farmers in your area? What results have they had when they have tried to follow the television ads or the advice they have received from telephone inquiries they have made? We know that the government is spending millions of dollars to advertize and explain the GST. Have you had any complaints of that nature?

Senator Molgat: I must say, Senator Steuart, that I have not received any complaints directly from canary seed growers. While it is not a common crop in my province, quite a few producers grow canary seed. It is an important sector for diversification.

Let me try to identify this person's problem. Is it that he is going to have to collect the sales tax when he sells canary seed, or that he does not know if he has to collect it? What is his specific concern?

Senator Steuart: He has had inquiries from people to whom he sells this seed as to whether they will have to pay it. He is not sure. I obtained some of the regulations from Senator Buckwold's research people. My reading of one of the regulations is that he will have to pay the tax, depending on where he is selling the seed. He may sell some of it to someone in the United States and he would not have to collect the tax. However, if he sells it to someone here in Canada, apparently he will have to collect it. His problem is that he does not know, and the people he is selling to are not sure. He also does not know whether he can claim any inputs on that. This farmer also grows wheat, barley and oats and he knows he can claim inputs on those particular crops. However, he might not be able to on the canary seed. How does he divide it up? It creates a difficult accounting problem, and he has not been able to get any satisfactory information. He gets certain advice from one source and differnt advice from talking to someone else. He is extremely confused and worried.

Senator Molgat: I am sorry, Senator Steuart, but I cannot give you an answer to the problem. However, I do see it. If he grew only canary seed, then I think there would be a simple solution. I suspect that he would have to collect the GST because it would not be labelled as a food product. However, if he produced other items, then he would certainly have a difficult accounting procedure to follow. It would be extremely difficult to segregate the amount of his inputs that result from growing canary seed as compared to growing wheat or another crop. He might make some chartered accountant happy, but the farmer would be unhappy if it added more costs on top of what he has to pay for the GST. It indicates the complicated nature of the problem.

Senator Steuart: Far more than 4,000 civil servants will be needed to chase all these people down.

Senator Molgat: Yes, that is true.

Continuing with the VAT in Europe:

> While most European countries tax food fully, the non-taxation of food in the United Kingdom has created definitional problems over what is or is not a food item. Difficulties have arisen particularly with restaurant meals and in other areas such as confectionery. Financial institutions have largely been exempt from VAT in Europe, but there have been problems of definition over what is or is not a bank. It seems that European countries generally have exempted financial institutions because of the difficulty of defining value-added for banking, insurance, and other financial activities. Canada, in contrast, had considered including financial institutions in the tax base before the announcement of their exclusion in the white paper. The lesson here from European experience may be the potential pitfalls in any attempt to include financial institutions in the tax base.

A Senate page has just delivered to my desk more of my "blues". The pile is building up. In view of the fact that the audience is changing, I may start over again so that all of my honourable friends will have the benefit of the full content of my remarks.

Senator Marsden: Senator Molgat, would you entertain a question? Apropos of what you just said, and since I am one of those who has just entered the chamber, could you summarize for us what your remarks have been to date? I don't mean for you to repeat your speech but to put the remarks you are about to make into context.

Senator Steuart: I understand from senators opposite who have among their numbers three top-grade doctors, that they are guaranteeing to save only one of us every 24 hours. Remember that as you speak, Senator Molgat.

Senator Molgat: How can I refuse that kind of invitation, Senator Marsden?

I started off on the basis that, philosophically, I prefer a tax based on ability to pay. I said that if we could make the income tax system absolutely fair so that it covered everyone, then I would prefer a graduated income tax system. However, I recognize that it is virtually impossible to make the income tax system fully operational as I would like to have it. The cost of doing so might be astronomical. People who pay income tax are basically people on salaries. They pay through the nose. They don't see their tax payment. It is taken off their income before they ever get their cheques. The tax load of income tax falls on those people unfairly. There are a number of people in this country who for a variety of reasons do not pay the amount of income tax they should. There is some income which the system has difficulty reaching. Therefore, I can accept a consumption tax, but with certain clear provisos. The purpose of the consumption tax would be to get those people who do not pay their share of income tax. They have made money but have not paid any income tax on it. We can at least get some of the tax when they spend the money. However, the system must be fair. It must definitely guarantee that at the lower and middle parts of the income scale there are adequate deductions which are indexed. The amendments we proposed to this bill would have done that, although I would have considered raising it so that there is more protection at the bottom end.

I said also that the tax must be coordinated with the provinces from a collection standpoint in order to reduce the

overhead and so as not to have nine collection systems; that is, one in each province which has a sales tax, with Alberta being exempt, and then superimposing on that another federal collection system. That is wrong from a Canadian standpoint. It is also costly and impractical.

I also said that the provinces have to—for other purposes altogether—coordinate with the federal level of government. There are variations in our country. The people who can best judge that are those who run the provinces. We have to look at some of the anomalies that the system presently produces. It has unfair regional impacts. I cited the case of our Inuit friends who were in our galleries last week. I referred to the amendment proposed by Senator Watt. Those people will be paying more GST than other Canadians in proportion to their income.

In my province the people I represent, because of our climate and our distance from the centres of manufacturing production in Canada, have to pay large transpostation costs. For a variety of reasons our people do more travelling. If they do business or deal with the federal government they have to travel to Ottawa or Toronto. The people of Manitoba will pay a greater share of the GST than will the people in your province, Senator Marsden, who live in a milder climate. In any case, the government ought to sit down with the provinces.

This leads me to the conclusion that we should not proceed with the GST at this time, and not with the GST as it is. There is no rush to go into it on January 1. That follows a political agenda and not an economic one. Mr. Wilson and the Mulroney government want the tax now so that it will not have to come in just after an election is called. In that way they will have bushels of money to make great fellows of themselves when the next election comes. That is the reason that January 1, 1991, is such an important date for them. Economically, I do not think it is that important. The manufacturers' sales tax is still in place. Granted, it needs a great deal of improvement, but it can be improved. The government has not attempted to improve it. Yet, it has been in office now since 1984.

• (1300)

What they have done since 1984 is to have increased the MST from 9 per cent to 13.5 per cent. So the gist of my argument is let us not move now on the GST. Let us take time and let us deal with the provinces. Let us get one collection system and let us make sure it is fair. Let us not move at this time; there is no need to do that. That is the essence.

The rest of this has largely been answers to questions but also dealing with what has happened elsewhere. Right now I am dealing with the European systems of VAT, and I intend to come back to what I was dealing with earlier, which were the alternatives. I was particularly dealing with Dennis Mills' proposal of a single tax as an example of an alternative at which we ought to look. There could be many others and I have a few more in my file, as well, which I could deal with later.

Senator Marsden: Thank you. That is very helpful information to receive. I am very sorry I missed the first part of your speech because it certainly coincides with what many of us want to develop in our speeches. I only want to raise one point with you very briefly because I will have an opportunity later to do this at greater length. It is true that the tax may be higher for Manitobans in some way because of distance and climate and so on. But the tax is very, very hard in a province like Ontario in terms of what it does to industry and to our mix of consumers. I am sure I am not the only one from Ontario who will be expanding on this question at some length. I am very glad you pointed out the difficulties that Manitobans will face. I have a lot of sympathy for them, but I would hate to see us get into an interprovincial competition about who the GST will have the most impact upon. It seems to me that it is going to be pretty bad wherever you live in Canada. I look forward to hearing the rest of your comments.

Senator Molgat: I understand what you are saying. We should not get involved in that type of "I am suffering more than you are" discussion. There is nothing to be gained from it, and I agree that we will all be suffering. It indicates a need to get the provinces involved in the discussion. When Mr. Wilson backed off from his discussions with the provinces, it was clear to him that it would take some time to arrive at a compromise, and for the very good reason that the provinces had some specific concerns.

I earlier read into the record the particular concerns of Alberta, which was taking the federal government to the Supreme Court, and I think they were demonstrating how there are differences in the provinces. Surely the government would have learned from the Meech Lake experience. They thought they could bulldoze Meech Lake right through instead of sitting down and talking to the people of Canada. On this GST, we are faced with the same situation in that there has to be more consultation with the people of Canada. The first approach should be to get an understanding with the provinces.

We had a discussion earlier this morning with some of my colleagues opposite regarding the court cases in which there are currently three provinces involved; Alberta, British Columbia and Ontario. There are two elements, the first being the constitutional one whether Ottawa is entitled to raise that type of tax. The Supreme Court can judge that one. The other element is much more involved, and it will take time to talk to the provinces and find out what are their problems and what is it they each want in order to arrive at one system.

To come back to the European experience with the VAT, we have seen that it has particular problems for small business and for farming. They have also had difficulties particularly in the United Kingdom, as to what food is taxable and what food is not taxable. Most of the continental countries simply tax food; there is no exemption.

Problems in the financial area. What is a bank and what is not a bank; what is a financial institution and what is not a financial institution?

> Canada, in contrast, had considered including financial institutions in the tax base before the announcement of

their exclusion in the white paper. The lesson here from European experience may be the potential pitfalls in any attempt to include financial institutions in the tax base.

Housing is generally exempt from the tax in Europe, both for construction of new housing and rental of existing structures to households. The attempts to tax housing in Canada on a construction-cost basis will almost certainly continue to encounter political resistance, and European experience perhaps indicates there are other potential pitfalls.

Now, before I go on to the experiences in value-added taxes and sales tax reforms in other countries, I want to deal particularly with the warning we had by the United States Treasury when they studied the VAT system and declared it was a money machine. The warning that we have had from European countries is that once implemented, it leads to regular increases. If we are talking about 7 per cent now, you can expect it will be 8 per cent a year from now and 10 per cent two years from now after the election. So what has happened, in general terms, with the VAT introduction in other countries is that the rate has been increased and the governments have added several different rates. In many cases it has started only with one rate and proceeded to multiply.

An Hon. Senator: Income tax has gone down.

Senator Molgat: Gone down? That part I am not sure of; it could be.

I am dealing with Table 11.2 on page 139. Argentina introduced VAT in January of 1975 at one rate of 16 per cent; by 1984 they had four rates of 5, 8, 18 and 25 per cent. They dropped it on two counts but they had increased it on two of them.

Austria introduced VAT in January, 1973, on two bases, 8 per cent and 16 per cent. There has been no change there.

Belgium introduced VAT in January of 1971 with three rates of 6, 14 and 18. By 1984, the rates were 6, 17, 19 and 25 per cent. They had added another rate and increased the others.

Bolivia had started with a VAT in October of 1973 comprising three tax rates of 5, 10 and 15 per cent. As a rare example, they are the first and only one in 1984 with a tax rate of 5 per cent. The first country on this list is Brazil. It introduced its tax in January of 1967 at 12 per cent. By 1984 it had three rates: 9 per cent, which was a reduction; 12 per cent, as at the time of introduction; and 17 per cent, which was a new rate.

● (1310)

Chile introduced its VAT in March of 1987 at 20 per cent. In 1984 the rate was still at 20 per cent. Columbia introduced its VAT in January of 1975 at the rates of 4, 6 and 10 per cent. By 1984 it had five rates, all of them higher: 6, 10, 15, 20 and 35 per cent. Costa Rica introduced its VAT in January of 1975 at 8 per cent. This table shows no indication of what it was by 1984. Denmark introduced its VAT in July of 1967 at 10 per cent. By 1984 it was 22 per cent. It went from 10 to 22 per cent. The Dominican Republic introduced its VAT in January of 1983 at 6 per cent. By 1984 it was still at 6 per cent. Ecuador introduced its VAT in July of 1970 at 4 per cent. There is no indication of what it was in 1984.

France introduced its VAT in January of 1986 at the rates of 6.4, 13.6, 20 and 25 per cent. By 1984 it had dropped one rate to 5.5 per cent, but had others at 7, 18.6 and 33.3 per cent.

Senator Steuart: May I be permitted to ask a question on the research Senator Molgat has done and the statistics he has before him? First, is there any indication that the different rates were charged for the reason underlying one of the amendments we introduced here, which was turned down, which is that there should be higher rates of tax on luxury items? In Senator Molgat's opinion, would that make the tax less burdensome on low income people? Of course, people with high incomes, who tend to buy luxury goods, would do so at higher rates.

Senator Molgat has gone over the figures, but in his opinion what percentage of those countries who have gone to a system of graduated taxation have done so in an effort to make this a less oppressive tax than what we are proposing here in Canada? Is there any indication of what type of good would be taxed at a higher rate? Take, for example, the 33.3 per cent rate. Has there been any indication of what type of good or service would be taxed at that rate?

Senator Molgat: This book does not give me that information. However, I can tell the honourable senator that, from personal consultations with French government officials—we spent four days with them having a look at their system—the increase in the number of different rates and the increase in the rates was indeed to catch luxury items. They were following basically what it was that we proposed here in one of our amendments, that luxury items ought to be taxed at a higher rate because those who could afford to buy those goods could afford to pay a higher rate of tax.

I cannot guarantee that the same applies to all of the other countries. But I can tell Senator Steuart this, that two things have generally happened. First, the rates have gone up. Second, several levels of rates have been added. A country might have started with one or two rates, but has ended up with three, four or five rates. That is the consistent pattern. That is what I am trying to get on the record.

Senator MacDonald: I think Senator Molgat will find that income taxes in those countries have decreased.

Senator Molgat: If that information is in here, I will read it. I can assure Senator MacDonald of that.

Senator Steuart: Do I take it, from what you have said, that many of these nations began with one level of taxation, as we are doing in Canada, but have learned from experience and so have added other categories? Would that indicate that again our government either has not taken the advice or studied examples of other countries and has refused to put this graduating scheme in now? We are going to wait until our present system causes all kinds of hardships, and then the government will do what governments in other countries have done, after what was probably a bitter experience for the people.

Senator Molgat: Yes, I think the senator is correct. I cannot at this point go through the table to provide him with an enumeration of how many have gone up and how many have gone down, but all anyone has to do is look at this list. This line shows where they started, and the lines are short. This other line shows where they were in 1984, and the lines are longer. There were a lot more VAT rates in 1984.

The trend, honourable senators, is very clear. What we proposed in our amendment was, I think, a sensible approach. Experience shows what has happened in other countries. It is better that we start off on the right foot.

I come back, Senator Steuart, to say that if we had had proper discussions with the provinces about this matter; if we had taken the time to do the work that should have been done, things might have been different. We should have taken that time when going through a major tax reform.

Senator Steuart: It is not too late.

Senator Molgat: No, it is not too late. The federal sales tax is in place. It will bring in revenue next year. It is not going to change suddenly. Let us get away from this political agenda of having the tax passed on January 1 so that the government can get ready for the election two years from now. Honourable senators, this is a political agenda. It is not an agenda for the people of Canada; it is an agenda for the Conservative government in anticipation of re-election. That is what this tax is all about. The government wants to shove it through now with the idea that people will have forgotten it by the time the election comes along.

Senator LeBlanc: They won't!

Senator Molgat: The government will have bushels of money. It will have exactly what the American treasury has called a "money machine" for the government.

Senator Steuart: Is that what it says in that book?

Senator Molgat: That is what it says right here. The Treasury Department of the United States in 1986 conducted a study devoted exclusively to the VAT. This document states:

> The third volume of the U.S. Treasury tax reform documents, devoted exclusively to the VAT, makes it clear that the main argument against the VAT is that it is a "money machine" for government.

Senator Steuart: Who put that book out?

Senator Molgat: This book is put out by the Canadian Tax Foundation, an impartial group. That is what it is called in here—a "money machine" for the government. It is a political money machine for the government; and this is a political agenda for a government getting ready for the next election. This tax is being shoved down the throats of Canadians on January 1, 1991 in the hope that they will forget it by 1993. That is its whole purpose.

Hon. Eymard G. Corbin: I wonder whether the honourable senator would allow a question relating to those comments? He will recall that in their first term, the Prime Minister of Canada and the Minister of Finance spent their time blaming the previous administration for the Canadian deficit. In every one of his budgets, the Minister of Finance, Mr. Wilson, introduced measures that he claimed would reduce the deficit. But that did not happen, for obvious reasons—they continued spending. They spent in new areas of economic activity. They enlarged some programs but still, under the guise of cost-cutting, reduced, or attempted to reduce, the federal civil service. That went on and on.

For the first four years that is all we ever heard: "Blame it on the previous administration." But during that time the deficit kept creeping upward. In their second term, they were still bemoaning the actions of the previous administration for the Canadian debt.

The government has been in power now for six years—six long years—and it is still moaning and groaning and grumbling. Have honourable senators ever heard an administration that has been in power for six years blame the previous administration for the sins it has itself committed?

• (1320)

Do you have the feeling that with the GST we are witnessing the greatest act of highway robbery in Canadian industry? Do you agree that Mr. Wilson has lost his credibility? The Prime Minister is tired of him. The news is now leaking out that Mr. Wilson is on his last run as Minister of Finance, whether or not this bill passes or whether it passes in this form or another form, immediately following its adoption, if it gets adopted.

Do you have the impression that they have reached a state of panic, after hearing the testimony collected by the committee during its summer sittings and the many letters and briefs that we have received on this side? I am sure tht senators opposite have received the same material, but we never hear a whimper from them. They also must have received petitions, but the only petition they dared to raise in the house was the one that Sentor Doody has asked Senator Murray's office staff to sign.

We are now faced with a government that has proven its incapacity to control the growing debt, a debt which, over the last six years, they have substantially contributed to. The GST is just an act of panic, highway robbery, and digging deep into the pockets of Canadian taxpayers.

Senator Steuart was suggesting—as you are suggesting—that the government has not properly studied what happened in other countries. We know that in other countries in most cases proper studies were done. I am not saying that the imposition of the value-added tax or its combinations was generally accepted by the population, but at least they did their homework. They opened themselves up to amendments and suggestions.

This government is like a bull in a china shop. It is ram, ram, ram.

I will repeat my question, Senator Molgat. When you analyze the whole situation, do you have the impression that this government has panicked and is panicking? How can we hope to pound any sense of reason into it at this stage, knowing

what a panicked person is like? I would like you to comment on that.

Senator Molgat: Senator Corbin, I do not know how Mr. Mulroney feels about Mr. Wilson and what degree of confidence Mr. Mulroney has in him. I have heard rumours that he intends to put Mr. Wilson in another post.

It is clear that the Canadian public has lost confidence in Mr. Wilson. They see a government that is stubbornly hanging on to the GST, refusing to listen to the Canadian people, refusing to listen to reasonable propositions that are put to them, and refusing to listen to the provinces of this country. Three provinces are taking the government to court. Most of the others have said they are opposed to this bill. Yet, the government stubbornly hangs on and says, "We don't care what the Canadian public thinks. We don't care what the provinces think. This is what we are going to do."

Is it because of panic? Is it because of stubbornness and a refusal to change course when you can see that you are wrong? I do not know. The results of this tax are not good for Canada. It is a sad situation.

The House of Commons has passed this, but I would like a secret ballot to be held in the House of Commons, and see what the outcome of the GST would be.

Senator Corbin: Senator Molgat, I realize you have the floor, but I should like to ask another question following on your comments.

Do you think the legislation would pass the House of Commons today, knowing what we know about it and having received the government's information sheets with respect to its application? The facts that we have indicate that not everyone knows about the full impact of the GST. We have managed to elucidate and garner quite a bit of information through our Senate activities over the spring, summer and fall. Would you not think that there would be great resistance at all stages in the House of Commons if that bill in its present form were to be introduced today?

Senator Molgat: Senator Corbin, I would hope there would be. There is no question that if the elected members were to listen to their electorate, it would not pass.

We have an electoral system in Canada which is better described as an elected dictatorship. Through the power of the party system and the control that the Prime Minister, once elected, has over the system, the power is immense. It is indeed a dictatorial power.

We talk a great deal about Senate reform in this country. I am for Senate reform. I chaired the last joint committee on Senate reform. Our report recommended major reform in the Senate. It recommended an elected Senate and many other things. My record is clear as it relates to Senate reform. Senator Balfour was also on the committee.

Hon. James Balfour: I was. Did you permit the committee to participate in the drafting of the report?

Senator Olson: Of course. We invited everyone to be there.

[Senator Corbin.]

Senator Molgat: Yes. You were there, Senator Balfour.

• (1330)

We have a good committee. You probably could not have noticed in our committee who belonged to what party from the discussions and the way that—Senator Tremblay was there as well!

[*Translation*]

Hon. Arthur Tremblay: Which report are you referring to, the one that came out in January 1984?

Senator Molgat: Yes.

Senator Tremblay: Who was in power at that time?

Senator Molgat: Mr. Trudeau's government.

Senator Tremblay: What was done for six months?

Senator Molgat: I will send you the answer, Senator Tremblay. You will remember that we used one of the House of Commons' Standing Orders whereby the government has 60 days, 90 days, or something, thin which to respond after a report is tabled. Since it was a joint committee, we used the House of Commons' Standing Order and we asked the government to respond. Within the prescribed length of time, Mr. Trudeau wrote to us saying that he did not necessarily agree with all of the recommendations, but that generally the government agreed with our report, which was to be the starting point for discussions with the provinces. At that point he assigned Mr. MacGuigan, who was the Minister of Justice at the time, to visit all the provinces. Mr. MacGuigan began his round of visits. In the meantime, Mr. Trudeau resigned and the leadership race began. That was the end of things. However, I can assure you . . . I will be very pleased to send you a copy of the letter. I thought everyone had received it, but if not, I will be pleased to send you one.

In any case, to get back to what I was saying, the government began discussions with the provinces.

Senator Tremblay: Do you remember chapter seven—if I remember correctly it was chapter seven. The report said that the Senate could initiate major changes on its own. Unless I am mistaken, you were in the majority at the time. I remember suggesting that we proceed with these matters. But nothing ever became of it.

POINT OF ORDER

Hon. Eymard G. Corbin: Honourable Senators, I would like to raise a point of order. I believe Senator Tremblay has just established a precedent. We must decide whether we will accept what he did as a precedent. He rose to ask Senator Molgat a question but he was not in his proper seat in the Senate.

Should we consider this action a precedent or should we rescind it? This is an important, fundamental issue. As far as I know, this is the first time a senator has officially risen in this Chamber either to make a speech, ask a question or raise a point of order without being in his or her assigned seat in the Senate.

I see the senator is preparing to rise again in Senator Grimard's seat. I think Senator Tremblay is usurping Senator Grimard's rights and privileges. The Whip of the Party assigned Senator Grimard his seat. I see Senator Tremblay has already acknowledged the seriousness of my point of order, since he is hurrying back to his proper seat. I see him as a person who respects the Senate's traditions, and I salute him warmly.

Hon. Arthur Tremblay: In conclusion, Senator Corbin, I would like to say that I was considering intervening from another senator's seat, not with a view to contrevening the Rules, but of absolving you for the times when you did the same thing.

Senator Corbin: On the same point of order, I would ask Senator Tremblay to tell me when I would have violated this rule. You are making a very serious accusation.

Senator Tremblay: I do not remember at what precise time you did it, but I can still see you rising to speak to myself or others from seats other than your own.

Senator Corbin: I may have heckled on occasion, but as far as I can recall, I never remember asking a question or raising a point of order or doing anything else from a Senate seat other than my own.

I may have done some heckling, but that is fair ball, everyone does it all the time. However, what you did was to rise to officially ask Senator Molgat a question. In any case, I would like to acknowledge the respect you showed to tradition by returning to your seat. I consider you a first-class gentleman. We came to a good understanding. The Rules apply in this case. We both recognize that, and I thank you for what you did.

• (1340)

[*English*]

Hon. Lorna Marsden: Senator Corbin, if I may say so, I think you are being very harsh on Senator Tremblay. He was not moving a motion. He was not doing something that was going to have momentous consequences, although the reply may have momentous consequences. I think you should be asked to reconsider forcing the senator to come all the way back to his seat when we all know who he is. We even know the new senators, most of them by name. It seems to be a little harsh. I wonder if you want to reconsider?

Senator Corbin: On that point of order, honourable senators, last night we had another one of these, what I would like to call, "pontificating speeches," by Senator Ottenheimer. It was his turn last night. We get pontificating speeches from time to time, regularly scheduled, probably prepared by someone in some office somewhere. I am speaking on the point of order. Senator Ottenheimer suggested that we should change our rules. I am not opposed to extending the privilege of speech from a seat other than one's own in the Senate, but the rule is written now in such a way that we have no option. It has to be applied. There must be a very good reason for that.

To begin with, it makes it easier for the stenographers to identify senators. The people taking notes see Senator Tremblay getting up in Senator Grimard's seat, and she or he probably made a note, "Senator Grimard on a question", when, in fact, it was Senator Tremblay sitting there. We cannot expect the staff to be able to identify senators visually and instantly like that. That is, I suppose, one of the good reasons for that rule, that when a senator wishes to speak, he rises in his place in the Senate.

Senator Barootes: Like last Thursday night, would you say? Last Thursday night when you were all asked to return to your seats? That was rising in your place?

Senator Corbin: I suppose you are speaking to the point of order from your—

Senator Barootes: Excuse me?

Senator Balfour: How many times have you spoken to this point of order?

Senator Corbin: I have been asked to speak to the point of order, and I am responding to it.

Surely you will agree with me, senator, that Senator Tremblay was out of order in rising to put a question to Senator Molgat from Senator Grimard's seat. You know that. You occupy the Chair from time to time. You are an experienced parliamentarian. I think we have sat the same length of time or thereabouts on the Hill. We know what the rule is in both houses and in other legislatures.

I am simply saying that Senator Tremblay, after my point of order, regained his seat. He did it in a gentlemanly fashion. He did it because he recognized he was in the wrong by putting the question from a seat other than his own.

I think the matter ought to be closed, Senator Marsden. I do not think there is anything to add to it, unless I missed the angle of your question.

Senator Marsden: No, Senator Corbin. I think you have made very compelling arguments in favour of the rule, but I wonder, since you know a lot more about the rules than I do, if you can expand on the implications? For example, could it have been that Senator Tremblay was really asking a question on behalf of the senator in whose seat he was sitting? Or, alternatively, if one of us wants to ask a question on your behalf, should you be absent, could this be done simply by moving to your seat so there are no stenographic problems? Of course, we could have questions asked in absentia, as it were. Is that one of the implications of the seating rule?

Senator Corbin: You asked me to clarify that point of order. I have not known Senator Grimard for very long. However, I remember a certain sitting during the night when he got up in his seat and made some very valuable contributions to the debate that was taking place at that time. He brought forward a number of clarifications. In a sense, Senator Grimard is an experienced proceduralist. I understand that he is a good lawyer, un beau "chicanou" comme dirait Molière. I do not think he is ready to concede his chair in the house to another senator. I do not think he is prepared to see his seat usurped by

another senator under the guise of a point of order, a question of privilege or a speech.

• (1350)

The seat that has been assigned to us is from Her Majesty the Queen through the Governor General of Canada under the Great Seal of Canada—

Senator Murray: Does that make you a British senator?

Senator Corbin: No, I am not a British senator. However, I have much respect for Her Majesty the Queen. I suppose you could say that I am a royalist to a very great degree because I respect the institutions of Canada as they stand. I am a royalist, and I will not apologize for that. My ancestors were royalists. They were royalists when the United States invaded Canada in 1775. They fought side by side with the Governor of Canada of the day. We are not ashamed of that tradition or record in our family. In fact, we are very proud of it. As long as Her Majesty Queen Elizabeth II is the Queen of Canada we will stand up to defend the institution. That is the way it is. As long as it is there, I am prepared to respect it. If collectively Canadians want to go another way, I suppose the majority will have its say.

However, Senator Marsden, coming back to your point, you said tht I am an expert in the rules. I am by no means an expert in the rules. I have gathered some valuable experience over the years. I know of many precedents that have been established in the course of debates. My whole point was to draw to the attention of the house whether or not we should consider as a precedent Senator Tremblay's rising in Senator Grimard's seat to put a question to Senator Molgat. Should we let it stand as a precedent? I guess the whole matter was resolved when Senator Tremblay walked back to his seat and made a comment therefrom. He acknowledged implicitly through that act that he was out of order and that he therefore does not want his questions put in Senator Grimard's seat to be considered a precedent in any way, shape or form. That is fine with me. I like people who respect the institution and its rules.

[*Translation*]

Senator Molgat: If I remember correctly, I was answering the question by the Honourable Senator Corbin. His question was as follows: If Bill C-62 on the GSt were introduced again at this time in the House of Commons, do I think that it will be passed at this time?

I was telling him that unfortunately, in a supposedly democratic system that is in fact a dictatorial government that is elected every four or five years that the Prime Minister's power is in my view far too extended in this country. He is empowered to appoint 40 ministers who report only to him; to appoint some 40 parliamentary secretaries who report only to him. To appoint committees chairpersons, and there is a great number of them, who report only to him; to appoint all deputy ministers and find them a position in any department of his choice and report only to him. I am talking here about our government system. Let us put aside the ambassadors and the commission heads, etc. Let us talk only about the government system. His power is immense.

In our party system, we hardly allow independent voting. What we need in Canada is not only Senate reform. I am in favour of Senate reform. What we need, essentially, is a parliamentary reform. We have to change our system so that Parliament will better represent the Canadian people, what it is not doing at the present time. Canadians do not feel that the Canadian Parliament represents their point of view with regard to the GST. I am talking about the Canadian Parliament!

We represent, I think, public opinion. When the House of Commons is voting on the GST, it does not represent public opinion. We therefore must change the system. Otherwise it is quite clear that the Canadian public will lose its confidence in the political system. It is not something that can be put aside or that can be toyed with. This is far too important.

We need a parliamentary reform so that Parliament can really fulfil the expectations of Canadians and be the democratic tool we want it to be.

I will send to Senator Tremblay the letter of former Prime Minister Trudeau. Senate reform had been started but nothing has been done about it since then. Senator Tremblay is telling us that the Senate could have done a few things. Yes, this was up to us. I did not get many indications that there was a wish on the Senate's part to do it and certainly not from the government; no step was taken. Absolutely no step was taken. I know that some would say that the Meech Lake Accord was dealing with Senate reform. But that was not Senate reform, it was only changed with regard to the appointment of Senators. There was no indication that the provincial governments would make any changes and that the Senators they would be appointing would be very different from those appointed by the federal government.

Let us come back to the question before us regarding the GST. I was talking about the European experience and the experience of various other countries which adopted a GST. They generally start with one taxation level which is gradually increased. I was also stating what happened in most of those countries. I think that you understood what I meant. I am told that some other Senators would like to take the floor. I do not want to take advantage of the Honourable Senators. I could go on until 2 p.m.

At this time, I might make a small change in the tone of my speech.

• (1400)

[*English*]

I am totally non-partisan today, and it is not so much that I want to become partisan, because I think the issue is far above partisan consideration. Before I sit down, I wish to hve certain things put on the record because of certain statements that have been made and repeated.

I want first to deal with the question that has been frequently repeated across the country, that we do not have the legitimate right to oppose government legislation. That is a

standard question, and I have to confess that in the past it has troubled me at times. I think my friend, Senator Hatfield, is nodding his head in agreement. We come from the same sort of background, having started in provincial legislatures, ourselves coming from an elected source. Admittedly, I had some reservations about the position of appointed senators whether dealing with government legislation. Yet when I considered what happened with the GST and the effect it is going to have on Canadians, and the fact that I think the House of Commons was bulldozed into this thing—

Senator Olson: For sure.

Senator Molgat: —I am convinced that the members representing my part of the country want no part of the GST. If they were left free, they would not have GST as it is. I think they would agree with me that we should take time to change it, but they have been bulldozed into it.

However, I want to read into the record what some outsiders think about our right, our responsibility and our authority in this matter. I am quoting from an article by Mr. Rick Salutin. Here is what he says:

> Perhaps it's possible to move, for a brief moment, from the subject of unity to that of democracy. The Meech melodrama has hardly been a democratic high point, but an important focus for this issue is the current set of battle lines between the House of Commons and the Senate.
>
> In fact, the dispute over the Senate's right to alter or reject legislation passed by the House of Commons may be Canada's quirky way of entering the worldwide political ferment over democracy. It raises basic questions because it hinges on the difference between the substance of democracy and its mere form.
>
> Cabinet members and opinion leaders keep pointing out that the Senate is unelected; therefore, they insist, it is undemocratic for it to block measures passed by the elected members of the House of Commons. The citizens do not appear impressed. A Gallup poll, for instance, shows 68 per cent of Canadians believe the Senate should stop the proposed goods and services tax, while only 22 per cent feel it should not.

This article was printed some months ago; so, at that time, 68 per cent of Canadians thought the Senate should stop the GST; 22 per cent said they should not. That is some contradiction with the government saying that we cannot do this.

> There was similar tolerance for the Senate's role in forcing an election on free trade.
>
> This is not necessarily a sign of mass political mindlessness. It is not that people fail to notice the unelected nature of the Senate, but that they've become far more aware lately of how undemocratic the Commons and the government can be, their elected status notwithstanding.
>
> Consider the major cases of "obstruction" by the Senate.
>
> The free trade agreement. In 1983 Brian Mulroney said free trade was "a threat to Canadian sovereignty," and citizens would hear no more about it from him. Shortly after, he made a free-trade deal, which the Senate blocked pending an election on the matter. Who behaved more democratically?

Good question.

Senator Olson: I suggest the Senate did.

Senator Molgat: To continue:

> Unemployment insurance. During the 1988 campaign, then minister for international trade John Crosbie said:

I am sorry I cannot do this in proper Newfoundlandese but, if I may be excused, I will do it in my standard flat western Canadian French. So I am quoting Mr. John Crosbie.

> "The prime minister has assured me that there will be no changes to unemployment insurance." In April, 1989,—

Just a few months later:

> —the government introduced a massive and fundamental revision. The Senate is insisting on amendments to protect some features of the program. Who is acting undemocratically?
>
> Clawback. In 1984, Mr. Mulroney called the universal nature of social programs a "sacred trust." Once in office, he moved to abolish it for the indexing of pensions to account for inflation, then backed off. But it has been eliminated through de-indexation of family allowances, and the recent pension clawback, which the Senate refuses to pass.

Of course, this was prior to the resumption of the session in September, but the Senate passed the clawback.

> The GST. The government did speak of this before the election, but very softly. Popular opposition, though, is massive. The GST may be the least popular measure any Canadian government has ever passed.

Well, not yet passed in the Senate but passed through the House of Commons.

> There is no doubt the Senate will voice the view of the vast majority if it blocks the tax. So who is democratic?
>
> These matters affect the real lives of Canadians far more than the abstractions and rhetoric around Meech Lake and national unity. It is the Senate which has kept them alive as issues, and prevented them from slipping by in our long night of constitutional obsession.
>
> The sole argument for calling the Senate's actions undemocratic lies in its unelected character. But what of those elected on one platform who blithely do the opposite? Or implement policies that even they agree are almost universally despised? The prime minister refers to this as providing leadership, rather than ignoring the will of the people, but it can hardly be called democratic.
>
> The conventional response is that the voters get their chance to react at the next election. But why should citizens have to wait, especially when their lives, or even

their country's life, can be damaged or shattered before the next vote? And also when, as people increasingly believe, elections can be manipulated or bought so the democratic will of the country is not guaranteed. Anyway, why should elections be the only time that elected governments have to behave as though they are democratically responsible?

We live in a time in which people have grown concerned about the reality of democracy rather than its mere electoral trappings. "We elect a king or queen, though we haven't elected a queen yet," a Vancouver youth worker told me during the last federal election, "and then for four long years that leader has carte blanche."

A Cape Breton rail worker felt much the same way: "You get to vote once every four years and then they get to do whatever they want for the next four years. And this is the great process of democracy?"

It used to suffice, in reply to such thoughts, to quote Winston Churchill, who called democracy the worst form of government except for all the others. But Churchill assumed democracy was equivalent to the British or U.S. political systems. People now seem ready to ask, just how democratic is our democracy?

● (1410)

This challenges those who feel change was necessary in the "people's democracies" of the Soviet bloc, but not in the near ideal "bourgeois democracies," as U.S. pundit Charles Krauthammer calls them. Others feel less complacent, and think our own system could still be a little more perfect, too. Democracy, in their view, is too important to be left to the occasional election. It has to be maintained between elections, as even the Senate, to everyone's surprise, is helping to do.

The Senate is no long-term solution to our democratic problems, and approval among Canadians of its recent role is strictly conditional, based on its value as an unlikely but useful corrective. What if the Senate ceased playing that role, either because a Tory government stacked it or because the Liberals returned to power and the Upper Chamber resumed its task as a rubber stamp?

An Hon. Senator: Oh!

Senator Molgat: Yes, I don't deny it.

People would look elsewhere for the kind of democratic check on the arrogance of elected power the Senate now provides. They might even discover means of expressing their frustrations that would make the current decriers of impasse look back fondly to the good old days of the undemocratic Senate.

As for Senate reform, it's a fine idea, and it would make the Senate itself more democratic. But it wouldn't touch those deeper problems that concern the far too undemocratic behaviour still possible in the rest of the system.

[Senator Molgat.]

I think Canadians should ponder those words. I think that we have a serious problem here.

Hon. Michael Kirby: Would Senator Molgat permit a question?

Senator Molgat: Yes.

Senator Kirby: In light of the excerpt he has just read, which comments on the democratic process, and in relation to the GST, given the fact that Senator Molgat is from Winnipeg, and given his knowledge of Winnipeg and Manitoba, could he comment on two points that were made when the Banking Committee held meetings in Winnipeg this summer?

As the senator knows, at the end of each day the committee encouraged individual citizens simply to walk on and make comments. Those citizens did not represent any groups. They were simply individual citizens wanting to comment on the GST. During the hearings in Winnipeg two of the citizens made walk-on comments that dealt directly with the issue just raised by Senator Molgat.

I think it would be interesting if I were to tell him briefly what those two citizens said, and then ask him to comment on them. One of those citizens was a Dr. Edward Agnew, a private physician in Winnipeg. He said to those of us on the committee:

> Government of the people, by the people, and for the people, is in jeopardy in this country and this piece of legislation is helping to get rid of it. In fact, at the present time Canadians are wondering what the democratic process in this country is all about . . . This goods and services tax must be defeated because it is undemocratic legislation . . . you Senators are the only thing that stands between the democratic process of Canada that I used to know and straight dictatorship.

I present that quote from Dr. Agnew as a reflection of a Winnipeg citizen. I would appreciate Senator Molgat's comments on it. Before he begins, however, there was another private citizen who spoke before the committee in our five minute walk-on sessions. He was a Mr. Arthur Allan de Jardin, who may, in fact, be from St. Boniface rather than Winnipeg. He stated:

> There has been a great deal in the newspapers lately about the question: Has the Senate the moral authority to stop the GST? I would suggest that every Senator, and the body itself, certainly has that authority . . . it is important that we look within ourselves and make the kind of decisions that may not stand up in the press, that may not get us a lot of friends . . . but which see us do the right thing. We have to get back to doing what is right, what is correct and what is moral . . . you certainly have the legal authority because you have stopped other bills without legal challenge. You certainly have the Canadian public behind you.

Those two quotes seem to me to bear directly on the point made by Senator Molgat. I repeat that they are comments from two private citizens in Winnipeg who took the time and trouble to appear before the Standing Senate Committee on

Banking, Trade and Commerce at its Winnipeg hearing on July 24 last. I would ask Senator Molgat to comment on their remarks, recognizing that these are citizens of a city and province within which Senator Molgat has been involved in public life for a long time. I think they reflect much of the feeling which Senator Molgat has indicated he thought existed in his part of the country when he said, at the opening of his remarks, that if there were a secret ballot in either the other place or here, members of the House of Commons or senators from his region of the country would vote against this bill because they would feel compelled to reflect the public opinion that I believe has been expressed succinctly yet accurately in the two quotes I have just read. Would the honourable senator comment on that point?

Senator Molgat: I thank Senator Kirby for his question. He may be from Atlantic Canada, but he has captured very well the feeling of westerners.

When people talk about western alienation and so on, I can say there is frustration. We feel that we elect members, send them to Ottawa, expect them to reflect our views, and then, when they get here, they become part of a big party machine and vote the party line. That is the reason why, through the years, the west has spawned new parties. We can go back to the Progressives of the 1920s. Take the farmer movements, the CCF of later years. The Social Credit Party had some strength in Alberta and I suppose we could now consider also the Reform Party.

There is the feeling that political institutions of the country do not work adequately to represent the feelings of the people. This is why I think the Senate has a particular role, and why I believe in Senate reform. The report on Senate reform—to which Senator Balfour and Senator Tremblay contributed—was essentially a non-partisan report, and the intent of it was to make the Senate a non-partisan house. That was really the thrust of our report—to get us away from partisan politics so that we could represent the regions from which we come rather than the political parties to which we belong.

I think the two quotations provided by Senator Kirby show the feeling of many westerners, and I can only agree with him. I have put on the record the views of Mr. Salutin to back up what I believe is the present situation that the Canadian public want. I think they expect the Senate to do what it is doing in opposing this tax. The Canadian public believes that we are not being undemocratic despite the fact that we are not elected. They believe that we are adamantly representing the will of the Canadian people.

● (1420)

I should like to put on the record another item. It has been constantly repeated that the government had a mandate to proceed with the GST—that indeed it had talked about it in the last election—and that Canadians knew, according to the government, that it intended to impose the GST. Therefore, it is perfectly legitimate for the government to go ahead now, because the public had been warned. I would like to read another commentary from *The Globe and Mail* of Wednesday, October 17, 1990. The headline says, "Keeping the public in the dark," and it is written by Linda McQuaig. It says:

> One of the most misleading statements coming out of Ottawa these days is the contention of Brian Mulroney's government that the goods and services tax was part of its 1988 election platform.
>
> The government is advancing this theory now, of course, in an effort to suggest that it was elected with a mandate to impose the GST. Even if the electorate is now overwhelmingly opposed to it, the theory goes, the public elected the government knowing full well of—even presumably endorsing—the GST.
>
> This is a considerable distortion of what happened. It is true that the government has indicated in vague terms in its 1987 tax-reform documents its intention to replace the Manufacturers Sales Tax with a new sales tax. But the government went mum on the subject during the 1988 campaign. This silence was with good reason.
>
> The new tax was going to benefit only a small segment of the population—primarily manufacturers, who had long disliked the existing sales tax and would enjoy a much lighter burden under the GST. Indeed, some $4-billion of the sales tax burden was to be transferred from the corporate sector to the household sector.
>
> So the government saw no particular advantage in mentioning the new tax to the general public during the election campaign. It was bound to raise suspicions that the tax would be used to soak additional revenues out of the public for the ongoing war against the deficit.
>
> For the Tories, there was no advantage in turning the GST into an election issue. Everybody who would like the new tax—manufacturers, business economists, tax experts—already know about it. The rest were better kept in the dark.
>
> So the government was set to let the issue slumber throughout the campaign, even though the GST was a central part of the Tory plan for its second term and all was in readiness to set the wheels for the new tax in motion as soon as the votes were counted. Everything was going according to plan when Don Blenkarn stumbled onto the scene.
>
> Mr. Blenkarn, the feisty Conservative chairman of the House of Commons Finance Committee, was scheduled in the early days of the election campaign to make what promised to be one of its dullest appearances. He was to address a tax conference at Osgoode Hall Law School in Toronto. The event actually had nothing to do with the election, having been booked months earlier.
>
> In the course of the day-long session, Mr. Blenkarn told the audience of economists and tax experts that the government planned to collect billions in additional revenues through the GST.
>
> This evoked little interest: the tax specialists in the audience already knew it. But when Mr. Blenkarn's comments about the additional revenue-raising potential of

the new tax were reported the next day on the front page of *The Globe and Mail*, the cat was out of the bag. The increase that only experts were supposed to know about was now in the hands of the electorate—a dangerous place indeed. So how did the government react? If it is true, as the Tories now maintain, that the government had "campaigned" on the GST, surely its response would have been to say, 'Yes, Mr. Blenkarn is right, the new tax will raise considerable extra revenue and this is necessary for deficit reduction.' They would have said then what they are saying now.

But both Prime Minister Mulroney and Finance Minister Michael Wilson were quick to deny the accuracy of Mr. Blenkarn's comments, insisting that he did not speak for the government.

As the issue percolated over the next few days—Ontario Treasurer Robert Nixon piped in with comments about how Ontarians would find themselves paying a lot more sales tax—the government repeatedly denied that the new tax would raise any additional revenue.

Mr. Wilson insisted that it would be "revenue-neutral"—that is, would not raise additional money. It was not a vehicle for deficit reduction. With the government's assurances, the issue died.

Since the election, Mr. Wilson has been more frank. On CBC's Morningside radio program last month, he told host Peter Gzowski that the GST would raise additional revenues for deficit reduction.

"But I thought it was revenue-neutral?" Mr. Gzowski said. Mr. Wilson replied: "Well, no, it helps us get the deficit down." So much for honesty on the election trail.

The government now argues with ferocity that the GST is really the only option for reducing the deficit—choosing to ignore other fairer options, such as a detailed proposal developed by Osgoode Hall tax professor Neil Brooks to abolish regressive sales taxes altogether and raise the lost revenue through modest increases in the income tax. This option, which the government has refused even to consider, would save Canadians hundreds of millions in administrative costs alone.

The Tories now concentrate their fury on the evils of an unelected Senate, insisting that the shenanigans in the upper chamber are blocking the will of Canadians to have the GST put in place. But Canadians never endorsed the GST—not now and not during the election campaign.

Is the Senate really blocking the will of the people, as the government suggests, or simply blocking the will of the government, on an issue where the government was less than honest at the one time when Canadians were in a position to register their opposition?

Could it be that the Conservatives don't trust an informed Canadian public to make the right decisions, that they believe the only way to put their policies in place is sometimes to circumvent the will of the people? Are the antics in the upper chamber the real threat to democracy?

[Senator Molgat.]

• (1430)

I think those two items are very germane to the discussion before us, very apropos of what we are doing here in the Senate. I think we should reflect very deeply on the democratic aspects of it. This is why I appeal to my friends opposite to reconsider. It is not too late. It is not necessary for this tax to go in on January 1. The tax can very well be deferred. The manufacturers' sales tax is still in place, which will continue to generate revenue for the next year. We can spend the next year improving this tax. We can spend the next year in dealing with the provinces. We can spend the next year, instead of having three provinces bringing the federal government to court, as we have now, and, I think, two other provinces opposing, we can get them on board and do a job of tying Canada together. That is not the course that the government is on right now.

The government right now is on a course of needless confrontation with the provinces. There is no need to do that. We can change the agenda; we do not have to have this done by the 1st of January. I ask my honourable friends opposite to take the shackles off, do not let Prime Minister Mulroney and the gang at the other end tell you what to do. Be free. Do what your people want.

Senator MacDonald, you know that the people of Nova Scotia do not want this tax. They do not want this tax. Senator Marshall, you know that the Newfoundlanders do not want this tax.

Senator MacDonald: I know that 69 per cent of them do not believe that the Liberals would change it.

Senator Frith: Put us in there and let us try.

Senator Molgat: Do not tell me what—

Senator Corbin: The people are opposed to it.

Senator Molgat: —the Conservatives can do or what the Liberals can do. Senator MacDonald, you can do it. Do not wait for someone else. Do not wait for the next election. Do it now, Senator MacDonald. All you have to do across the way is represent your people—just represent your people.

Senator Olson: That is right.

Senator Molgat: I am sure the people are telling you the same thing they are telling me. Why do you not listen to them?

Senator MacDonald: Seventy-four per cent—

Senator Frith: You do it then.

Senator MacDonald: Do not quote polls.

Senator Molgat: The issue is here before you now. Let us not—

Senator Corbin: Senator Molgat, you have touched a sensitive cord.

Senator Molgat: Let us have no illusions. Let us not say what is going to be done after the next election or before the next election. I am saying to all senators across the way, to all of the Conservative senators, it is in your hands. You can make

the change. You can do it now. You do not have to wait. It cannot be done instantly.

Some Hon. Senators: Hear, hear!

Senator Molgat: Stand up. Tell those autocrats at the far end. Tell the Mulroneys and the Wilsons and the Oberles and those people who talk that way—what is his name—Jelinek. Yes. Tell them; tell them that it is not what the Canadian people want.

Senator Olson: You know that.

Senator Molgat: It is in your hands. You can do it. Do not tell me what will happen after the next election. The time is now. Speak out for your people in the way that we are trying to do.

Some Hon. Senators: Hear, hear!

[*Translation*]

Hon. Jacques Hébert: Honourable senators, a few days ago, I think it was last Sunday, I was reading the literary pages of the Montreal *Gazette*. In fact, it was November 24, 1990. I particularly enjoyed the comments of a critic, T.F. Rigelhof, himself a novelist, on Sheila Fischman's excellent translation of a novel, *Benito*, by François Gravel, published in French in Quebec.

Is that an extraordinary event worth mentioning in the Senate of Canada? I think so.

What is it about? It is a novel by a Quebec novelist, François Gravel, published in Montreal in French by Boréal, a very curious book, a sort of contemporary fable whose hero is a complete fool whom the great of this world think wise. They ask his advice and we have a good laugh.

In Toronto, a small publishing house, Lester and Orpen Dennys, liked this book, which was certainly not going to be a bestseller or make its publishers rich. Lester and Orpen Dennys then had *Benito* translated into English by one of the country's best translators, Sheila Fischman of Montreal. The *Gazette*'s critic thanked her warmly for her precious gift to English-language readers and added:

[*English*]

> It is the kind of book that rarely gets written in English. Its nearest relative being Jerzy Kosinski's *Being There*.

[*Translation*]

So two Canadian publishers, one in Toronto and one in Montreal, a French writer, an English translator, a few hundred bookstores and libraries scattered from Victoria to St. John's, Newfoundland. That is the complex, fragile system that enabled an author, François Gravel, to speak to thousands of Canadians in both official languages and, no doubt, reach an audience beyond our borders. The *Gazette* critic considers this a "big gift" for the English community.

It seems to me that is a wonderful way to bridge the "two solitudes" spoken of by Hugh MacLennan, that great English Quebec writer whom Senator Chaput-Rolland knew so well!

T. F. Rigelhof concluded this short by sympathetic review of François Gravel's book with these words:

[*English*]

> What makes all of this more than merely diverting is that Gravel understands (as Morrison does not) that the road from loving kindness to political consciousness and back again, has a million mischievious twists and turns.
>
> After the GST comes into effect on Jan. 1—

I am quoting of course. I do not believe that, but I am quoting Mr. Rigeloff:

> After the GST comes into effect on Jan. 1, books will still be published. But it's unclear who will be able to afford them. What is clear is that there will be many fewer new fiction titles from fewer publishers sold in many fewer independent bookstores, and that translations from French into English will be largely confined to the literary presses.

He continues:

> Rumor has it that one of the first firms to collapse may be Lester & Orpen Dennys, whose international fiction list broadens literary taste and ought not be allowed to terminate in *Benito*. Is anyone listening?

Honestly, Mr. Rigeloff, I do not think anyone is listening on the government side.

● (1440)

[*Translation*]

In recent weeks, we have seen that the Mulroney government is not listening to anyone. Absolutely no one. The eight amendments presented by the Liberal opposition were the minimum improvements that could be made to a very bad bill.

The senators opposite, some of whom are very good people, are nevertheless a fine collection of disjointed puppets who remain impassive in their seats until the time comes to vote. I imagine the sort of directions they must have received from their leader, Senator Lowell Murray, in recent caucus meetings. I am trying to picture the scene.

I suppose Senator Murray told them something like this:

With the eight additional senators, we are now assured of a majority. (Senator Murray is hardly embarrassed by the fact that the legitimacy of these eight senators is being discussed in court! That is a trifle.)

"So," Senator Murray continues, "we will win the final vote on the GST." He is sure of himself. "We will beat each of the eight Liberal amendments and those from the independents if we are weak enough to let them present any." That was before we forced them.

"Here are your marching orders," says the great leader, Lowell Murray. "First, pretend to listen to the Liberals' speeches and do not waste time discussing their arguments. What counts is the vote."

"Secondly, be careful when they read their petitions. Yes, even you, Senator Simard! Tell yourself that this Chinese torture can only last a few more days."

"Thirdly," Senator Murray continues, "everyone be present at the time the vote is scheduled. Pardon me, I correct that:

everyone be present five minutes before the scheduled vote. Yes, even you, Senator Keon. Even you, Senator Eyton. Yes, I well know that the Prime Minister promised you that your obligations as a senator would keep you in Parliament only two or three days a week, a few hours at most. Our Prime Minister was certainly sincere. It is MacEachen who spoiled everything. Complain to him."

"Fourthly," Senator Murray continues to tell his caucus, "personally, I promise you that the GST will be voted on by December 5 at the latest. I promised Harvie Andre that. As a precaution, make your reservations for Miami for after the 10th, but not before, because one never knows with MacEachen and Frith . . . And then come the big holidays! The Prime Minister will adjourn the session and close up shop until March: no more embarrassing question periods in the House of Commons, no more interminable sittings in the Senate, no more questions of privilege, no more petitions! Vacation time!"

Senator Murray stops for a moment to catch his breath. He looks around sternly, "No questions?" Tormented, disturbed, upset, worried by the amendment on books and periodicals, Senator Chaput-Rolland bravely raises her hand, followed by Senator Lavoie-Roux, who wonders whether it is good to overtax the Inuit in the Far North. With a look as stern as that of a medieval bishop about to excommunicate half his diocese, Senator Castonguay raises an authoritarian arm. A few other sensitive souls do the same: Senator David, surely, Senator Spivak, Senator Marshall, out of kindness.

Faced with this rather unhealthy expression of interest, Senator Murray showed impatience. He looked at his watch and said:

> "Dear colleagues, as I told you last week and the week before, it is always a great pleasure for me to answer your questions. Unfortunately, I am already late. I am expected at a meeting of the special committee of ministers to which I must report every day. You know Harvie Andre. He is not the most patient of men . . . Submit your questions in writing and you will find the answers in your mailboxes when you return in March."

I am quite sure, honourable senators, that I have given you a good idea of the caucus meetings attended by our colleagues opposite. If any details . . .

Hon. Paul David: What you say there, Senator Hébert, is all dreamed up.

Senator Hébert: You can talk longer, Senator David.

Senator David: No, that is all. It is just a very short comment in passing.

Senator Frith: Is it too fanciful or far-fetched?

Senator David: Everything that is dreamed up is usually wrong.

Senator Hébert: I am quite sure, honourable senators, that I have given you a good idea, dreamed up though it may be, as Senator David says, of the caucus meetings our colleagues opposite attended. For any details, I count on them to make the necessary corrections. If Senator David wants to correct something that I had Senator Murray say which is not quite right, because other senators have already helped me make corrections in other circumstances.

I apologize in advance for any possible errors. Alas, to know exactly what is going on in the Conservative caucus, I would have had to consult an expert like Erik Nielsen, for example, who listened in on the national Liberal caucus with electronic methods that are a great deal more effective than mine. It must be for his talents in communications that Mr. Mulroney appointed him chairman of the Transportation Commission. After all, they cannot name New Democrats to everything! There are limits!

I was telling you that Senator Chaput-Rolland could not ask Senator Murray the questions she had on her mind about the first amendment proposed by the Liberals, the purpose of which was to exempt books, periodicals and newspapers from any tax. Senator Chaput-Rolland asked her questions as a Quebecer, of course, as a writer, and of course as a woman, as she always says herself.

She did receive a promise from the Prime Minister, which must be taken far more seriously than Senator Murray's answers, which are always vague and somewhat woolly. I will take the liberty to quote this promise, which is now on the record, as a Quebecer, a former publisher and a man. I quote Senator Chaput-Rolland:

> I was afraid of this tax and, as an author, I wished with all my heart that the Prime Minister of Canada would carry out his promise to amend it, correct it, transform it, but out of loyalty to the Prime Minister of Canada, I was going to vote for this tax.

That is the statement by Senator Chaput-Rolland that I quoted several times and that I feel I will quote even more in future.

Hon. Louis Robichaud: That is not dreamed up!

Senator Hébert: It is not dreamed up. You are right, Senator. Those are facts. It is a quotation taken from the *Debates* of the Senate. This promise from Prime Minister Mulroney to Senator Chaput-Rolland, this nice concise sentence I just read to you—I would like to use it as a caption for this somewhat long speech where I will mention writers, publishers, booksellers, readers and, of course, the GST and the harm it will do them.

I hope to appeal to the intelligence or the heart of some of the senators opposite. I will leave it to my more competent colleagues to show the harmful effects the GST will have on all citizens of Canada except the rich. It will not bother the rich, but it will hurt everyone else. And the particularly devastating effects the GST will have on some sectors of our economy that are already shaken, like co-operatives, and on some regions of the country, like the Far North.

Personally, I will just talk about the world of books before it is too late, that is, before the GST brings back the chaos that existed in that field barely 30 years ago.

To understand the subject well, it is important to go back and remember what the small world of publishing was like,

especially in Quebec, in the 1960s. It was not that different in Ontario and the rest of the country, as you know. The simplest thing would be to quote to you from a thesis, or part of a thesis, presented to the Sociology Department of the Faculty of Arts and Science at the University of Montreal by Ignace Cau. This thesis was not prepared for our committee or the House of Commons committee. Therefore it contains unpublished facts on Quebec publishing between 1960 and 1977. That is the period in which this previously non-existent industry struggled to become established. It continued to fight for its survival but the GST will put an end to it.

Here is what Marcel Rioux, who is a professor, as you know, and not in our party, said. He is speaking in a completely non-partisan way.

I suppose he wrote this as a preface to Mr. Cau's book which I mentioned.

● (1450)

> I suppose there is no greater joy for teachers than to learn that one of their students is publishing his first book, especially when it deals with the world of books in his country. I did not direct Ignace Cau's thesis—Marcel Fournier did, but I taught him for two years and I am not at all surprised that a publisher is interested in his thesis. As a student, he already showed the qualities that now make him an analyst skilled at seeing how things fit together.

This is to give you a taste, to show you that I am not quoting just anything at random to fill up the time allotted to me. On the contrary, it is to give you some completely new ideas about book publishing in Quebec.

> What I especially like about Cau's study is that he puts the problem of publishing in the context of the evolution of Quebec's cultural policy, which he shows in the overall development of Quebec in recent decades. These phenomena are intimately connected and are all steps towards a greater control of our national destiny.
>
> But as the writer clearly shows, we have a very long way to go and books were long suspect by the clergy and politicians.

Congratulations. Clergy and politicians, especially undemocratic ones, fear books. They do nothing to help disseminate books. So we can wonder about the democratic intentions of a government that knowingly, knowing the results of a fiscal policy, takes such risks with books, or rather book publishing. Does that mean it is not important for them? Does that mean that, like the clergy of another era or politicians in totalitarian countries, they suspect books? Because they suspect ideas? That is a question we might ask. I would not want to be on the side being asked that question. I know that it embarrasses some people here. They do not dare say so, but they are ashamed to be told that, basically, they do not respect books and ideas that much. It is irritating.

Msgr. Bruchési and Duplessis—

Duplessis is of the same ideological family as the people opposite, a Conservative, *Union nationale*. He changed the party's name because he was a bit ashamed about having it called Conservative. It is the same breed of people, as Victor Lévis-Beaulieu would say. I am borrowing the title of one of his books, *Race de monde*.

Msgr. Bruchési and Duplessis are not very far from us . . .

He said that in 1981, nine years ago. We must add that they are not very far from us either.

> We need only read the studies by Auguste Viat of our literature to realize it. The concept of culture in recent years has taken on a meaning that it was far from having when the Department of Cultural Affairs was founded in the early 1960s. The author shows very well that culture, far from being the icing on the cake, as they say, is what holds all the ingredients of the cake together and gives it meaning and its specific characteristics. That is a statement which some people are still hesitant to make. The publishing, distribution and reading of books is obviously an important component of culture and it is of the utmost importance that women and men here can be heard through their books. Our government must make this kind of cultural expression possible. That is what it takes to win a bigger place among the nations of the world. The wealth of nations, to borrow the title of Adam Smith's famous work, is not only economic growth . . .

As they seem to believe on the other side of this House.

> . . . but also its cultural richness.

which they do not seem to give a damn about on the other side.

> If, as Suzanne Crean and I say in our book *Deux pays pour vivre* (published by Albert St-Martin, 1980), the ultimate stage of imperialism is cultural domination, we are amazed that it is always necessary to remind decision-makers that films and books, for example, play a crucial role in our national life.

That was written in 1981. As you could see in the press in recent days, the film industry is another one that will probably be killed by the GST but is starting to realize it.

> By seeing and reading the world as others dreamed and expressed it, we quickly become those others. This cancer is fatal! We must thank Ignace Cau . . .

. . . the author whom I will quote at length to you in a moment . . .

> . . . for having dealt so skilfully with one of these important subjects.

That is by Marcel Rioux, who is not a Liberal—far from it—dated August 31, 1981.

I do not think that he is a Conservative either. Here is Professor Marcel Fournier's introduction to the same work. I read you the preface. Now here is the professor's introduction which somewhat guided the writer of the thesis.

> In human history, the importance of the invention of printing and the use of books as a means of communication—the Guttenberg Galaxy—is such that some contemporary psychologists do not hesitate to call such tools "culture simplifiers". They maintain that access to litera-

ture increases man's intellectual capacities. It even seems that interaction with books is a sort of precondition to a child's intellectual development.

In a historical work, L. Eisenstein summarizes the vast amount of documentation on the effects of the invention of printing and presents an interpretation of the social and technical changes related to this invention. The author does not claim that the development of printing alone explains these other changes; she shows how this technique tied many developments together. However, there is one field where printing itself changed the nature of intellectual constructs: science. The mere ability to write and reproduce easily allows new forms of knowledge to take shape.

We know the social prestige books soon acquired. Princes and kings sought the company of intellectuals and scribes; during the Renaissance, they loved to be painted talking to an intellectual or touching a book. Leadership was often associated with the ability to write. Books are both the tool and the symbol of learning, so much so that for some, using books is the main part of their life. To make sense of things and events, books (and writers) are essential, not only in research laboratories and study groups but also in daily life—to strengthen religious or political conviction, to solve a problem in child-rearing, to enjoy a bottle of wine, etc.

Books have thus earned a considerable place in the social and intellectual life of various communities; they have been the subject of much thought and analysis. In Quebec, we certainly know literary history, writers and their works, but we have very little information on the development of printing itself and on the production and marketing of books. Although it does not provide a history of books in Quebec, Ignace Cau's work shed light on an important and little understood aspect of Quebec's learned culture, the world of publishing from 1960 to 1977.

That is, the heroic period during which an industry that was almost non-existent before 1960 sprang into life, almost overnight, and that will be almost non-existent, or in any case seriously shaken by the GST once it takes effect, should that misfortune befall us.

Both the small size of its market and its great dependence on American and European (French) cultural businesses make Quebec publishing very unprofitable and unviable. The publishers and writers are the first to admit it. Nevertheless, this area of Quebec's cultural life has grown rapidly in recent years and is very dynamic. Ignace Cau's study provides an excellent description of this expansion and also explains it. The renewal of Quebec publishing coincided with various other cultural transformations—many art galleries opened, the museum of contemporary art was created, intellectual events were organized and various groups or associations were established. This appears to be closely tied to the Quiet Revolution. Thus, an intellectual environment and a Quebec public for it arose at the same time. The creation of the Hexagone publishing firm in the early 1960s is revealing of the conditions under which cultural institutions developed. The first writers and readers of this publisher of poetry were originally closely related to it, in the interconnected networks of the CBC, National Film Board and humanities and social sciences faculty of the University of Montreal.

The present government is killing the CBC. The National Film Board is not being spared with the budget cuts.

Quebec publishing followed fairly closely the changes in the university system which, in the 1960s and 1970s, was characterized by the growth of education, social sciences and humanities.

Nevertheless, it seems that the development of the education system at the college and university levels and the increased schooling of Quebec's population was not enough to ensure the growth of Quebec publishing companies. Except for a few publishers that are plainly business-oriented and issue mainly practical or topical works, Quebec publishing in most cases depends on school books and government subsidies to live. This is a condition of producing and distributing books in Quebec, but this relationship of publishing with the schools and government shows that this industry is weak and fragile.

As for its relations with the government, the coalition to defend publishing, faced with the threat of the GST, came to Ottawa in the last few days, but did not have great success. In fact, it obtained greater success, as one of my colleagues just pointed out to me, in an article in the *Globe and Mail* today, I think, which I may have the time to read to you, if all goes well, on the provincial level perhaps, because the Government of Quebec, despite its faults, is a little closer to reality. The government in Ottawa has shown that it is completely cut off from reality. It refused the request of eminent personalities who came from Montreal, from the publishing, bookselling and writing communities. Gratien Gélinas, Beauchemin and other known writers were scarcely received by people from the government. In any case, their representations were rejected.

It can hardly compete with the large American and French companies. Political intervention still appears necessary to reduce the dependence by reducing foreign control on publishing firms and distributors and marketers. We remember the Hachette affair.

I will tell you about it a little later.

● (1500)

The book industry is extremely vulnerable. In the past the Hachette affair nearly put an end to the development of booksellers and publishers in Quebec. More about that later.

It is worth reading what Ignace Cau wrote about this event. For his part, the Quebec Minister of State for Cultural Development suggested in his recently released White Paper a series of well-defined measures to ensure the production and distribution of Quebec books: adopting new property regulations, setting up distribution co-opera-

> tives, drafting a copyright law, establishing a program to help libraries, etc. At a time when production and distribution costs are rising, are these measures sufficient to protect publishing houses?

He was asking this question in 1980.

> The last two decades have seen publishers multiply and diversify, and we are now in danger of seeing small publishing houses disappear.

This is exactly what will happen and what was predicted in the latest studies submitted to Committees of the Senate and the House of Commons but nobody was listening.

It has been proven by purely scientific studies. There is also this sociology professor at the University of Montreal who asked the same question nine years ago, long before the Tories ever dreamed up the GST.

> We are in danger of seeing small publishing houses disappear.

Including the one I referred to earlier that published in Quebec a book which has been very well received in English Canada and might even be sold abroad. He goes on to say, and I quote:

> Mostly those concerned with culture but also, in higher proportion, businesses that produce and distribute books.

It is how this government thinks. It does not care whether books are handled by American or French interests through the Hachette group. It is the law of competition. If Hachette wants to buy, let them do it.

> In addition to these structural weaknesses of the Quebec book market, Ignace Cau writes in his conclusion about another problem which seems just as important: the reading habits of Quebeckers. Everything points to the fact that Quebec has the lowest proportion of readers in all of Canada . . . And, if we had more information on the reading segment of the population, we would see that a significant proportion of the books that are read come from Europe and the United States.

There is obviously a high rate of illiteracy throughout Canada, particularly in Quebec. Needless to say, the population base is not big enough to make the publishing and bookselling business profitable. Book readers comprise an even smaller segment of the population. These people are bilingual and therefore have direct access to the great literary works of the English-speaking world from the United States, Great Britain and elsewhere as well as to another inexhaustible source of books: the French-speaking world, particularly France but also Belgium and Switzerland.

> Moreover, if we had more information on the tastes of Canadian readers, we would see that an important proportion of books read come from Europe and the United States.

It is incredible how—and that goes for the Anglophone sector as well—foreign publications have already eaten into our market when our own authors make it into our few bookstores.

> Even though it is a good thing for readers, Quebec's geographical location and its access to two cultures constitute a major problem for publishing houses. They have a hard time finding books and authors able to compete with American and French best sellers. In the education sector only, considerable efforts were made to set up first-rate university publishing houses but it is far from certain that it is the main information source and training tools of Quebec academics.
>
> It is therefore important to study the reading habits of various segments of the Quebec population and to do what could be called an "ethnography" of reading habits. This study must be done as soon as possible because, in the coming years, Quebec readers will be sollicited more directly by other communication technologies . . . .

He must have been thinking about television, compact disks and videos.

> . . . and will face increased automation of information. Some already fear that books will disappear . . . Without panicking, we must recognize that books and reading habits will change considerably. People will not stop reading but they will read different books and for different reasons. We will still be wondering whether a book is from Quebec.

Hon. Paul David: Honourable senators, can I ask a small question to Senator Hébert? What do you mean, by "ethnography of reading habits"?

Senator Hébert: I think it is a kind of inventory to know from which country and culture books originate and what proportion of the Quebec market they make up, for example. I do not know if it has ever been done. What proportion of our books come from the United States, England, Australia and New Zealand, or from France, Belgium, Switzerland or Monaco. This is how I interpret this comment.

Senator David: Could it not mean something else, such as which readers are targeted. Does ethnography refer to the reading habits of various segments of the Quebec population? If my interpretation of this word is correct, as your study was done between 1960 and 1977, I suspect major changes have happened since then. Do you agree with me?

Senator Hébert: There certainly have been major changes but the reason I was quoting from this book is to show you where Quebec publishing got its start. In 1960, there was no such thing. Through a kind of miracle, the Quebec publishing industry established itself between 1960 and 1975 and as recently as 1980. All of a sudden this disaster called the GST strikes. It will probably set back by 30 years development efforts of this economically vulnerable but culturally essential industry.

• (1510)

[*English*]

Hon. Lorna Marsden: I should like to ask you whether the book to which you refer talks about the use of public libraries in Quebec. One of the interesting ethnographic features of

Quebec readers is their book buying, on the one hand and their very low usage of public libraries on the other hand. If you compare the circulation figures of public libraries across the country, it probably has been explained, and perhaps you intend to explain it later this afternoon, but I think that is extremely interesting and one of the contradictions of the situation.

Perhaps that book may tell us how many of the holdings in the libraries of Quebec are published in Quebec. Is that what you are referring to?

● (1520)

[*English*]

Senator Hébert: I do not know if I understood your question. You wanted to know, what is the proportion of—

Senator Marsden: No. Perhaps I could explain. I do not expect that anyone keeps that kind of information in their head, but in this very interesting book to which you are giving us some exposure this afternoon, I am asking whether that book deals with this question of public library development and use?

Senator Hébert: No, it does not. Later on, other documents and other research that has been made and that has been collected does talk of this aspect of the problem. I can tell you right now that, in that respect, Quebec is not on top by far. Our libraries are not in great numbers. Our libraries are undeveloped. They are underfinanced. It is a pity. We are not very proud of our library system in Quebec, and that is part of the problem, naturally. However, with books selling for much more than they used to, in certain cases because of the GST, Quebec has changed its mind about adding its own GST on books, but even at that, the price of books will become so high that there will be less and less books bought by public libraries. It is a vicious circle, of course.

Speaking of the change of mind of the Quebec government about books, I think it would be useful to put on the record this information of what happened in the recent days, which I thought was very well put. In today's *Globe and Mail*, there is an article by Steven Godfrey "Quebec refuses 'to impose ignorance'". That, of course, was the slogan of the campaign that went on for many, many weeks and months in Quebec against the GST on books.

I quote:

> Now, that's the way to lobby for culture!
>
> Book lovers everywhere should be delighted. After a month and a half of impressive campaigning by the press, reading public and the publishing industry, the Quebec government has capitulated.

It is not very often that intelligence wins.

> Finance Minister Gérard E. Lévesque announced that books will be exempt from the 8 per cent provincial sales tax it was intending to impose. That tax was to be added to the forthcoming federal goods and services tax, which would have meant a staggering 15.6 per cent increase in the price of books—the highest in the country.

[Senator Marsden.]

> The announcement was made on Tuesday, just one day before up to 300 members of the Coalition Against Taxes on Books—whose members include Gratien Gélinas, Yves Beauchemin and just about every active writer in the province—were scheduled to take a convoy of buses to Quebec City and drop off at the National Assembly a petition containing the names of 250,000 Quebec residents protesting the provincial tax.

This represents quite a number of people protesting the tax on books, which is the subject of my modest intervention.

> The petition itself was a thing of beauty. You saw samples of it everywhere—

In Montreal and everywhere in Quebec.

> —in restaurants, stores and theatres. It was a large-sized, lined exercise book with commanding white letters on black on the cover saying "Taxer les livres, c'est imposer l'ignorance." (To tax books is to impose ignorance.) The only likely place that it didn't appear was in Montreal libraries, thanks to Mayor Jean Doré. Not only did the mayor refuse to commit himself to any position on book taxes,—

That was very courageous of him—

Senator Marsden: Maybe he does not read.

Senator Hébert: Perhaps he has not read in the paper that this GST is coming out.

> —but his administration resorted to an old law forbidding petitions in municipal office buildings.

Perhaps he would not have liked our reading the petitions here, if he had been here.

> Doré was virtually alone in not opposing the tax.

He was alone. There were a few Conservatives, Dr. David, Senator Chapeau-Rolland, opposing the tax.

> Actually, there was one other man. Albert Juneau, who writes editorials for *Le Devoir*, ventured to suggest that taxing cultural products wouldn't be as bad as all that.

He had met some Conservatives before he wrote that article.

> Not only was he vigorously debated in print by the newspaper's publisher, Lise Bissonnette, but he received a drubbing by a number of speakers in the National Assembly for his efforts.

Imagine how popular you would be defending the Conservatives' policy. Even *Le Devoir*, which is not a Liberal newspaper, as everyone knows.

> The newspaper *La Presse* commissioned a poll, which was headlined "The majority of Montrealers against the GST on books." The newspaper was clearly overwhelmed with its findings—whatever they were. "Nearly one Montrealer out of two would buy fewer books if they were taxed," warned the lead on page one.

That is a brutal fact. If I were I member of the opposite side, I would say that in voting for this GST, I would be responsible for the fact that one Montrealer out of two would buy fewer books. I would not like to be responsible for that.

> The poll found that 92 per cent of Montrealers opposed a tax on books—

Ninety-two per cent. You do not see many polls going that high. That is almost unanimity, considering the few Conservatives did not answer because they did not know what it was all about.

> —a greater opposition than opposed increases in categories such as restaurants, newspapers, shoes, and theatre tickets.

Which means that the man in the street understands that books are not objects like any other object, and that bookstores are not just ordinary businesses; they are cultural centres and they have to be protected if we care at all about our culture.

I do not have that poll in front of me, but I read it when it was published and I was amazed to see that the man in the street, obviously most of those who answered those polls were against GST on restaurants, newspapers, shoes and everything. They were against it. But 92 per cent of them opposed tax on books.

> Quebeckers know that literature is the greatest expression of language, and the survival mechanism for a francophone Quebec. Or as Bruno Roy, president of the Quebec Writers Union, put it "To tax books is to tax the distinct society."

I am not a nationalist, as you know, but I certainly understand that if we want to protect Quebec's culture or any culture for that matter, that culture needs more books.

> Never mind for a moment that Quebec's terrible library system has the lowest per capita investment by a province, except for Newfoundland—

That is in answer to your question, unfortunately,

> —or that 26 per cent of Quebecers are functionally illiterate.

which I mention myself before reading this here.

> The point is that educated Quebec does have a special relationship with its books, and words in general. As an example of how the protection of French itself is considered a source of pride, the newspapers this week have been full of the triumph of 16-year-old Montrealer Pascale Lefrançois, junior champion at the world finals in Paris of the Spelling Championships of the French Language. Let me say that she speaks better French than all the ministers I know of in this government.

• (1530)

Senator Frith: Who?

Senator Hébert: This little girl, Pascale Lefrançois, who was the junior champion at the world finals in Paris of the Spelling Championships of the French Language.

The article goes on to state:

> It is the third junior champion in a row from Quebec.
>
> So it's little wonder that literate Quebec cited a study—ironically, from the federal Department of Finance—that book sales could fall by more than 25 per cent, and 30 per cent of Quebec's 350 bookstores could close, if the full taxes were imposed.

I think I should repeat that sentence since we have plenty of time. I do so because this is a very serious matter. It is not just that this issue involves numbers. I ask honourable senators to try to imagine what this means for culture. This figure comes from the federal Department of Finance:

> —that book sales could fall by more than 25 per cent, and 30 per cent of Quebec's 350 bookstores could close, if the full taxes were imposed. Since 80 per cent of Quebec's relatively young publishing houses and 75 per cent of its bookstores have revenues of less than $1 million, the effect would have been disastrous.

The disaster is a little bit less since at least one of the two governments listened to people and changed its mind. The article goes on to state:

> With such ammunition against it, it's a miracle the provincial government held out as long as it did.

The real mystery is to see the Conservative Party holding out as long as it has. The government does not care about petitions. I suppose members of the government do not read letters that are sent to them. It is easier for them to say, "To hell with these people. Books are not that important. They are for poets. We are on the side of the rich, the business people. We do not care about these poets and violin players".

The article continues:

> Hervé Foulon, spokesman for the Coalition, and president of the Quebec Association of Publishers, . . .

Honourable senators may remember that Mr. Foulon came to Ottawa a few weeks ago. He has been quoted in this chamber. He held a press conference here on the Hill. He is a publisher himself and president of the Quebec Association of Publishers and represents this coalition. I thought that a few people from the government would have heard what he had to say in the name of all the other publishers, booksellers and authors. On Tuesday he said:

> . . . he was "delighted" with the decision of the provincial government, but that the Coalition was still chartering those buses for Wednesday's rally.
>
> "Instead of Quebec City, we're now heading for Ottawa to try and convince the Finance Minister to drop the GST on books," he said.

He is very optimistic. He was thinking that the Minister of Finance would listen to him.

Senator Marsden: Senator Hébert, before you go on, I would like to ask you to comment on one other possibility. Even if Quebec has dropped the tax, it is not at all clear that that will work out very equitably between Ottawa and the province of Quebec in terms of taxation. You made very convincing arguments earlier about the importance of books and reading to culture, history and so on. Is it your view that if this tax should be imposed, and if the very difficult copyright law should continue, then what people write will be circulated underground; that we will have as the Russians have had for

many years, our own underground press, not for reasons of censorship but for reasons of costs and the unwillingness of people to open bookstores, the unwillingness of public libraries to buy, and the unwillingness of educators to go through the repressive copyright laws? Are we seeing here a contribution to the underground economy and a destruction of civil liberties in a civil society?

Senator Hébert: I have no idea if it will go so far as to encourge the writing of books on walls. One thing that is absolutely certain is that a great number of talented people, whether they be poets, novelists or those who write essays and who have new ideas to share with society, will not be in a position to be voices for change in our society. That is obvious to me. This happens to be a world about which I know something.

I can tell this house that the choice that the publisher has to make between one book and another is very difficult. For example, let us compare the publishing of a cookbook and a novel which brings forward refreshing and new ideas which may change our society. Perhaps a few dollars can be made on the publishing of the cookbook. That will allow the publisher to pay back his loan at the bank. Of course, its publication will not add a great deal to our culture.

At the same time with the situation as it is now the publisher will lose money publishing a novel by a new novelist who brings forward a refreshing new idea to society. The publisher will have trouble with his bank. The publisher will say to himself, "Let's forget it completely, or at least put it aside until next year."

This is what will happen because choices have to be made every day of every year by publishers between something that may be profitable and something that should be published but cannot be because it would be too costly. A publisher would have to publish this novel and print only 1,000 copies instead of 3,000 because of the GST on the printer, the paper and everything like that. Fewer copies will have to be printed because there are fewer bookstores. If there are fewer bookstores, that means that there are fewer places to distribute the book. People will have to finally buy this book at a cost 30 per cent higher than what it should normally be. There is no way a publisher can survive like that. His bank manager will say, "You should get out of this business right away". This will happen, and a great many young, potential authors who are the key to change in a society, to progress—

Senator Frith: Had better keep the daytime job, as they say.

Senator Hébert: Yes, that is right.

● (1540)

[*Translation*]

Senator Corbin: Would you allow me to ask a question?

Senator Hébert: Of course.

Senator Corbin: I would simply like to know whether, in the course of your remarks, you intend to address the effects the GST will have on book sales outside Quebec. I understand that, as a Quebec senator, you are defending the interests of your province, of your people and all that, but I would like to know whether, at some point, you are going to address the effect this tax will have on French-speaking Canadians who do not live in Quebec, who live in areas where they are already short of money and where they are subject to a fairly pronounced anglicization factor in certain provinces.

If you would answer this part of my question, I will see from your answer whether I should ask another.

Senator Hébert: For the moment, I am obviously describing the situation in Quebec. I will talk about the situation in English Canada later, but it is clear that, if the situation in Quebec is this delicate, if the future of the book publishing industry is endangered by this federal tax, it is clear that the presence of the book publishing industry—I hardly dare talk about the publishing industry as a whole. I know a few French-language publishing firms have sprung up outside Quebec. I am sure there are some in Moncton or elsewehre in New Brunswick. There are perhaps other elsewhere as well. One thing is certain, though, and that is that they must be small publishing firms.

As for book stores, I remember when I worked in the industry and travelled in New Brunswick. I believe the senator will recall that I was the president of the publishers when he was premier of his province. A delegation of publishers from Quebec travelled to New Brunswick precisely to try to see how they could collaborate with the government and the Department of Education and also to see what opportunities there were. It must be admitted that the whole effort was somewhat an attempt to expand a minuscule market for French-language books, to go outside Quebec and to tap into the most Francophone province nearest us. You remember, senator; it was fun. But we realized that New Brunswick had 10 times the problems Quebec had. There were few book stores in Quebec, but New Brunswick at the time hardly had any. I remember there was one that was more or less associated with the University of Moncton, but that was the only one in the area, I believe. It was just beginning.

The GST will of course have even more devastating effects on Francophone communities outside Quebec. You don't have the numbers. I proved that we don't have the numbers to support a publishing industry even in Quebec. We don't have the numbers. So you can imagine that it's impossible in Acadia.

Senator Corbin: So if you permit, I am going to ask my second questions. From what I understand, you have a lot of material on how to deal with the situation as it exists in Quebec, but you don't intend to address specifically the problems that the GST will cause for French-language publishing firms outside Quebec. That is what I seem to understand. So, when I speak, I will be addressing this question and elaborating on the effects of the GST.

Could you tell me whether the newsletters of the historical and genealogical societies—there are a lot of them in Quebec—and of the historical societies in New Brunswick, Western Canada and Ontario will be subject to the GST?

Senator Hébert: Of course they'll be subject to the GST. It's going to affect all paper. The government is not sparing books, newspapers, periodicals or magazines. You can be sure that your poor little geographical and genealogical newsletters are going to catch the GST bug like everyone else.

Senator Corbin: One last question for the moment, Senator Hébert. That means that the only French-language daily in New Brunswick will be subject to the GST. I believe you are aware of the saga of the French-language dailies in New Brunswick, as is Senator Simard by the way. You are aware of the trouble and misery we went through to maintain a French-language daily in New Brunswick. If there is an important instrument for the survival of a people, it is this kind of means of communication within that people's own community. This means that the French-language daily in New Brunswick, which is already scratching hard for every last cent, will be put in an even more unfavourable position, if I understand your comments correctly. It will be in an even more unfavourable profit position when the GST goes into effect than it is now. Can you confirm that for me?

Senator Hébert: Unfortunately, I obviously have to confirm that for you, even though I am not happy to do so. I have emphasized the business of defending books against the GST. You should not forget, of course, that the amendment which the Liberals proposed as a last resort included periodicals and newspapers as well as books. Of course, when we talk about newspapers—if you think of the *Globe and Mail*, the *Toronto Star*, the *Sun*—it seems to me that we may say that, ultimately, these major newspapers can perhaps afford to pay the GST. The problem is that, when we do that and accept the principle for a few major newspapers whose names come to mind, we forget all the small local and regional newspapeers that are going to suffer and, in certain cases, completely disapperar, thus depriving communities of a newspaper, which, in somewhat isolated communities, in the rural areas, is often a favoured and extremely important means of communication.

As to the problem concerning my colleague, Senator Corbin, for a Francophone community that is even more isolated from the rest of North America than communities are now in Quebec, it is obviously all the more important to have a newspaper that can serve as an instrument or a link among the members of that Acadian Francophone community.

I wouldn't be surprised to see that people actually encounter the difficulties which Senator Simard could recall for us in detail, the difficulties involved in keeping a French-language newspaper operating in a community where the population is relatively small, as in Acadia, or to hear that things were difficult a year ago, just as they were difficult 10 years ago. If the GST is ever passed, the situation is probably going to be impossible; it's going to make the situation impossible. You are right, Senator Corbin, to be concerned for the future of French-language publications outside Quebec. In Quebec, there is still a population base that you don't have. But I don't get the impression that these are considerations that disturb the consciences of the ladies and gentlemen on the other side.

Senator Corbin: Senator Hébert, I told you that my third question was my last, but your comments lead me to ask you another question. I shouldn't say that it is the last; there could be others.

I believe the two of us are saying things that have not yet been said in the course of this debate. It is very important that our colleagues understand this. This tax will threaten the very survival of small French-language publishing firms outside Quebec. It will threaten the newsletters of the historical societies, the weeklies.

In the case of New Brunswick and its only French-language daily, I believe that New Brunswick's French-language daily is the only such publication outside Quebec. *Le Droit*, which perhaps began in Ottawa, cannot be considered as an Ontario French-language daily. It is aimed mainly at Quebeckers on the other side of the Ottawa River. All its advertising is aimed at a Quebec clientele. *Le Droit*, which is now part of Conrad Black's empire, can no longer be considered a daily that speaks on behalf of French-Canadians. It will nevertheless be subject to the GST no matter whether you pay weekly for home delivery or subscribe and pay annually. It will be subject to the GST.

The point of all that is that some of our colleagues on the other side are great defenders of the French fact in Canada. You remember that Senator Simard split with his party when he wanted to establish a French-language daily in New Brunswick, the succeshsor of the newspaper, *L'Évangéline*, a newspaper almost 100 years old. He stood up in the House and said that he would henceforth sit as an independent Conservative member because he did not want his party to suffer from the fact that he was taking semi-leave to found the newspaper. It was not a success, incidently, and I can understand why it was not. That's just to show you how difficult it is for a French-language daily to stay afloat and turn a profit. Senator Simard knows that perfectly well.

If I remember correctly, and this is still by way of a question to you, in the course of the work of one federal commission of inquiry on which Senator Chaput-Rolland sat, that senator travelled with the commission to Saskatchewan, Manitoba and Alberta. She made the headlines because she cried over the fate of French-Canadians in the other provinces, in the provinces outside Quebec. You remember that. She wept bitter tears and nevertheless voted reluctantly against her conscience and in favour of the GST on the kind of item I've just mentioned. Can you understand that kind of attitude?

Senator Hébert: My answer is no; I don't understand it. Now, you know very well your colleague Senator Simard, whose praiseworthy efforts to save a French-language newspaper in your province you mentioned a moment ago.

Senator Corbin: It wasn't to save it; it was to found another newspaper because the first newspaper went out of business.

Senator Hébert: And the principle of having a Francophone newspaper in your province. In other words, he knows just how difficult it is. The question you are asking is perhaps how do I explain the fact that he voted against the amendment that

would have given a French-language Acadian newspaper a greater chance to start out and survive.

Just before we had this difference of opinion, I was about to finish; I only have one paragraph left, the article in which the coalition's victory over the Quebec government was reported. The coalition of bookstore owners, writers and publishers was able to convince the Government of Quebec to withdraw, or at least suspend for one year, its plans to tax books and to introduce a provincial GST that would be added to the federal government's tax. So I'm going to reread the last paragraph. I was telling you about Hervé Foulon, who is the spokesman for the coalition.

[*English*]

> Hervé Foulon, spokesman for the Coalition, and president of the Quebec Association of Publishers, said on Tuesday that he was "delighted" with the decision of the provincial government, but that the Coalition was still chartering those buses for Wednesday's rally.
>
> "Instead of Quebec City, we're now heading for Ottawa to try and convince the Finance Minister to drop the GST on books," he said.
>
> If half of the energy and commitment went into this recent lobbying ends up in Ottawa, Michael Wilson doesn't have a chance.

• (1550)

[*Translation*]

We saw what actually happened when Mr. Wilson and Mr. Masse and all the Conservatives actually met this prominent group on Parliament Hill upon its arrival. I don't need to tell you they were sent back to Quebec empty-handed.

Senator David: Excuse me for interrupting you, although it just shows just how interested we are in your speech. I would like to ask a question to clarify a point. It has always been my impression that a book is ultimately a manufactured good. We know there is a sales tax on manufactured goods. Could you tell us where it was situated before the GST?

Senator Hébert: The publisher could purchase ink without paying the manufacturer's sales tax. He could purchase paper without paying the tax on the good.

Senator David: Without paying the federal tax?

Senator Hébert: Yes, without paying the federal tax. The publisher did not pay the tax. The firm could purchase string to bind the book without paying the tax. It could purchase glue tax-free to glue its covers. I know. I was in the industry for 15 years of my life. There was no tax at any level. Where books were involved, all taxes disappeared.

Senator David: As for machinery to print material—increasingly sophisticated material is required—wasn't there a federal sales tax on all that machinery?

Senator Hébert: Well, I plied the publisher's trade, but not that of the printer. I don't know whether the printer paid the tax. I imagine not since, as publishers, we did not pay tax on ink. I imagine the printer didn't have to pay it either. No, I don't think so. I don't think there was a tax on machinery. I can do a little bit of research and confirm that for you; I can give you an answer on that in the next few days. I would also be interested in knowing that.

Senator David: I simply wanted to know the percentage of the tax that is hidden, that does not currently appear in the sales price of a book. In Quebec, of course, we know there was no sales tax; there was no sales tax on books. So they've returned to their old habits. However, in the process of manufacturing a book, I am almost certain that there was some kind of sales tax. That is ultimately the piece of information I would like to have, if, by some chance, you could provide it.

Senator Hébert: I'll look into the matter, but I can tell you that, from where I stand, I know that, when it came to printing a book, there was no tax on ink, paper and so on. I don't know whether the printer, who doesn't print just books, but also prints calendars, circulars and brochures, which are not books, but, in those cases, he of course has to charge a tax on the goods that leave his print shop. Consequently, it would perhaps be logical for him to pay a tax on presses when he purchases them or on the ink he uses that is not used to print books. There must be some kind of distinction of that kind. In any case, it is an interesting question. I will consider it a duty to enlighten you.

Senator Corbin: Senator Hébert, I have a question to ask you which is a follow-up to Senator David's question. When printers had to pay a manufacturer's tax on presses, they paid it only once. In many cases, they paid no tax at all because the system was not in place when they bought their presses.

I remember very well when I was editor of the weekly, *Le Madawaska*, in Edmunston, New Brunswick, we printed our paper on the press which *L'Évangéline* had sold to *Le Madawaska*, when they sold their business during the 1940s and 1950s. It was a press that dated from the turn of the century. You could also say that no tax had ever been paid on it. There are many small companies that still operate using old presses. In the great scattered Francophone community, not everyone can afford four-colour offset presses. Many are printing on a shoestring budget. Otherwise, they'd simply go out of business.

Perhaps you've had some experience of this kind. Perhaps you know of small publishing firms that have operated on this basis. So Senator David's argument is perhaps valid. When you buy a press, it's for a long time, and you only pay the tax once. It wasn't the manufacturer's tax that meant life or death for those businesses. It wasn't necessarily that.

He spoke of the tax as a hidden tax. I don't think it was a hidden tax. It's on the law books in Canada.

Senator David: Let's remove the word "hidden" and use "non-visible".

Senator Corbin: What is visible and what isn't visible? Senator David, this tax was introduced under a statute of Parliament, a statute that was passed in full view and in full knowledge of everyone and that received Royal Assent. I believe the people who were in business and those who did business with those people were aware the tax was in effect.

Everyone assumes that, in any case, there will always be some form of tax on manufactured goods in one way or another. It's not really that that has altered the debate. What has altered the debate is that the GST has broadened the tax base. It is not neutral, and that's what hurts. Isn't that correct, Senator Hébert? That is my question.

Senator Hébert: Absolutely, Senator Corbin. And, by the way, I definitely knew many of those small printers who had presses that kept working God knows how and who certainly hadn't paid tax on them. But Senator David's question is important, too. We should know whether, in today's state of affairs, printers that print books and other items pay tax, and the exact nature of the problem of tax on machinery. I am sure it is not passed onto the printer's customers who produce books because books are free of all taxes. There are no taxes on books at any level.

So I'm going to begin to read you the excerpts from this work, which is virtually unknown and which has hardly been distributed at all, but which is nevertheless fairly well done. It contains some errors, which I'll point out as they come to mind. But, on the whole, it's well done.

First, it seems to me necessary to point out that Quebec publishing has been studied very little. That is why I wanted to share this document with you. I wanted to share its conclusions because very few studies have been done on books in Quebec. There was the thesis by Jean-Pierre Chalifoux of *Éditions Québec*. It concerns the period from 1940 to 1950 and is the only monograph on the subject. It's already a little out of date. That was during the war. It was a fairly strange period in publishing because of a fact that suddenly showed us that, if we were not such a small community, concentrated almost solely on the Quebec public, publishing could become an interesting and feasible proposition. During the war, we no longer had any contact with France. Consequently, we no longer had any contact with French publishing.

The societies of French writers established outside France or in England, in London, had reached agreements with a number of Quebec publishers, enabling them to republish important and classic French works, for example, and to republish them often photographically. There was no offset printing at that time. They had to photograph each of the pages of these books, which had gone out of print, but were nevertheless still in demand in Quebec and elsewhere, in North America and South America. There was a market for French books.

There are French-language book stores in Rio de Janeiro, Sao Paulo, Buenos Aires and Montevideo, and I've even seen some in Bogota. There are a lot of them. All these French-language book stores were no longer able to supply themselves with French books from France. There was nevertheless a market. And that's how publishers from 1940 to 1950 were able to profit from an international market that excluded France, a market that became profitable. In other words, they could publish, let's say, the major works of Jules Romain, books that were fashionable at the time, those of Pasquier and Duhamel, all the books that were in demand in Quebec. They are in demand in the rest of the free world, including North America and South America. The publishers obviously had to deposit copyright royalties in a reserve fund. Some were a little negligent in this regard, and that's why a large number of these publishers that achieved a certain degree of success between 1940 and 1950 suddenly went under. They failed to take precautions with regard to their reserves.

It was only around the mid-1960s that Quebec sociologists set their sights on literature and the arts as subjects for analysis.

> It is our overriding ambition that our study on the point of departure of sociological research should be the point of departure for sociological research in a key sector of Quebec cultural life.

The author writes:

> Working in publishing, I have become aware of how important books are to cultural activity in Quebec, even though books are seen as a mediocre good in our society, invaded as it is by political economy and its rationale.

I have often returned to this point. That is the attitude of the present government. There is no exception. Books are a good like any other. Someone has taken paper, ink, string, canvas and so on and manufactured something. For the people in the government, a book is the same as a carton of cigarettes or a box of cigars or a brick. It is an object. It is a piece of merchandise. Consequently, it must be treated like all other merchandise. It is subject to the seven per cent tax, no matter the consequences.

But we all know, and the governments of civilized countries have always understood that a book is not simply a piece of merchandise. It is a means of communication and culture. It is not a box of cigars. It is not a brick. It is not a dishwasher. It is a means of communication and culture.

> It is also the battlefield and weapon, the author writes, in the struggle of ideas.

I do not need to tell all the people who have been influenced by the Judeo-Christian tradition just how far books such as the Bible and the Koran have helped change the world.

Senator Corbin: Senator Hébert. I would like to ask you another question. I have in my hands a book entitled, *The Constitution of Canada*, which I find very interesting. Its author is Gérald A. Beaudoin. He is our colleague, Senator Beaudoin. It is a book that is part of the Blue Collection of the Faculty of Law, Civil Law Section, of the University of Ottawa.

I bought this book because I consider it important. I believe it is an extremely important book, and I say that seriously. I take this volume very seriously. I have already read much of it. I am no expert in constitutional law, but I believe it is my duty to learn about the field.

If I remember correctly, this book cost me—or rather didn't cost me, since I used my research budget to purchase it— it cost me $80, or approximately $80, more or less.

My question is this: Will this book, which will become a major reference work for students of constitutional law, a highly important reference work for constitutional scholars of all kinds, not only in Canada but elsewhere as well, will this book be subject to the GST?

● (1600)

Senator Hébert: Yes, of course, all books will be subject to the GST, the good as well as the bad. By the way, I have just received some information. I see that Senator David is not here. It is a brief answer, but may nevertheless suffice. I hope it will not prevent him from sleeping tonight for worry over the GST. It's about the instruments and machines used in printing. Where machines and instruments are acquired specifically for the production of books, there is no tax. In other words, the machine itself, the printing press is not taxed. The sources I've been given here are Litho Prestige, a Montreal printing firm, and the printers, Québecor. This is preliminary infomation. More detailed information will follow so that Senator David can be at peace on this matter. The author I was quoting, then, writes:

> Ultimately, the function of the book, which is a species of the most general form of printed matter, is to encourage people to take part in the formation of the collective conscience and the cultural model that defines a society.

You don't do that with a box of cigars or a washing machine. You can only do that with a book.

> It follows that the occupation of publisher is not an innocent occupation, a way of earnign one's living like any other.

Here again, a moment ago, I have an example of this terrible choice that a publisher must constantly make between a book that may be mediocre, but that will be profitable, and another that is perhaps an excellent book, which contains highly original ideas, but which will lose money. Obviously, the good publisher is the one who does not always publish books that enable him to meet his loan calls at the bank, but also who is happy to contribute to the development of the society in which he lives. This kind of dilemma does not arise in all occupations. For that reason, the author is right in saying that publishing is not an innocent occupation or a way of earning one's living like any other. It is something that tries one's conscience at all times.

> If one were to summarize the printer's trade in a word, one could say that the printer's function consists in managing the imaginary life of a society.

In other words, by his decisions, the publisher can influence the dreams of the society in which he lives.

[Senator Corbin.]

> The field in which the publisher acts is the field of human thought. His raw material is cultural creation, whose purpose is to feed and transform society's imaginary life.

How then, if we accept the definition of publishing I have just given, can we not exempt books from the GST without wincing, realizing as we do that the disastrous consequences of this measure are well known. They've been assessed by the department of Finance of this government. Consequently, this is not something that has been invented by the Liberals to irritate the government and upset its plans. The government's figures, the department's figures tell us that this tax is going to be catastrophic for books. We know that the book is not a good like other goods.

> In giving form to cultural creation, the publisher ensures that the communication which transforms the work into a medium is effected. Without the decision to publish by the publisher, the "gatekeeper of ideas", as Lewis A. Coser calls him, that creation would not come into existence.

In other words, the most beautiful poem in the world created in a poet's mind will stay there. Only his family and friends will enjoy it unless a publisher understands that it is a beautiful poem and invests in something that requires ink, paper, glue, string and canvas to manufacture an object that will enable this poem to enchant other men and women and, in certain instances, to enchant an entire society and even have political consequences, as in the case of Victor Hugo and so many other poets.

> The interest in the Quebec editorial field as a subject of sociological analysis scarcely needs demonstrating. Publishing (the book industry) is a quantitatively unimportant sector of the Quebec economy, but, qualitatively, is of the utmost importance because books are one of the primary vehicles of Quebec culture, an essential factor in the affirmation of identity, a favoured means of stating and clarifying the specific nature of Quebec's culture.

And that is precisely what harms the publishing industry. It is so unimportant in economic terms in Quebec and in the rest of Canada as well that it is considered not important at all. And so the people of the government say to themselves: What are they talking about? Peanuts, a few million dollars a year. It's not important. Seven per cent on that is not going to change very much. It's not a serious issue.

> Publishing, a reflection of our production in symbolic terms, now appears as both witness of and driving force behind social change.

Of course, when you are an anowed Conservative, you are not very sensitive to the driving force behind social change. You like things not to change too much; you like them to stay the way they are. Perhaps this ultimately explains this kind of contempt that some have for books, a contempt that goes so far as to endanger the security of the book industry simply out of this obstinate desire to apply the seven per cent tax to everyone.

Ah, Senator David, I have just received a message which provides a partial answer to your question. I am told here that, when machines and instruments are purchased specifically for the production of books, there is no tax. I don't know if that partly answers your question. There are no details. It says: When machines, instruments, presses are acquired specifically for the production of books, there is no tax. The source for that is Litho Prestige of Montreal and Imprimerie Québecor of Montreal. I will have more details later, but, for the moment, that's the first reaction that I've had.

> In this document, we are interested in what shapes the identity of Quebec publishing firms. We want to know in what way they express our social environment and how they act on these changes.

> One obvious point underlies our entire theoretical approach: since books (publishing) are a social fact, it is in their relations with the various levels of the social structure that we must undertake the analysis of phenomena which, in both a close and more distant manner, directly concern the Quebec editorial field. The sociological perspective on our subject is based mainly on the work of Robert Escarpit and Pierre Bourdieu.

These are two well-known French intellectuals.

> If we exclude Goldmann, who looked at the work itself and not at its divisions, Robert Escarpit was one of the first in France to determine the conditions for and problems in a sociology of literature. His work, *Sociology of Literature*, which first appeared in 1958, was translated into half a dozen languages.

So it was very definitely translated into English.

> According to Escarpit, literature appeals to the sociological analyst in two main ways: as "process" and as "structure".

> Literature as "process" is characterized "by a project, a medium and an approach, all three of which are related by language". The project is the work conceived and realized by the writer, the work, which is a dialectic between the constraints of the situation, and the righter's freedom must be dialectically structured in both its expression and content.

So that concerns the project.

> The medium is the book, which constitutes "a sort of rolling press which codes in linear fashion a multidimensional work". The book is "a typereader", a "word spreader".

And, lastly, the third item, and I quote:

> There remains the reader's approach. According to Escarpit, a book exists only as something read. The obvious result is that an infinite number of readings of a single work are possible by one or a number of readers.

> Literature as "structure", which is the second level of the sociological analysis of literature, includes "a production, a market and consumption"; it is precisely at this level that one finds all the material, economic and ideological forms of processing of the literary product. First comes the processing by the producer, which Escarpit generally calls the publisher . . .

That's who produces the object.

> . . . whose editorial function may be summarized by three verbs: select, manufacture, distribute . . .

The most difficult part is obviously to select, and a good editor is not very often wrong. An editor who is never wrong will of course very quickly become a millionaire. So choice is very important, and a good editor is someone who is considered as perhaps having instinct and whose choices are not always bad choices.

Second, the author mentions manufacturing. A work which, today, can be produced in the form of a diskette, but, which, in my time, was in manuscript form, either typed or often handwritten by the author, is a shapeless mass that must be transformed into an object that, as far as possible, must be made beautiful and attractive and meet marketing criteria and compete with thousands of other books in book stores. The publisher must rely on a network of book stores that exist or do not exist or that are half there and possibly on book clubs and libraries. It was admitted a moment ago that Quebec's library network was highly deficient. Library budgets are lamentable.

Consequently, they count for very little in the distribution of books.

To these three operations correspond the three essential services of a publishing firm, the literary committee which obviously receives manuscripts. To give you an idea, my publishing firm, which was not a large international firm, far from it, although perhaps prominent at a very local level, received 1,000 manuscripts each year. We published a little less than 10 per cent of that number. So a literary committee is needed to make this selection. A manufacturing office is also needed, or at least very direct contacts with a printer, and that means page make-up people, artists who design covers and who design pages in the book, people who decide whether the book should have ornamental capitals, bands or tail-pieces. For all those things, it is artists who set to work in the second phase, that is manufacturing.

You also have the marketing department, which includes representatives who are going to sell the books, and especially who are going to sell the ideas because you don't sell objects. The representatives of a publishing firm are going to tell the book store owners that such and such a young writer really has talent or that he is promising and that, consequently, it's not going to sell like a dishwasher, but that it's an idea that will sell.

> It would appear, then, that, as regards production, the literary phenomenon is "the result of a series of selections made through various social, economic and cultural filters from projects which writers have brought to the writing stage".

It is thus a series of selections which the publisher makes: he chooses the author, he chooses the kind of book in which to present the work, he chooses the kind of advertising, that is the language that will be used to make people understand the book's content in a few words.

> Literature as "structure" then includes a market or distribution as such, that is, generally, sales. In capitalist countries, distribution is the most critical part of the life of a book. If a book is poorly distributed for one reason or another, it will not reach its public.

It should be said, of course, that all authors never fail to complain that their books are poorly distributed.

• (1610)

Never in my life have I heard an author say: "My book could not be better distributed. It is sold everywhere". Somehow the author always finds himself in the bookstore that doesn't carry his book. Sometimes he asks without giving his name why they don't carry such and such a book. If I were a bookstore owner, I would answer: "I have just sold the last one, but I have ordered more".

> Escarpit identifies three publishing networks: the institutional network, the school-book and scientific book network. It is a market composed of institutions which work in isolation.

I will not say anything further about this network because I do not know it well. The fact remains that it is relatively easier for people who know about school-book publishing because there is a guaranteed outlet. Obviously, the production costs are higher. There are risks. But the fact is that when a book is approved by the Department of Education, you have an assured outlet. Such an outlet generally lasts several years. So much for the institutional network. There is . . .

> . . . a highbrow network aimed at an articulate public that can be considered as an intellectual elite; it is composed mainly of professionals, intellectuals, students and teachers;

Senators are not mentioned, but one must assume that some of them read, that some of them belong to this intellectual elite.

> This public's needs are catered to mainly through bookstores; a lowbrow network composed mainly of stores which carry books with a big turnover, a production far removed from a specifically popular cultural life.

It is often said that if a third of Québec bookstores closed down, there would still be many stores selling books. Books are sold in department stores, in convenience stores, in smoke-shops. These establishments, which do not belong to people who like books but to businessmen, carry specific kinds of books. Business is business. The businessman will want to sell books with a high turnover, regardless of quality. He will not

be interested in a young author, a major poet or an essay that could change the world. No. He wants books which can easily be sold, that is detective novels, cook books, popular psychology books like "How to get rid of shyness in 24 hours" or "How to stop smoking in three days". Those kinds of books sell like hotcakes. Those are the books you will always find in stores that are not bookstores. That is why it's dangerous to say: "There is a bookstore in Verdun which will close down. What a pity." That does not mean that books will not be sold in Verdun. Only that there are kinds of books that will never again be sold in Verdun. Only a bookstore owner who loves books will carry, despite the added cost to his business, books that could stay on the shelf for a very long time, just in case somebody some day comes in his store and asks a book which could change his life.

> Then there is the literary network, the third component of the system. That market is defined by several factors such as intellectual level, education, social and professional status, type of housing, etc. Escarpit identifies two sub-markets: the functional and the literary, each with its own set of motivations. In the functional sub-market, you find mostly people who read to acquire knowledge and culture while truly literary works are those which embody art for art's sake, books that are seen not as a means, but as an end."

Therefore, there are those who read to learn, to know, and there are others who read for the pleasure of reading. For the exaltation that poetry can give them.

> It follows that a "work is literary when it is not a tool (such as a handbook or manual), but an end in itself"; finally, according to Escarpit, "it is the relationship between the author and his public which determines what is literary from what is not".

• (1620)

[*English*]

POINT OF ORDER—DOCUMENT TABLED

Hon. Eymard Corbin: Honourable Senators, I had sent a little note to Senator Hébert asking if he would briefly stop his speech for a moment so that I could rise on a point of order.

This afternoon, just before he left, Senator Doug Everett asked to me to table on his behalf a two page letter addressed to him from the Honourable Michael H. Wilson. Honourable Senators may recall that Sentor Everett either alluded to or quoted from the letter during his speech in the Senate this week. I have tried to find the specific reference myself but I cannot find it; I do not know whether that particular *Hansard* has yet been printed.

In any event, before he left, Senator Everett asked me if I would be so kind as to table this letter on his behalf, and I should like to do so, of course, if there is agreement.

The Hon. the Acting Speaker: Honourable Senators, is it agreed?

Hon. Senators: Agreed.

Senator Corbin: On behalf of Senator Everett, I thank my colleagues.

MOTION FOR THIRD READING—DEBATE RESUMED

[*Translation*]

Senator Hébert: I was talking about—

> Escarpit agrees with the vision laid out in "What is literature?" by Jean-Paul Sartre by saying that it consists in "situating literature in society by a dialectic method which involves both literary analysis and social analysis". From a methodological point of view, he sees "a sociology of the book" understood both as a medium of the process

> and an instrument of the structure, a psychology of reading and a sociology of the literary work".

And the author goes on to say:

> We cannot, in the course of our research, give the same importance to the two levels of insertion of "the sociological fact in the literary field", i.e. literature as a process, literature as a system; our analysis will concentrate rather on this second level (mainly production). Since we accept

the rationale behind the three research levels suggested by Escarpit, that is to say "a sociology of the book", "a psychology of reading", "a sociology of the literary work", we propose to concentrate on the first.

Therefore, a sociology of the book.

Senator David: Could you please repeat the name of the author?

Senator Hébert: Robert Escarpit.

Senator David: Is he a researcher?

Senator Hébert: He is well-known French author. I am sure that if I had pronounced his name correctly, you would have remembered him. His name is Robert Escarpit. I pronounced the "t" at the end of his name, but maybe I am wrong.

Senator David: I had understood Escarpette.

Senator Hébert: Now frankly! In that case, I apologize. In Québec, we tend to pronounce the "t" at the end of words. That is how a family name like Morrisset or Pouliot becomes Morrissette or Pouliotte. That is how poor Escarpit became Escarpite in my mouth. I apologize to him and to all future generations.

Senator Corbin: How do you spell his name?

Senator Hébert: E-S-C-A-R-P-I-T.

Senator Tremblay: Is that pronounced like "acabit".

Senator Hébert: No, it is not pronounced like "acabit".

We mentioned at the outset that our sociological survey of the publishing sector in Québec stems also from the works by Pierre Bourdieu, among others, those dealing with the fields of symbolic production. In the notion of "field" (whose function is purely heuristic), Pierre Bourdieu includes the various epistemological levels (process and structure) which are involved in literary activity according to Escarpit's vision. Like Escarpit, Bourdieu fits the book and the author in a system of objective relationships.

It follows that the value of the book, according to P. Bourdieu, is ensured not only by the writer, but also by the editor, the "cultural banker"...

So says Escarpit... I used to call myself a caretaker of talent. "Cultural banker" is better.

—who, by publishing it, "vouchsafes" the product by proclaiming the value of the writer; the critics talk about the "products" with more or less respect; the readers contribute to the value of the work by materially appropriating it (according to Escarpit, books exist only insofar as they are read);

I think it was Louis Jouvet who was asked, "How can you tell whether the play is good or bad?" He answered, "If the room is full, it is a good play. If the room is empty, it is bad." Similarly, a book only exists if it is read.

... Finally, there are also economic systems involving distribution which may give the advantage to one category of books over another.

However, because of the rather high level of autonomy of the production area of symbolic or intellectual property, a sociological analysis cannot be limited solely to the operating logic of this intellectual field; consideration must also be given to literature's place in society—specifically, we have to identify the various factors that foster or limit distribution (expansion): these factors (such as increased schooling and the appearance of new professions) correspond to changes in the social structure.

If, for example, the number of functionally illiterate people in Quebec decreased by 27 per cent to, for example, 10 per cent as it is in Sri Lanka, then there would be an increase in the number of books published because there would be a larger number of readers. The rate of illiteracy in Sri Lanka is only

10 per cent. It is a poor, underdeveloped country which is currently grappling with political woes, and yet only 10 per cent of the people there cannot read.

> However, developments in publishing do not relate solely to the various social characteristics of the readership (or the authors), they also reflect the wider social context of language, geography, demography and so forth. The particular features of the literary phenomenon are only meaningful if they are viewed in connection with the national context and history that distinguishes this little French-speaking community in Anglo-Saxon North America. Literature is therefore not only a "status symbol", but it is also the issue and the expression of social and national conflicts.

> Our research methodology is three-tiered: firstly, the highlights in the evolution of the Quebec publishing industry between 1960 and 1977 will be reviewed. Particular emphasis will be placed on the material, economic and political conditions faced by the literary phenomenon as an economic entity (that is, the book as an object).

It does no good to repeat a thousand times that a book is not an object like the others, it remains an object.

> In the second stage we will describe the development of production per se, that is, production categories, and features of Quebec's social structure that shaped production. Finally, publishing houses will be described within the framework of Quebec's publishing industry and the image of publishers defined in relation to the structure of the field and their publishing strategy. The results of the questionnaire that we sent out in the spring of 1978 to 23 publishers will show the real areas of interest among Quebec publishers—that is, what distinguishes their companies, how their practices are represented and also the relationship between publishers' practices and the awakening of the Quebecois identity.

Of course, you may not feel that these considerations are germane to the subject before us today, but by raising the issue and trying to explain why the GST on books is more serious than the GST on any other item, it appears to me that we are moving forward in the debate. We must make people understand that we are asking for something special and that taxing books means imposing ignorance, as the Quebec coalition against that tax says.

[Senator Hébert.]

Senator David: It's a little bit exaggerated, just the same!

Senator Hébert: You think it is exaggerating to say that to tax books is to impose ignorance?

Senator David: Yes, a little.

Senator Hébert: I hope that members of the Coalition didn't hear you. I hope there are not many of them in the gallery because they wouldn't be very pleased to hear you say that, sir.

If we took away books from your life, I think your life would have been very different from what it is today. If books had been any more expensive, I do not know whether you would always have been able to buy them or at least to buy as many. Sometimes, one book more or less could make a world of difference in a man's life and career.

I think that you, as we all do in these moments, had a very quick retort, which we regret immediately afterward. I do not think it is exaggerated in the least to say that to tax books is to impose ignorance. It is a question of degree. This slogan was published on the front page of the *Globe and Mail*'s arts and entertainment section. I do not know whether you were here when I read it earlier. It is not a slogan which seems to frighten the people at the *Globe and Mail*.

I do not know whether you were here but it says here, he was speaking of the petition which was signed in the big black cover and which was found throughout Montreal.

• (1630)

[*English*]

> The petition itself was a thing of beauty. You saw samples of it everywhere, in restaurants, stores and theatres. It was a large-sized, lined exercise book with commanding white letters on black on the cover saying "Taxer les livres, c'est imposer l'ignorance." (To tax books is to impose ignorance.)

[*Translation*]

Taxing books is imposing ignorance. In any event, he doesn't seem to think that's an exaggeration. On the contrary, he found it to be a saying that summed up the situation very well.

> The book problem (in Quebec) is the result of a system which itself is part of the concept of society and of a development strategy: the political, economic and social life of a country and the life of a book are closely related.

Clearly, if you agree that books should be taxed, then you are agreeing with what I've just said, namely that it is going to have a direct impact on the political, economic and social life of the country.

Senator David: What I'm saying is that it's a play on words in French. "Imposer" can mean either "impôt" or "forcer". As a slogan, I find it somewhat of an exaggeration, that's all.

Senator Hébert: In any case, one thing we can say about their slogan and their initiative is that it succeeded in getting the Quebec government to back down. It couldn't have been that bad after all.

In the first part . . . of this book that we are quoting extensively from

> —we will show how, during the period from 1960 to 1976, the global development of Quebec society was dominated by the requirements of economic development. By looking at the cultural policy of the Quebec state so as to draw a clearer picture of the government's policy on books, we can indeed see that cultural development did not rank as high on the State's list of priorities as economic development.

> That is curious, nevertheless. I have to admit I am flabbergasted by the present Conservative government's lack of sensitivity toward books and culture in general. But I have to say that it is not alone in reacting this way to books. I am speaking here about provincial governments.

Clearly, this was never a priority. I remember the early days of the Quebec Department of Cultural Affairs. I think maybe Senator Tremblay remembers them as well, perhaps better than I. He was closer to those governments. I vividly recall the creation of the Cultural Affairs Department by the Lesage government. It was given a paltry budget and had limited jurisdiction. It reminds me of something De Gaulle once said about the United Nations. I don't know whether it was in fact ever called that, but the Cultural Affairs Department was La Palme's "machin". It's just one of a number of signs that governments are more sensitive to economic development and to the political repercussions of their actions than they are to the cultural dimension of their initiatives. It's a tragedy at the provincial level and at the municipal level.

A while ago, I quoted from an article in which Mayor Doré of Montreal had performed the astonishing feat of not speaking on the issue of GST and books and of applying a regulation preventing libraries across the city from simply allowing visitors to sign a petition.

One notices that governments as a rule, and Conservative governments in particular, are not very sensitive to cultural values.

Senator Corbin: You say that some governments are more sensitive to cultural vaues. How do you explain the Quebec government's decision not to charge provincial sales tax on books?

Senator Hébert: I must say I'm astonished. I think they got scared. Politicans generally don't like to see buses descending on Quebec City carrying 300 writers, authors, publishers and so forth. This is perhaps truer in Quebec than elsewhere.

We musn't forget that Minister Lévesque had stated in no uncertain terms—I saw it for myself on television—to a convention of young provincial Liberals in Quebec, that he would not back down on the issue of books, that is was not possible, that it was a complete exaggeration, because the young Liberals clearly wanted their provincial government to exempt books from the provincial GST at all times and to exert pressure on the federal government. I saw the minister on television. He very clearly stated that it was absolutely impossible. What he seemed to be saying was : children, mind your own business and let us run the province. When I say it's impossible, I mean it's impossible because the cash registers have been manufactured in such a way and books have to be included along with everything else.

One interesting thing is worth noting, however. I was rather proud of the reaction of these young Liberals. That isn't always the case because I often disagree with their actions, (particularly when they get excited about ambient nationalism). However, this time, they told their minister that they were not a society of tape recording machines. Culture and books are far more important considerations and a solution has to be found. They fought him and in effect, they humiliated

him. If I had been Minister Lévesque, I would not have been very happy to suffer this kind of blatant humiliation.

Thus, the provincial government realized that its own youth was criticizing it on this score. Pressure was being felt from within. As is often the case with dynamic parties - I don't know if it's true for the Conservatives, you'll have to ask them -young Liberals can put a considerable amount of pressure on governments.

There was also the well-structured coalition of which I spoke at length earlier. After repeatedly saying no, Minister Lévesque finally said: perhaps it's not so complicated after all, perhaps we could arrange it. We will charge the tax, and then automatically deduct it. There's no mystery there. What was missing was the political will to exempt books.

That's exactly what's missing with the present government, the will to exempt books. It's merely being obstinate. It's perfectly possible to exempt books. Except it is being obstinate and where their GST is concerned, it wants all or nothing. It's like Meech Lake, a seamless webb, as Senator Murray so eloquently puts it. We can't change anything, we can't move a comma, we can't make any amendments. Books have to be placed on the same footing as cigars, washing machines, bricks and all the rest.

Senator David: I hope you're not comparing Meech Lake to washing machines.

Senator Hébert: Not at all. That's not what I said. I said that in the case of Meech Lake, it was the expression "seamless web" that has remained as a symbol of the government's intransigence. Perhaps if it had said: maybe we can work something out, than Meech Lake would have passed. I don't know.

Senator Corbin: Sir, you say you are quoting Senator Murray. Perhaps he was the one who used the expression "seamless webb".

Senator Hébert: It was either Mr. Mulroney or Mr. Murray. I don't recall which.

Senator Corbin: Although I'm bilingual, I'm not familiar with the expression "seamless webb".

Senator Hébert: It's the equivalent of a "tuniqe sans couture".

Senator Corbin: I see. I thought it was something like a "spider's webb".

Senator Hébert: No, a "tunique sans couture".

Senator Corbin: If it were a "spider's webb", we could always change the spider.

Senator Hébert: It's simply an expression that reflected the arrogance of a government that thought it could resolve complex constitutional questions by saying that it's all or nothing and we can't change anything. Let's not harp on that subject. It's too painful.

Let us go back to the GST which puts us in a difficult situation, especially with regard to books.

There are four telltale signs of this situation.

I do not have the time to read this right away. These are the blues I received. Do you want me to read them?

In a nutshell, the book policy did not take into account the cultural aspect. There are four telltale signs of this situation.

The book distribution systems which were almost entirely controlled by foreigners.

At the time when the book was written, most books were distributed by foreigners or by people other than distributors. Books were distributed by newspaper distributors. People who are used to throwing a bunch of newspapers at the doorstep of convenience stores before they open in the morning and whose owners would later find these papers under a foot of snow are not exactly qualified to distribute books. We had to choose between them and foreigners.

The underdevelopment of public libraries;

We talked earlier in response to a question by Senator Marsden about the underdevelopment of public libraries in

Quebec. It is a shame. But it is a fact that publishers must face.

The Canada Council (established in 1957) supported Quebec publishing with all kinds of programs.

The Council gave subsidies to publishers to enable them to publish certain books without incurring major losses. This allowed a great number of books to be published. I think all publishers are grateful to the Canada Council for what it did.

It is strange however that a government that tries to assist through the Canada Council the pubication of books that would never have seen the light of day otherwise—of course it was under a different administration—wants to impose a undiscriminating tax that will destroy everything that the Canada Council and the Department of Cultural Affairs had tried so hard to build through their contributions.

● (1640)

[English]

That is what I find completely absurd.

He concludes:

—the budgets below the poverty level that have always been allocated to the Department of Cultural Affairs.

As I was saying earlier—and this may not be the right place to discuss it—simply shows that culture is not important for governments because they do not bring in enough votes.

We will explain the social and political meaning of the government's cultural interventions and discover the interests served by these interventions in the book industry.

Without a government policy—

And we are talking about the provincial government.

—on books, this tends to support the theory that a dominated and dependent state which controls only a small part of its sovereignty cannot fully promote its cultural creativity.

As Senator David was saying earlier, the author goes a little too far. I do not think Quebec is dominated and dependent to that extent. One thing is for certain, a tax on books is a kind of violation of its sovereignty it could do without. I am talking here about cultural and not political sovereignty.

In this context, "culture" means not only literary and artistic works but also, as Marcel Rioux explains, individual and collective behaviour at both the economic (the goods and services production process) and the political level (the organization of power). It finds its expression in daily and intellectual life. Cultural policy could be summed up as follows: The concrete improvement of the living environment by including cultural development within overall development.

Statistics on the publication and selling of books in the early 1960s are almost impossible to find.

This information is impossible to find because there was practically no publishing and only about 23 book stores in all of Quebec in 1960.

The report of the Commission on the book trade in Quebec often named after its chairman, Mr. Maurice Bouchard, is the only study we have. Under order 555 dated April 3, 1966, the Commission was created to investigate on all aspects of the production, sale and distribution of books in Quebec.

This investigation had been requested by the Conseil Supérieur du livre representing authors, publishers and booksellers associations, in a brief to the Department of Cultural Affairs.

According to the Conseil this crisis was affecting the whole book industry in Quebec, especially bookstores many of which were in danger of disappearing.

We are now in 1963. The Canada Council helped with publishing. The Department of Cultural Affairs took certain measures even though it was not enough. In spite of all this the book industry realizes that it is not enough and that a great number of Quebec bookstores and publishers are about to disappear.

The Bouchard report reveals the anarchy and instability which paralyzed the book trade in Quebec in the early 1960s.

But it did not start during the 1960s. Before pointing out the problems and the solutions recommended in the Bouchard report, let us have a brief look at the book industry before 1960.

The year 1960 was only yesterday.

Senator Corbin: It was the year that Louis Robichaud came to power in New Brunswick. On June 25, 1960, he was elected Premier of New Brunswick.

Senator Robichaud: June 27, 1960.

Senator Hébert: Thank you for setting the record straight. Future historians will not make a mistake on this important date in the history of New Brunswick.

The study by Jean-Pierre Chalifoux on publishing in Quebec from 1940 to 1950 showed that it was during the last world conflict that the Quebec book industry organized itself on a commercial basis. According to him, before 1940, publishing books in Quebec was a big risk and few people were interested. Production was very low and book sales were not much better. Only a few things such as textbooks and religious books were imported from France.

In other words, before 1940 there was nothing.

The Second World War suddenly cut off supply for French-Canadian bookstores.

The few that existed at that time. If there were 23 in 1960, I imagine there were about 10 real bookstores in Quebec in 1940. But all of a sudden their source of supply dried up. I said something about this earlier. Because of the war France stopped supplying us with books.

Quebec was culturally isolated.

There was no other source of French books because Belgium could not send us books anymore than France could.

In 1940 the Canadian Prime Minister (William Lyon MacKenzie King) gave French Canadian publishers a licence to print French books.

This was negotiated with representatives of French publishers who were more or less qualified—there ws a war on after all. As a kind of war measure, the Prime Minister told them, "Print French books, forget about copyrights and after the war we will settle this with other countries to ensure that publishers pay for these rights.

Federal intervention, the war, the collapse of French publishing, the opening of foreign markets—

I talked earlier about the bookstores that were unable to get books from France. The same could be said about the many bookstores that existed at that time. French was still the most popular second language in Latin America, a lot more so than English. It is now the opposite. English predominates. Before the Second World War, French was the second language of the elite in Rio de Janiero, in Sao Paulo, in Buenos Aires, in Bogota, in Caracas, in Lima. The French culture was flourishing in those countries. They, like French-speaking Quebecers, had a rude shock when all of a sudden, because of the war, French publishers were unable to distribute their books throughout the world.

This federal intervention, the war, the collapse of French publishing are the external circumstances that made possible the spectacular development of Quebec publishing.

All of a sudden, there was a sort of explosion, which no doubt would not have happened without those disastrous events.

During the war, Montreal became a big publishing centre. It happened all at once, overnight. We had no experience. We had no professional publishers, but all of a sudden people like Bernard Valiquette, who became a major publisher overnight and welcomed such visiting great writers as St-Exupéry and Jules Romain . . . They gave big receptions at the Ritz. I remember that. I was still far from that crowd.

On the whole, the book industry experienced great prosperity.

Of course, it was even easier because publishers did not pay copyright. They took, say, columns by Pasquier or Georges Duhamel, photocopied them, printed them and copyright would be paid after the war. It was relatively easier. Then they could sell to South America or to the big Bren Palace bookstore in New York. Publishing activities slowed down in 1947. Once the war was over, France resumed its place in publishing. France, Europe and America no longer wanted our books.

Of course that means that we could no longer sell back to France the French books we printed here. The Quebec books written by our authors and that we finally sold in South America and all over were not, it must be admitted, of the same quality as the greatest French books. Therefore France could offer its great writers to the rest of the world and the small markets that we managed with some difficulty to open during the war closed again to us.

Production in 1949 returned to pre-war levels.

That means the phenomenon was completely due to the war. Once the war was over, it stabilized and France resumed its publishing activity. All those Quebec publishers went bankrupt—it is a sad story. They disappeared or they went back to the very low level of their small pre-war business.

During the years that followed the end of the war—

That is, after 1947, more or less:

—people talk of a "dark period" for publishing. The publishers' society reports it thus: Our society was founded in 1943. It then had 27 active members, of whom only four stayed in the struggle—

You see, in 1943, 27 publishers were active members of the Association. Right after the war, four were left.

—six declared bankruptcy, three transferred their business and all the rest gave up for lack of activity or a field to operate.

You see how this industry was in its infancy. It thrived briefly during the war and right after, in 1947, it fell back to nothing, to what it was before the war.

• (1650)

The situation of bookselling reflects that of publishing.

Of course it depends on publishing.

With the decline of publishing, bookselling was also headed for a crisis.

The publishers who resisted the epidemic of bankruptcies after the war are those whose profitability depended on the demand for books from educational institutions and libraries.

The Francophones among us will remember their names. Those that survived made school textbooks, so they did not lose everything when it dried up. Beauchemin, Fides and Granger are the three names that managed to survive the disaster of 1947. Of course, they sold school books. These three large firms, perhaps not Fides, but in any case Beauchemin and Granger, had been in business in Quebec since the end of the last century or the very early 1900s.

Fides began to develop the educational market systematically only in the early 1950s.

Fides began differently, at a time when Quebec was a "priest-ridden country" as Anglophones called it. The clergy dominated. Of course Fides was a religious publisher. Therefore the company prospered at that time. Only in the 1950s did it add school books to its activities, which helped it survive when all other publishing companies, starting in 1947, were going bankrupt or closing down.

Senator Corbin: Would you allow me a question, Senator Hébert? Did you ever wonder how come, despite the eight amendments presented by the senators on this side of the

House and the two presented by the two independent senators, our colleagues senators Waters and Lawson, there has been no movement on the other side? Our efforts to improve this bill and to make it fairer and more equitable have been systematically blocked.

I might be able to shed some light on it for you. I would like to have your comments. In the Debates of the House of Commons of November 29, 1990, the Leader of the Opposition, the Honourable Herb Gray, asked the following question:

> Mr. Speaker, the Prime Minister said today that he and his government are ardent defenders of the United Nations. That seems strange to me, given that a few days ago, the Prime Minister and the Secretary of State for External Affairs said that they were prepared to take unilateral offensive action against Iraq, with or without the UN's approval. Those are not the words of someone who has full confidence in the United Nations.

I particularly draw your attention to the following statement made in French by the Honourable Herb Gray, Leader of the

> Mr. Speaker, yesterday, the Conservative senator and constitutional expert Gérald Beaudoin . . .

Where did he go? He was here a moment ago. I do not like to talk about people behind their backs. He has disappeared, but anyway, I will continue reading the quotation:

> Mr. Speaker, yesterday, the Conservative senator and constitutional expert, Gérald Beaudoin, said that the government would not have to call Parliament if it decided to come out in favour of armed intervention against Iraq. Mr. Speaker, this statement contradicts a government resolution passed by this House on October 23.
>
> So I ask the Prime Minister: Will he repudiate today the statements by Senator Beaudoin and will he affirm today that he intends to respect his commitment to call Parliament before Canadian troops are dragged into a military offensive in the Persian Gulf?

You will see right away that this has nothing specifically to do with the GST, but the Prime Minister's answer might say a lot about the government's attitude to the Senate, to senators and probably to the efforts of our colleagues opposite to talk sense to the government about the GST. Here is what the Right Honourable Brian Mulroney, the Prime Minister, answered Herb Gray:

> Mr. Speaker, I have not read the senator's statement but my hon. friend would not want me to start commenting on all the statements coming from the Senate, because we would be here for a long time.

Do you not have the feeling with that kind of answer that even if our colleagues across the way tried to talk sense to the government, the Prime Minister would not be interested in hearing them in any case, given the answer he gave the Honourable Herb Gray about the Persian Gulf crisis. I would like to have your comment on this.

Senator Hébert: Honourable senators, Senator Corbin is quite right and even if I may have rather harsh words at times for my colleagues opposite, I am convinced that some of them have made noble efforts to try to convince the Prime Minister and the Minister of Finance that some Liberal amendments—and maybe even before we made our amendments, I am convinced that some Conservative senators pleaded the case for books. I do not know at what level, perhaps at meetings . . .

Senator Corbin: Who would have pleaded that case?

Senator Hébert: I am thinking of Mrs. Chaput-Rolland, Senator David, Senator Tremblay.

Senator Corbin: Perhaps Senator Beaudoin himself.

Senator Hébert: Perhaps Senator Beaudoin himself. He is an academic, the author of at least one book, maybe more. I also think of Mrs. Lavoie-Roux, who is quite close to Quebec's cultural community. So there are a fair number of them. Among the others you have John Lynch-Staunton, who was active in Montreal municipal politics.

Those are people who are no doubt sensitive to these problems and must have made an honest effort. I only hope that they realized that even an honest effort does not go far with people who have a sort of arrogant attitude towards their bill. They always submit them to us with a warning in advance that not the slightest amendment is acceptable or possible.

Therefore there is no use trying. We saw that with C-21. We saw it with the regressive and anti-social—I would even say inhuman—refugee bills. We saw how far they went, although some senators tried. I think of Senator Spivak and other members of the Committee on Legal and Constitutional Affairs. They gave us the impression that they agreed with us.

It was only at the last moment, when the time to vote came, that these ladies and gentlemen gave in. They changed. They had been with us, who were defending certain points of view. I do not remember the details. They were there to defend the dignity of refugees. They opposed new restrictive measures that would make Canada almost like other selfish capitalist countries that closed their doors very, very brutally against the flood of refugees from all over the world.

Canada has always had a very different reputation in this area. It had a reputation for being welcoming, compassionate and humane. We felt that several Conservative senators shared that point of view. When the time came to vote, it is quite certain that they had received very clear orders.

In a caucus meeting like the one I described this morning, Senator Murray must have told them: "No weakness, ladies and gentlemen. Go ahead. We want our bill as is. Accepting amendments is weakness—no way. Maybe we can make vague promises to reassure people."

For example, apparently Mrs. Solange Chaput-Rolland was reassured by I know not what promise from the Prime Minister. In any case, she said that she was reassured herself. I am sure that other senators among our colleagues, perhaps Senator Spivak when we were fighting for refugees or I do not know which senator on Bill C-21 would have been or even was sensitive to the same arguments that made us sensitive to some amendments that would not have changed the spirit of the bill but would still have improved it a little and, in the case of the refugee bill, made it a little less inhumane.

Only they had their little lesson in caucus. Senator Murray told them: No weakness, no discussion. Those bills, like all the others from the government, are a "seamless web". It is all or nothing, no concessions. That is how I see it.

Senator Corbin: Honourable senators, I would like to ask Senator Hébert a question. Having followed you attentively all afternoon since you started speaking, I see that you steadily defended the interests of Quebec publishers.

Senator Hébert: Not quite. It is not the publishers. What I was defending was more than the publishers. It was books.

Senator Corbin: It was what, exactly?

Senator Hébert: It was books as a means of communication and expression of thought. I'm not fighting to defend the publishers' guild.

Senator Corbin: I beg your pardon, I phrased my question badly. You were defending books in French, weren't you?

Senator Hébert: I would say books generally, but in this particular case I used Quebec as my example.

Senator Corbin: You were speaking primarily of books published in French?

Senator Hébert: Yes.

Senator Corbin: I would like to know, as someone who doesn't live in Quebec, are there English-language publishing houses there, or that publish in other languages than French? Quebec has a sizable non-francophone population. Do they have their own publishers and printers? Would they be hit harder by the tax than francophones? Can you give us the facts?

Senator Hébert: I'll be getting to that a little later in my presentation. I don't know how many hours later, but we'll get there. At that point I'll focus more particularly on English-language publishing—it's centred chiefly in Toronto, but increasingly we're seeing publishers locating in other cities and expanding quite considerably. There's Hurtig, in Edmonton, for instance. There are others as well, in Halifax, Vancouver and everywhere in between. I'll be getting to that later.

First of all, in concentrating on the French-language books published in Quebec I can give you a more detailed picture because it's an area I happen to have had some experience of in my past life. So I can speak of it with some assurance. Except that I do know that the situation isn't quite the same in English-language publishing. It's slightly better. Why? because their market within Canada is slightly larger than ours. In reality there are enough anglophones—and when I use

the word "anglophone" I don't mean Anglo-Saxons, I mean people who normally read their books in English—there are enough of them in English Canada to justify the existence of publishers. Normally they ought to be able to make a profit, according to the United Nations' standards, which say you need at least 10 million inhabitants speaking the same language to justify publishing houses, in economic terms.

What makes the problem worse for English-Canadian publishers is precisely the fact that they're publishing books in English, which is a universal language. So is French, but to a lesser degree. So with the number of English-Canadians that there are, their publishers could get along fine if they spoke a language all their own. Take Findland, for example, which has a successful publishing industry. Why? because they have a language that's not English, that's not French.

• (1700)

This means that their authors are writing in a language that is unique in the world. Finnish doesn't resemble any other language, and that's wonderful for the publishers because all Finnish authors have a captive market of people who only speak Finnish. Even if they want to read some masterpiece from one of the universal languages, as it might be Victor Hugo, unfortunately!—as Gide remarked. (You know they said to Gide, "Who is the greatest French poet?, and he said, "Victor Hugo, unfortunately.") Anyway, that foreign masterpiece would have to be translated into finnish if the Finns wanted access to it. They don't have direct access.

The same is true of Shakespeare, or the great American authors. So the problem facing the English Canadians is rather like our problem in Quebec. There are more of them, admittedly. But on the other hand their public has access to an inexhaustible source of books: the United States, which is just across the way. Obviously it follows that the American influence that has been so strong among Quebec's francophones must be even stronger, I assume, among the anglophones who have direct access to their television and who in the end experience the influence of the American culture even more than francophones do. Although we're affected by it more than we admit. We're much more American than we are French, there's not the least doubt about that.

But the anglophones do share a language with the Americans. Which means that the publishers in Toronto and elsewhere in English Canada have to face the problem [of American competition]. They may have a relatively larger market of readers than francophone publishers do, but those readers are inundated by American book marketing. The number of French Canadians who belong to the Book of the Month Club, for English-language books, is frightening. I don't have the figures in my head, but a really frightening number of French Canadians living in Quebec are members of the Book of the Month Club. They get these fat parcels every month from the United States.

I would venture to think that the percentage must be even higher among English Canadians. This means that competition from American books, and especially American paperbacks, is everywhere: in drugstores, in corner stores, in stations and airports and everywhere. Obviously that remains of the English-language market for our English-language publishers is necessarily limtied. To books produced in the United States you have to add books produced in Great Britain, which is also very considerable. And because of ancient ties between the Anglo-Saxons in Canada and England, I imagine that like us and France there is still a powerful enought communication that they like reading British books.

So the situation of English-language publishers in Canada isn't that much rosier than that of French-language publishers centred primarily in Quebec. I'll talk about that later. I'll give you the figures at that point. For the moment, I think I'm answering your question.

There was a curious phenomenon in Quebec during the last war, a sort of explosion in publishing, completely artificial, because, oddly enough, Mackenzie King authorized Quebec's publishers to reprint French books that were no longer available on the international market. Quebec started selling books everywhere in the world, except of course Europe, where the war was raging.

There was the Bouchard Report, which was the first report of books in Quebec, in the 1950s. According to the Bouchard Report, the four big publishing houses shaped and dominated the whole trend of book-selling in the post-war years.

I told you there were four publishing houses that survived. Four! It's not a joke! They survived the slaughter starting in 1947. How did they survive? Because their specialty for 40 or 50 years was the text book. In the case of Fides it was the

religious book, the four Gospels in one and that kind of thing. So there were only four publishers left.

> And they set the tone, so that book selling was oriented toward the demand from educational establishments.

It was only to be expected, there weren't any book stores, there was practically no market. So to survive they had to concentrate their efforts on publishing text books and in some cases children's books, or books that could be given to pupils who were learning to read. That's why the Bouchard Commission said:

> We can say without fear of error that most of the decisions relating to book selling—supply policies, importing, wholesale distribution, discounts, retail sales prices—have increasingly been made based on the institutional market, with of course a whole series of more or less disastrous consequences for the development of the general public market, which is the lifeblood of book stores.

This was by-the-way, before getting back to our English-language publishers. I hope to find all this information in my documents further down the road. Another striking phenomenon among English-language publishers in the years when I had connections with them was that there were a large number of foreign houses that dominated the sector.

I remember there was MacMillan, for example, which was a London publisher. I recall Harold MacMillan, the former Prime Minister of Great Britain, who after his defeat went on working in publishing. I remember meeting him. I didn't meet as many people as Senator Chaput-Rolland, naturally. I met him with other publishers, which reminded me how normal it was for English-language publishers in Toronto in those days to be more or less dominated by either British or American publishing houses. It was more obvious in their case than in ours.

It was such a natural state of affairs that Harold MacMillan, who was a big name because he had been Prime Minister, was invited, and why? Because he was president of MacMillan, which was an important publishing house in Great Britain, and was also an important firm in Canada. The characteristic of those foreign publishers, which is normal with a business of that type, the really big ones, sometimes multinationals, was that they used Canada as an outlet for their writers' work. From time to time, as if to justify their position, they would publish a Canadian writer. From time to time. It wasn't their main function. Their main function was basically to be distributers in Canada of books put out by the mother house, whether that was in London, or New York, or somewhere else in the United States.

That was one of the issues, among others, that exercised English-Canadian publishers. It was also a contributing factor to the special charm and prestige of Jack McClelland of McClelland and Stewart, which was the big Canadian publisher specializing in Canadian works.

God knows the people who kept a close watch on poor Jack's financial problems and vicissitudes—he was a great publisher, but he too had to face terrifying competition from American and British books. He had to cope with a relatively small market. And despite that he managed to build a publishing house that is still working effectively within English Canada.

So let's get back to Quebec. The data on which the table cited earlier was based were gathere by the Commission of inquiry, which approached 106 businesses that sold books. These weren't necesasrily book stores as we understand the expression. They were 106 places where books could be bought. Of that total there were perhaps twenty that resembled book stores. The rest were stationery stores where they sold notebooks, pencils and so on, and where there was a shelf of books at the back of the shop. So a study was carried out on these businesses.

> It appears that the volume of business done by book stores in Quebec —

and when they say "book store", once again it's in the broad sense of the word—

> in 1962 totalled $18 million, or closer to $19 million. Of this total, $5,200,000 must be subtracted as dealing at the wholesale level. The volume of retail sales reached $13 million, but by adding to that amount retail sales at outlets other than book stores we reach a total sales figure of $15 million worth of books.

You can imagine what a tiny industry we're talking about — even in those years, $15 million as the total volume of business for the whole sector, every book store! What did it mean for each one? Crumbs.

This table enables us to make the following observations: 70 per cent of total consumer sales are made to educational establishments. There are services emerging in the Quebec provincial budget.

This means that there weren't individual buyers, people who felt the need of a book and went into a book store and bought it. That's not what they were talking about in that $15 million. They were talking about sales to educational institutions. In other words, a book store might manage to seel 50 copies of a math text. That was a big sale. It wasn't an individual who was doing the buying, it was a school board or some government service.

Just 30 per cent of sales were to individual consumers.

The sale of text books accounts for half of all retail sales, 50 per cent.

Of this meagre volume, half consisted of match texts, catechisms or other school books.

Four per cent of sales are religious books—

That would be bibles and the lives of saints, I presume—

and 16 per cent are books for young people. Only 30 per cent are cultural works.

These figures enable the Commission of Inquiry—

That's the old Commission we were discussing earlier, but for my part it was the first time I saw those figures—

enabled the Commission of Inquiry to conclude that the market that belongs specifically to book stores, that of the individual consumer,—

That of the buyer who walks into a book store—

who is in a sense the raison d'être of the book store as a specialty business, is a very small market in the province.

This is the conclusion of their study.

The underdevelopment of the general public market explains the underdevelopment of book stores in Quebec.

BUSINESS OF THE SENATE

Hon. Jacques Hébert: Honourable Senators, I propose pursuant to Rule P-2 of the Interim Rules that the Senate do now adjourn.

The Hon. the Acting Speaker: Honourable Senators, Senator Hébert has just moved in accordance with Rule P-2 of the Interim Rules that this sitting of the Senate be suspended until Monday, December 3, 1990, at 2:00 p.m.

Do you agree to this motion, Honourable Senators?

Some Hon. Senators: Agreed.

The sitting was adjourned until Monday, December 3, 1990, at 2:00 p.m.

———

[*Editor's Note: For continuation of proceedings, see Issue 115E.*

THE SENATE

Thursday, November 29, 1990

[*Editor's Note: Continuation of proceedings from Issue No. 115D.*]

Thesitting of the Senate was resumed at 2 p.m., on Monday, December 3, 1990l, the Speaker in the Chair.

BUSINESS OF THE SENATE

ADJOURNMENT MOTION WITHDRAWN

Hon. Jacques Hébert: Honourable senators, pursuant to Provisional Rule P-2, I ask leave to withdraw the adjournment motion I proposed on Friday, November 30, 1990.

The Hon. the Speaker: Is leave granted, honourable senators?

Some Hon. Members: Yes.

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE ACT
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMEND—THIRD READING

On the Order:

> Resuming the debate on the motion of the honourable senator Kelly, seconded by the honourable senator Beaudoin, for the third reading of Bill C-62, an Act to amend the Excise Act, the Criminal Code, the Customs Act, the Customs Tariff, the Excise Act, the Income Tax Act, the Statistics Act and the Tax Court of Canada Act.

Hon. Jacques Hébert: Honourable senators, last Friday, I was brutally interrupted in the middle of a flight of oratory at the stroke of 5 p.m., while describing to you the situation of bookstores and publishers in Quebec in the sixties.

I quoted long excepts from a small book by Ignace Cau, one of the very few studies on the subject by the way. I will continue today for a little while, because it is important to know about the difficult beginnings of the book publishing industry in Quebec, which were not so different from those of the industry in English Canada.

It is important for several reasons. First, to better understand the tremendous effort that was required to finanlly make this nearly invisible bud of an industry blossom. It is extremely vulnerable even today and is the first affected by the slightest fluctuation in the economy. For instance, an increase in unemployment in Montreal will translate into a noticeable decline in book sales. In times of recession, you may eat less but you still buy food, and you definitely buy fewer books, if any.

We are now in a recession. Mr. Wilson, who is very reluctant to use that word, finally uttered it. There are words that the Minister of Finance and Conservatives in general found difficult to pronounce. Words such as recession, compassion, unemployment, poverty, hunger and illiteracy are hard to say. They hurt. They are difficult to pronounce. We have definitely entered a made in Canada recession, that is to say a recession the government has brought about by stubbornly maintaining perticularly high interest rates, among other things.

A number of booksellers and a few small publishers will undoubtedly be forced to shut down. In these difficult times, one would expect a government at all responsible not to deal them the death-blow with a 7 per cent tax on almost all the goods and services we use, except the air we breathe.

Some colleagues of mine have started and others will continue to describe the damaging effects of the GST in various areas. I will confine myself to that one sector of books. The GST has infinitely more serious effects because it deprives society of the spiritual nourishment it craves so much in these troubled times.

A survey made a few years ago by the Department of Consumer Affairs on family expenditures showed some very interesting facts that I should point out at this time. The Canadian consumer spends a very small amount of his income on books, general literature, newspapers and periodicals. Those are 1982 figures, but I do not think they have changed much.

In 1982, he—the Canadian consumer—spent only 0.6 per cent of his total expenditures on books, newspapers and periodicals. Expenditures for education, including school books, at 0.7 per cent, are not far behind. Reading and education are the two categories that account for the smallest proportion of average expenditures. Let us stress that the Canadian consumer spends eight times more on entertainment that on reading, or 4.7 per cent of total expenditures.

Statistical tests show a very strong connection between the income level of families and their expenditures, in real terms, on printed matter, whether it is books, school manuals, newspapers or magazines: that is to say the higher the income, the more important the expenditures.

However, when figuring the ratio of expenses on books over total expenses and the development of that ratio by income levels, we see that families earning $15,000 spend as much on books, as a proportion of their total income, as families earning more than $75,000.

Multiplying the average family expenses by the number of families indicated by income brackets in the survey sample, gives an approximation of the total consumer expenses in school books and textbooks. According to calculations, families earning less than $40,000 are accountable for most of the printed material purchases: 62 per cent of reading material (newspapers, magazines and books other than textbooks), 56 per cent of books including textbooks, and 57 per cent of books only.

By comparison, families with an income of $75,000 or less are accountable for 73 per cent of school book and textbook purchases. In the $40,000 bracket, families have one full-time worker, national average is 0,7, and families with an income of $75,000 have two full-time workers.

According to Statistics Canada, the highest family income treshold is $40,000. These results totally refute the belief that a high-income select minority purchases the greatest number of books.

● (1410)

Hon. Eymard Corbin: You are going too fast.

Senator Hébert: Am I going too fast? You do not want me to start all over again, do you?

Senator Corbin: The reporter is unable to follow you!

Senator Hébert: The reporter is unable to follow me. Well, thus, that is why, honourable senators, it seems essential to me to describe the difficult development of the book industry since 1960, to applaud the successes of the last years, to demonstrate that the application of the GST could shake an already very unstable industry.

So this is what Mr. Ignascau was saying about the bookstore business in his history of the Quebec publishing industry. I resume my reading where I left off:

> The book market was dominated en 1962-63 by a few big firms that covered the whole Quebec territory. The Inquiry Commission named these "big firms". They were of course the four big firms: Beauchemin, Fides, Granger and Dussault to which were associated other important firms like the CPP, or the Centre de psychologie et de pédagogie, the CEC, or the Centre éducatif et culturel, Hachette, which is of course a big French firm, and Fomac

which is also a firm from France.

> Apart from the CPP, those big firms were part of the Association of Canadian Book Wholesalers that was founded on October 1st, 1954. That Association proposed to tighten the bonds between its members, which did not prevent these big firms to fiercely fight for the control of the school market, creating then an unbearable instability for the small bookstores. For the small bookstores of the Province of Quebec, these big firms were altogether essential suppliers—that have indeed contributed to the development of bookshops in the whole province—and fearsome rivals in that the selling agents of those big firms snatched up the orders of the neighbouring institutions of these small bookstores

such as school boards, public libraries and all which gravitated around small provincial bookstores.

Moreover, small bookstores could not rely on an efficient imported book system. Large bookstores import just enough to meet school orders and the market needs of large sales outlets distribution, thus without covering the various needs of general bookselling. We understand better the seriousness of the situation when we consider that the book trade was at that moment extremely dependent on imports. "Leaving aside the school books published here—says the Commission of enquiry—we can safely say that between 85 and 90 per cent of the books sold in our bookstores are imported."

This is an appalling figure and it is still recent, that 85 to 90 per cent of the books sold in our bookstores are imported. That was in 1962, not a century ago.

> For 1962, the imports aaccounted for $6.5 millions, the Quebec school book part of the market for $6 millions, and the rest of the Quebec book market for one million dollars at the most. Eighty per cent of the imported books were coming from France, 18 per cent from Belgium and 2 per cent from Switzerland.
>
> Finally, those large firms were shaping the imported book price policy; they were setting for imported books a retail price 50 per cent higher than the European price. This high level of retail prices for imported books was a serious impediment to the expansion of public demand. The high prices for imported books led a large number of educational institutions (and of college cooperatives too) to buy directly from Europe, receiving rebates similar to those that were granted to Canadian bookstores; thus, students too began to desert the bookstores.

I remember very well that that began even before that, because in the 1940's, I was at the École des hautes études commerciales, in Montreal. We had established a co-operative bookstore, because we had a better access and the prices were lower. So, it began as early as in 1942-1943.

> **The publishing industry**
>
> The Bouchard Report also dealt with the problems of the publishing industry. Publishers do not all face the same problems. The Commission noted that publishers of non-educational materials will never have an easy task, since the local market is limited and isolated; because of this limited market, they cannot always rely on big runs to lower their unit costs (generally one third higher than in France); For that reason, the problem to be solved "is that of too high ... costs compared to those of imported books, ... taking into account what the potential buyer can pay".
>
> The result is also that, to raise his profit margin, the Quebec publisher is forced to limit the discount offered to wholesalers, who, in response, show a lack of interest for books published in Quebec, finding the distribution of imported books more profitable than that of Canadian

books; that also explains why 80 to 90 per cent of books sold by Canadian publishers are imported.

The Commission of inquiry concluded that the Quebec publishing industry (that which publishes cultural books versus the "how-to" or the cheap books) could not survive without state assistance. The state must try "to eliminate the comparative disadvantages between Canadian and imported books, to permit the Canadian publishing industry to match the lower cost of imported books in our market". The common problem to all publishers being "the locking-in of their cash into books inventories that sell slowly", The Commission recommended that the state assist the Quebec publishing industry with an interest-free loan which would be repayable "at a rate of half the amount by which sales exceed twice the total cost of production".

● (1420)

I must say that that measure was never implemented subsequently. It shows however that governments and, in this case, the Quebec government, have always felt that they had to find ways to help the publishing industry to survive, to flourish for without a publishing industry a society is in a very bad state.

The total aid granted as interest-free loans could be as high as 33 per cent of the production cost. Introducing the interest-free loan, the Commission recommended the abrogation of the Publishing Insurance Act of April 11, 1962 to help Quebec publishing industry. This act on interest-free loans to publishers was another well intentioned act which never worked.

As far as textbook publishing is concerned, the commission of enquiry noted its rapid expansion since 1952. That was the field of activity chosen by many publishers after the war. The number of active publishing firms went from 12 in 1953 to 18 in 1962, which means that in 1962, there were 18 publishers of French books in Quebec and certainly none outside Quebec. They were only 18 and they could make ends meet only because they published mainly textbooks.

The annual sales of these firms went from $1,5 million in 1953 to $5 millions in 1962. In 1962, sales of textbooks accounted for half the total retail sales. Half the textbook publishers were religious communities. In 1953, these communities sold 60 per cent of all textbooks; in 1962, their share was reduced to 35 per cent.

Hon. Royce Frith (Deputy Leader of the Opposition): Slow down, please, Senator Hébert.

Senator Hébert: I am so anxious to get to the conclusion of my speech that I hurry. If you miss parts of what I am saying, Senator Frith, rest assured that I will apply myself to slow down my delivery.

Senator Frith: One of my teachers used to tell me: Slowly, slowly, Mr. Frith.

Senator Hébert: He was absolutely right. Senator Gigantès, do you have anything to say?

Hon. Philippe D. Gigantès: I don't know whether you noticed, but our stenographers and interpreters have problems keeping up with us when we go too fast. Then, they come and ask whether we had a text. Don't you think it would be easier to go more slowly . . . A speech is not an article, it is another communication medium, and a lot of things go into a speech which would not be on a written page. It is a bit theatrical! If you want your punch line to be recorded by these people who serve us so diligently . . . they are almost martyrs these days. If you want them to follow you with the attention that your words deserve, because they are always worth listening to—your sentences are always well formulated—don't you think that a slower pace would be a major contribution on your part?

Think of the studies which will be made of this great debate, because it is a debate, and I think it is a first in the Senate. Such a vast debate dealing with so many subjects, and which is only beginning. You are one of the stars of this show, of this democractic action on our part! I beseech you to speak more slowly, because I also, and I know you well, have difficulty following you. What you say is so thought provoking that while we are musing over your penultimate sentence, you are already 3 or 4 sentences ahead, so we end up missing parts of your speech. The following day we rush to look in *Hansard* for the parts that we missed and we stumbled onto some hecklings, like the ones by Senator Simard, which caused trouble to the stenographers—

Hon. Paul David: He is quiet now, so leave him alone!

Senator Gigantès: He won't be quiet very long! It is not like him. Sometimes, he is a bit untimely in rising. Maybe you do not realize it but sometimes, the next day, you notice that some parts were missing his speech. And since you have so much to do, Senator, I am in somewhat reluctant to come to you the day after and ask you: "What did you mean before that sentence?" You have more important things to do than to answer questions from your fellow senators. I would not want to be mean end say it might just be that conservative members opposite were too noisy. Neither would I want to blame the stenographers and the translators for missing parts of your speech!

Should you not consider that you are somehow returning to the art of public speaking? It is an ancient art! Besides, you master the French language so well—

Senator David: Alas!

Senator Gigantès: Oh, yes he does. He has a great mastery of the French language with a beautiful accent and a comprehensive vocabulary, as well as elegant, clear cut and well constructed sentences.

● (1420)

I would dare say that in an independent Quebec, everyone should be required to speak the way you do and not like some others I will not name who are most disturbing whenever they rise because they do not have that beautiful speech flowing that is characteristic of the French language. Senator Beaudoin speaks also a beautiful French, a little esoteric, I would

say, because he uses legal terms. It is inevitable. I am sure that if Senator Keon spoke French and started talking about cardiology with Senator David, a few of us would thank our starsnot to be in their hands. Not that we would not be in good hands, but because we are still fortunate enough not to need their services. We would certainly find their discussion a little confusing. As for you, your French is never like that. I would then ask you if you would consider slowing down your delivery.

Senator Hébert: Well—yes, the doctor always takes part in some way in our proceedings. I must however correct Senator Gigantès who said that neither he nor I ever needed the services of Dr. Keon ou Dr. David. It is not quite correct because it so happens that, a long time ago, I had to consult Dr. David, who was and still is the best cardiologist in Montréal. That was many years ago. I have been well ever since.

• (1430)

Well then, as I was saying, and I will repeat my last sentence to make sure that you got my meaning even after all the remarks—

Senator Gigantès: I have a very short question to ask. What is for an angina attack that you went to see Senator David?

Senator Hébert: No, no.

Senator Gigantès: I see.

Senator Hébert: It was to get some reassurance.

> In 1953, religious communities sold 60 per cent of all school books, and in 1962, their share was reduced to 35 per cent.

One could say that the quiet revolution occurred over a short span. In the course of a decade, the religious communities, which strongly dominated the production of school books, lost nearly half their share of the market to non-religious publishing houses who were perhaps, one has to admit, scientifically more advanced.

> Furthermore, the Board of Inquiry has enumerated 18 schoolbook stores owned by teaching orders which were selling books, in 1962.
>
> As for schoolbook publishers, the Commission of Inquiry notes that the pricing of schoolbooks was completely anarchical. Editors fixed prices according to elements that had nothing to do with the cost of the book. For example, a teaching order, the Frères des écoles du Centre pédagogique de Québec, charged high prices for its books as a way of financing its needs.

So geography books were sold for a little more because it was necessary, the brothers needing a new building. Those religious communities were nonetheless very devoted and contributed a lot to education in our province.

> The Commission of Inquiry notes also that the schoolbook approval process was not free from undue influences—

Imagine!

> —conflicts of interest were numerous among the subcommittees and the sub-commissions. According to the Bouchard Report, at least one business has directly committed some schoolboards trustees to its development.

Games were played . . .

Senator Gigantès: Which Bouchard is that?

Senator Hébert: Well, I don't remember his first name

Senator Gigantès: Was it Lucien?

Senator Hébert: No, no, it was not him.

Senator Gigantès: Not Lucien.

Senator Hébert: It was another Bouchard.

> To solve these difficulties, the Commission of Inquiry recommends: That within the new public education structures resulting from the decisions taken as to Bill 60, the Minister of Education—

Who was Paul Gérin-Lajoie at the time, and his deputy minister is sitting there, Senator Tremblay, but he is not listening, he is speaking. I go on with the quotation.

> —be directly responsible for the approval of school books and of all preliminary studies done in view of this approval.
>
> Thanks to the Bouchard Report, we can now conclude that the publishing world in Quebec, in the early sixties, was relying entirely on demands from schools and that the distribution was done in an anarchistic way, particularly profitable to some businesses.
>
> To the commission of inquiry, all solutions had to be comprehensive. The commercial perspective of the last ten years had to be changed. Conditions for determining what the reverse should entail would not be set until a comprehensive policy had been identified and implemented. This comprehensive policy was aimed at making books available to Quebec readers. This would be achieved by fine tuning demand which would bring books to smaller communities and also prevent the large publishing companies from having a quasi monopoly in the business.
>
> In concrete terms, the commission recommended creating a "maison du livre", a Crown corporation.

This recommendation was never implemented.

> To supply Quebec bookstores at the wholesale level, it was necessary to take this function away from the wholesalers and develop our network of bookstores, a major instrument for cultural development.

The commission realized that bookstores were not just ordinary businesses. They were a major tool for cultural development.

> This Crown corporation was seen as a vital instrument, especially for small Quebec publishers that did not have the financial resources to reach the entire market. It was no use supporting the publishing sector if its products could not reach the reader.
>
> Finally, to enable bookstores to play this key role in the cultural development of Quebec society, the commission

recommended obliging government subsidized institutions and services to purchase the books they needed from bookstores accredited by Quebec.

In the following chapter we will see how the government of the Quiet Revolution acted on the recommendations of the commission of inquiry.

I have already said that some recommendations were not followed up, but some were, including the recommendation to accredit bookstores as suppliers to the government, schools and libraries—that was done, and it had a very positive impact.

On June 22, 1960, the Union nationale was defeated by the Liberals under Jean Lesage, after 16 years in power.

I imagine quite a few ladies and gentlemen on the other side weren't in the best of spirits on that particular day.

The arrival of the Liberals marked the birth of a new Quebec. The time was ripe for change, for progress, for a quiet revolution.

Among the many political concerns on the Liberal Party's agenda, one of the main priorities was culture.

The first item was to create a department of cultural affairs, which did not exist before 1960. Culture was not a concern of the Union nationale, as we all know. Premier Duplessis bragged that he never opened a book after he left university. He may have been exaggerating, but there was certainly an element of truth in what he said.

Once in power, the Liberal team included culture and education among its priorities.

In fact, I think this may have been the most important contribution made by a government of which it is said that it brought about the quiet revolution. In fact, the revolution was possible because culture and education were one of the government's priorities.

The Department of Cultural Affairs, a product of the faith and energy of Georges-Émile Lapalme, its first incumbent, was created by Jean Lesage in 1961, in the full flower of Quebec's spring. We will try to give a short outline of the first five years of the department's history.

Politically and intellectually, the government of the quiet revolution felt that culture had to be the inspiration of the common goals of Quebec's society. It was to develop the soul of our society.

● (1440)

On March 2, 1961, Jean Lesage introduced the Bill creating the Department of Cultural Affairs with those words.

Of course, I cannot imitate him because he is truly inimitable, but I can hear him now, when he addressed the Legislative Assembly which was not yet known as the National Assembly:

I seek the cooperation of all men of goodwill to make the Bill presented to this assembly a tool of greatness for our province and to create a Cultural Affairs Department that will be, in a way, a Department of French Canadian Civilization and that will become the first, the greatest and the most efficient servant of the French fact in America, of the soul of our people.

Then I presume that the members of the National Assembly, which was still called Legislative Assembly at the time, broke out in applause because by simply reading them aloud, we are reminded of the inimitable droning of Mr. Lesage, a powerful speaker, probably one of the last great ones. He also had a slight nationalistic accent but he believed in Canada.

So the Department that was supposed to be a tool of greatness . . .

As Mr. Lesage had just told the people of Quebec

. . . was officially born on November 22, 1961. After years of cultural inertia under the Duplessis Government—

A right wing Conservative Government, which explains why culture was not one of its priorities, something we see right here in Ottawa—

—a government criticized for its unbelievable delays in all fields including that of literacy, there came a "revolutionary" government which took upon itself to spread culture at home and abroad, but that was not to happen. If we look at the budgets given to the Department of Cultural Affairs, it seems that the government that triggered the Quiet Revolution did not really take that department seriously.

Although the Department of Cultural Affairs was something the Premier used to brag about, you realize, when you examine its development over the years, that politicians do not really believe in culture, literature and, as they say, "fiddle playing". I have here a table which I will summarize for you and which describes the Quebec Department of Cultural Affairs budgets from 1960 to 1966, the period under consideration.

When it started, the Department had a budget of $2,724,000, which represented at the time about 0.4 per cent of the total Quebec budget. It was nothing to write home about.

Senator Gigantès: Only 0.4 per cent.

Senator Hébert: More precisely, 0.46 per cent of the total Quebec budget. Then, in 1961-62, it was increased to $3 billion and something, which was about 0.48 per cent. Then, in 1962-63, it fell to 0.44 per cent. In 1963-64, it was increased to 0.6 per cent. In 1964-65, down again, to 0.55 per cent, and finally in 1965-66, the last year of the period under review, it fell to its lowest level, even lower than the year it was created, to 0.45 per cent.

In spite of the fact that the budgets—

Senator Gigantès: You say 0.45 per cent?

Senator Hébert: Yes, 0.45 per cent of the total Quebec budget—

An Hon. Senator: Less than half of 1 per cent.

Senator Hébert: Of 1 per cent. You're right. Culture is something politicians like to talk about, but come budget time,

it remains the least of their concerns, and that is what happened in Quebec, which totally discouraged Georges-Émile Lapalme as we will see later.

> In spite of the fact that Quebec's Estimates started to increase rapidly beginning in 1960, the Department had always at its disposal over this period an average of one half of 1 per cent of the total Quebec budget, which represented $23 million over five years.

When I consider all the catching up we had to do, the fact that there were hardly any public libraries, that those which existed hardly had any books, that the network of bookstores was absolutely pathetic and entirely dominated by the purchasing arms of the various religious orders, as was the publishing industry for that matter.

> Georges-Émile Lapalme, who is considered as the father of the Department of Cultural Affairs, resigned on September 3rd, 1964, and stated in his letter of resignation that the Department of Cultural Affairs could not justifiably continue to exist. There was no need for a department with absolutely no power and no authority to sign a $1,000 purchasing order, while the minister's own signature would be accepted by a banking establishment for a much greater amount.

The minister could not sign a purchasing order exceeding $1,000. It had to be referred to the Cabinet or something.

> Guy Frégault, who was the first to hold—

Senator Gigantès: I am sorry, but could you tell us whether our honourable colleague Senator Tremblay was at the time Deputy Minister of that department? I think he was.

Senator Hébert: No, he was not with that department, but with the Department of Education.

Senator Gigantès: Department of Education, not Department of Cultural Affairs.

Senator Hébert: No.

Senator Gigantès: Therefore, it was no fault of his if the Department found itself in—

Senator Hébert: Not at all.

Senator Gigantès: If he had been with that Department, things could have been different, because I am told he was a formidable bureaucratic street fighter.

Senator Hébert: He has always had that reputation.

Senator Gigantès: He still has that reputation. If he had been with this department, he could certainly have found ways to obtain additional funds.

Senator Hébert: I think so.

Senator Gigantès: So do I.

Senator Hébert: What is the use, you cannot re-write history.

Senator Gigantès: He would have taken them to task in no uncertain terms, and certainly more than once.

Senator Hébert: Yes.

Senator Gigantès: I thank you, Senator.

Senator Hébert: Besides, this information I am giving you could have been passed on to you by Senator Tremblay who knows that period even better than I, or at any rate who was closer to government than I have ever been. Well he has chosen to be on the other side and of course, he cannot allow himself to do that. He lets me do the work all alone.

> Guy Frégault, the first deputy minister in 1960, tells us in "Chroniques des années perdues" about the Department tribulations between 1961 and 1966. The Department is a "Tough land" . . . It is a quotation. Guy Frégault wrote well:
>
> ". . . a tough, rocky land, impossible to plow." The main difficulties come from Treasury Board where there there is always a concern that the Department projects, called . . .

• (1450)

There, one can easily recognize the politicial vernacular.

> . . . "the flute players' papers".

This is how he used to call the documents presented by the Minister of Cultural Affairs and Treasury Board officials.

I am going to repeat the sentence because it is so well written. It is by Frégault:

> The main difficulties come from Treasury Board where there is always a concern that the Department projects called "the flute players' papers" by Treasury officials might end up under Procuste's smaller bed—

Senator Corbin: Senator Hébert, may I ask a question? I see that you are talking about senior Quebec officials, is that right? You are indeed talking about Quebec civil servants?

Senator Hébert: Yes, Senator Corbin.

Senator Corbin: There is in this Chamber, besides Senator Tremblay, Sanator Bolduc who has reached the highest levels in Quebec Public Service. What you are quoting concerns perhaps some measures or some initiatives or the lack thereof for which he might have been responsible while he was a senior Quebec official. I take the liberty of speaking now because while you were ready to start on that issue, Senator Bolduc was chatting with his colleagues. Maybe he had better listen to what you have to say.

I am sorry for the interruption. If Senator Bolduc feels that you are not telling the truth, he will have a chance to intervene.

That is what debate is all about. Give and take on both sides of the chamber. We give but the other side never takes. It makes for a rather dull debate. Not that you are dull or boring, but we have the impression that despite all your sound arguments, they on the other side are not interested, they do not listen, they do not participate, with the result that Parliament is no longer Parliament because there is no response! Speeches, yes, but no response! We get the impression we are speaking in a soundproof room. We can hear ourselves talk, but there is no echo. We do not hear anything from the other side. It is almost as if Parliament no longer had its *raison*

d'être. I would urge you to wait until Senator Bolduc listens before proceeding because what you were saying was very relevant indeed.

Senator Gigantès: I do not like to disagree with your colleague. I have a lot of esteem for Senator Corbin because of his outstanding qualities, which everyone knows and appreciates. He is a good friend, a valiant colleague in our fight.

Perhaps you might settle the matter, but I find that it may be presuming too much because we have no idea what goes on within the public service and what advice senior officials give to the ministers. They are still bound by their secrecy oath. And so are Senator Tremblay and Senator Bolduc. But saying that our colleagues may have made mistakes or hesitated to defend our culture may put them in a rather difficult situation! Both are honourable and very charming colleagues. Senator Hébert, do you not believe that we cannot really hold them responsible for these failings to support Quebec culture? What do you think?

Senator Hébert: Well, I think you are both right, each in your own way. But what I realize, is that, yes, senator Corbin has every reason to complain that the Conservatives do not seem to want to take part in this debate. In fact, I think the government has established a kind of work distribution model in the Senate. They let the Liberals talk, make speeches, explain the facts to the people, and then they vote while we are not in the house. That could be considered as work distribution. Everyone has a task to do.

I remember this beautiful quote from Guy Frégault, who was complaining about problems he encountered with Treasury Board when selling up Department of Cultural Affairs. He said:

> Treasury is the main problem. When dealing with those epople, one is always afraid that Departmental projects, or what the Treasury Board officials called "the pied pipers paper", would end up on Procrustes smaller bed.

Not on the larger one! On the smaller bed of Procrustes. Naturally . . .

If Senator David were here, he would undoubtedly ask me to explain who was Procrustes, or he would tell you himself. Procrustes was a robber in the Ancient times. The robbed travellers and compelled his victims to lie on an iron bed, if I remember correctly. He would then stretch or cut off their legs to make them fit the bed's length of his bed.

Are you aware that mythology is not clear on that point; he may have had two beds, not only one. There are many accounts, but in Greek legend, he had only one bed, and if you were too tall, he would cut off your legs to fit the length of the bed and if you were too small, he would stretch your legs until they fitted it! According to other accounts, he had two beds, a smaller one and a larger one, so he would never run out of people to torture. But, personally, given the meagre resources they had then, I think he only had one bed.

Well, I always thought he had two beds, because that is how my grandmother told me the story.

[Senator Corbin.]

Senator Gigantès: Well, if your grandmother said it, I can only accept it.

Senator Hébert: I hope so. Because we could end up being at odds if you questioned my grandmother's good faith.

Senator Gigantès: Heaven forbid!

Senator Hébert:

> The Arts Branch, created in 1963, was made up of five divisions, namely Music, Theatre, Research, Aid to creativity and Arts. We were working in very small teams. The department could not find talented people because he didn't want to pay them.

It was absolutely pitiful.

> "Skills were less important than one's reputation as an administrator." To say that nothing revolutionary ever happens in the Department of Cultural Affairs is a statement of fact.

I must say that the memories I have of that period, well, aren't very good ones because it wasn't a pleasure to work there. As you will see, that's what enabled the Arts Council of Canada to estblish itself in Quebec because it could give more direct and precise answers. The Arts Council was more in sync with the needs of Quebec cultural community than it's own Department of Cultural Affairs was. So when I hear Quebecers complain about the federal government's interference in Quebec's small matters, I think we often tend to forget that we are to blame to a large extent. Because after all, the Department of Cultural Affairs would have had more success if it had been given more power. Even its founder, George-Émile Lapalme, had to leave the department because he felt they were joking by giving him such insignificant budget.

Later on, many people particularly the nationalists, complained because the Arts Council was supporting the writers. Well the least either government, or preferably both, could do was to respond favorably to the needs of the cultural community. The fact remains that the Arts Council was always more receptive.

Senator Gigantès: Honourable senator, do you know that the Arts Council has a translation funding program? When a publisher from English Canada wants to publish a book written in French by a Quebecer, he receives a grant in order to cover the translation costs and vice versa. That program still exists and is very successful. Are you aware of its existence?

• (1500)

Senator Hébert: Of course, I used it for many writers whose works I published over my lifetime. That program of the Canada Council has been in existence for a long time. I would even think it goes back to the early sixties. It was one of their first moves.

Cultural exchanges between both lingustic groups were in the spirit of the Massé-Lévesque Commission. It seemed eminently logical to make easier the translation and publication of important works in the other language. It was important, obviously. The program did not cover all types of books, though, but only novels, short stories, poetry or essays of a

certain intellectual level. You could not use government money to translate cookbooks or guides on how to quit smoking in three days.

Senator Gigantès: What about books on economy? They are eligible, are they not?

Senator Hébert: It was not always that way. It had to be literature. For other types of book, you had to turn to the Science Council, which is similar to the Canada Council. I left that sector a long time ago, but I think the difficulties are settled. Even a book on economy could be translated at the government's expense.

Senator Gigantès: Excuse me for being insistent. I would like you to check this, because I am quite sure. Incidentally, my publisher just told me that a few days ago. If he had planned to translate in French a book like mine, *The Road ahead*, I did not need to bother giving him a French version. Even if I worked for hours translating it, I did not need to do it because the Canada Council would have paid to have it done.

As a matter of fact, it is in the estimates and in the accounts of the government. Do you think a minister in this government should know that such a program exists since his own government passes the budget?

Senator Hébert: Yes. Had the minister in question been aware of that policy of the Canada Council, he would not have accused you of being a crook and of using official Senate translators to translate your book. This is such a gross accusation that I wonder how any reporter could have taken it seriously.

Senator Gigantès: But what do you think of a senator, who is not a minister but who held a Cabinet post before, who throws such an accusation at me? I am talking of Senator Simard and of Senator David before him. The question in itself is indeed insulting. They should at least have enquired into this matter before smearing a colleague's reputation.

Senator Hébert: My answer is yes, of course. You cannot accuse a colleague or impute motives if you do not know the facts. First, it is true that there are federal programs, administered by the Canada Council or the Science Council, to help translate literary works and even economic essays. However, this does not seem to stop certain ministers from thoughtlessly throwing accusations and then giving half apologies later.

Senator Gigantès: Do you think that such thoughtless accusations are due to the fact that the ministers on that side mix with members of their party, some of whom are presently in jail after being convicted for fraud and all kinds of wrongdoing? Perhaps they get used to judging others by the same standards as those they mix with. Do you think this fact may have influenced the Leader of the government opposite?

Senator Hébert: It is quite possible. It is indeed possible because it is really too much to accuse another senator of being a crook and of using Senate translators when they know that, for at least 40 years, there have been programs specifically designed to help translate works from a language to another. This is utterly stupid. Well, we were talking about Procrustes and his two beds.

> In short, for the Liberal government in office at the time, culture was never a priority despite an obvious lack of cultural facilities.

It is typical of all governments, but I think it is right to say that it was particularly true of the Lesage government at that time. But at least it established the department.

> Health, welfare and education were the priorities, totalling 67.6 per cent of government expenditures. In 1964-65, the Education budget was $327 million.

Senator Tremblay took everything, so there was nothing left for culture.

> He absorbed 28 per cent of the province's financial resources.

We are not blaming you, we are just joking.

> While "metapedagogues", a term used by Frégault in the Department of Education, succeeded in having big buildings erected on the simple premise that education is a good investment, the "pied pipers" from Cultural Affairs continued to complain about the extreme inadequacy of cultural facilities in Quebec. In 1964-1965, they drafted a White Paper in which they meditated on the end of instability.

The authors of the White Paper vigorously reminded the government, which was busy developing an economic, social and education program.

And I quote from the White Paper written by Pierre Laporte, if I am not mistaken:

> The time has long gone since the Government of Quebec could be certain that, by controlling the public education sector, it would preserve the national identity of French Canadians. In addition to playing a more direct role in Quebec's social and economic development, the government has a duty to develop a cultural policy that will confirm its historic and exclusive responsibility in this field.
>
> The authors of the White Paper did not ignore the economic progress of our society. They believed it was necessary for Quebeckers to see francophone culture as the main instrument of financial, industrial, commercial and scientific progress. For them, "one of the roles of the Department of Cultural Affairs in this government is to help mould the collective destiny" of Quebeckers who were wondering about their collective personality and searching for an identity.
>
> The White Paper of 1965 was the first document in which the Government of Quebec proclaimed the objectives of a cultural policy for that province. The defeat of the Liberal Party at the hands of the Union nationale in 1966 prevented Pierre Laporte, then Minister of Cultural Affairs, from tabling this important document at the National Assembly et making it public.

The White Paper was shelved by Jean-Noël Tremblay, of the Union nationale . . .

then the new Minister of Cultural Affairs . . .

and resurrected by Liberal minister Jean-Paul Lallier . . .

who replaced him six years later.

The White Paper took a decidedly different view than that of Quebec political leaders of the sixties who seem to have unwittingly preferred welfare to culture.

The Bouchard Report, which Mr. Lapalme tabled in the National Assembly in January 1964 (seven months before his departure), allowed Jean Lesage's team to gauge the situation facing book publishers and libraries in Quebec. This situation was well described in the Bouchard Report using terms such as "anarchy", "anachronism", "instability" and "under-development", which all pointed toward a crisis. The Bouchard Report was tabled in the National Assembly at the same time as Paul Gérin-Lajoie's famous Bill 60 . . .

I never understood why he called it Bill 60. Senator Tremblay may be able to provide an explanation. The word "bill" is an English term. I do not know. In any case . . .

creating a Department of Education, and to a large degree government efforts were focussed on it for the greater part of two parliamentary sessions.

In the meantime, the Department of Cultural Affairs was drafting its White Paper intended to remind the Government, busy implementing economic, social and educational programs, of the need to develop a cultural policy. Culture is proposed as a major development tool. For the authors of the White Paper, the State must limit its role, toward both artistic creation and broadcasting, to one of assistance and promotion.

In no case should it replace, restrict or put in jeopardy original creativity . . . On the other hand, the State should not hesitate to correct existing structures which obviously hamper the distribution of original works and should even go as far as to substitute itself to these structures . . .

● (1510)

You realize to what extent the Government, which I take the liberty of criticizing along with this author, the Quebec provincial Government was anxious to try and protect the book publishing industry, libraries and the reading public in Quebec. Under no circumstances would these people have considered imposing a 7 percent tax on books. They are criticized nowadays for not having gone further, but to them a GST on books would have been unthinkable; their concern for details, for using every means at their disposal to provide assistance, demonstrates this clearly.

The role of the State as defined and the measures put forward in the White Paper to alleviate the situation of the book publishing industry in Quebec reflect the philosophy underlying the Bouchard Report: The Government has a role, not so much in creating or administering, but in spreading culture.

[Senator Hébert.]

A distribution problem, lack of libraries and other distribution channels, existed.

In other words, the Government must make books more readily available to people. What would be the use of encouraging creativity or publishing if books do not reach the intended readers? The White Paper borrows a recommendation from the Bouchard Report, to create a book distribution center.

This, I may as well tell you now, never materialized.

This recommendation was never acted upon, although a significant number of briefs it inspired showed, based on existing models, that it would haved proved a solid institution. Some firms, benefitting from the anarchy surrounding book distribution, opposed a common front, through associations such as the Association des libraires grossistes du Québec, to the proposed Quebec distribution network.

This was obviously unsettling for some people.

As for its policy on assistance to bookstores, on August 6, 1965, the Legislative Assembly passed Bill 90, the parent legislation that established bookstore accreditation.

It was sound legislation, and in fact, they changed the name in French because in 1974, according to the "politique d'agrément des librairies", in French the word agréé was used because they found that the word accrédités was not good French. It took nine years but, in the end, they corrected the legislation.

The most important measure recommended by the Bouchard report to promote the book trade was not followed up, and I am referring to the obligation for subsidized institutions to buy their books at accredited bookstores. In 1966, there were 89 accredited bookstores.

It says "accrédités" here in French, but I am reading a text that was published before the bill was passed.

An Hon. Senator: It's as bad as "licencié".

Senator Hébert: In French you have to say agréé.

But as far as the business aspect was concerned, whether they had a certificat d'agrément or certificat d'accréditation was not terribly important. The accreditation certificate implied that certain standards with respect to stock, bibliographic facilities and competence of staff were met, and that the establishment was recognized by the government as a bona fide bookstore.

It would take eight years for the Government of Quebec to adopt significant measures affecting the book trade, as recommended in the Bouchard Report. Regarding the publishing industry, the report recommended abrogating the Publishers Loss Insurance Act, passed in 1962, and replacing it with an interest-free loan formula. The report also wanted to promote distribution of Quebec books by creating a "Maison du livre". Neither recommendation was followed up.

The government merely proceeded to amend the Publishers Lost Insurance Act, first in 1964 and later in 1965. When the

Act was passed in 1962, the Conseil supérieur du livre expressed its satisfaction. The fundamental aspects of this legislation were suggested by the Association des éditeurs, and the legislation only applied to publishers who were members of this association.

> The Bouchard report raised serious objections against this kind of assistance, both for purely financial and cultural reasons. The basic flaw of this legislation, according to the commission of inquiry, was that it provided government assistance based on the proportion of unsold copies of a given printing. Its aim was clearly to cover the publisher's bad risks. It encouraged the publisher to make hasty decisions about print runs and stop promoting sales when a book was not selling well.

That is what Mr. Bouchard argued, while I sided with the Association des éditeurs. We didn't agree, because why should a publisher publish books that will not sell in order to get a subsidy to cover his losses? After all, we don't launch books just for the sake of losing money!

> Finally, this legislation also encouraged publishers to withdraw prematurely from the market books whose sales were lagging. For all these reasons, the Bouchard report recommended abrogating the Publishers Loss Insurance Act. As we said before, this recommendation was not followed up.
>
> Publishers generally failed to use that legislation. In 1964, a Laval University sociology team had already noticed a lack of interest in that legislation on the part of publishers.
>
> They wrote that it seemed obvious that publishing insurance satisfied nobody. Varied formulas of assistance to the production as such were proposed but the need was stressed to promoting and organizing the distribution of French Canadian books not only in the Province of Quebec but in the other provinces as well as overseas.
>
> As for seeking solutions to their problems, from 1960 to this day, the Quebec publishers will have constantly stressed the utmost need for the establishment of a quebec distribution network as recommended in the Bouchard Report.
>
> With Guy Frégault, we believe that in today's society books are a good indicator of the general well-being of the cultural community. Guy Frégault sums up the situation in these terms:
>
> > Books are a ruthless indicator, be they looked from the point of view of their production, their commercial distribution or their distribution throughout a public reading system. Libraries are a particularly clear indicator. What do they indicate? The extreme weakness of the foundation of the cultural structure and the failure of notables to share the spiritual goods (. . .) What do they indicate? To put it in one word, ruthless but true: Underdevelopment.
> >
> > That underdevelopment is particularly obvious in the reading habits of the public. During the quiet revolution in Quebec, the magical formula "Education is a good investment" would contribute to have big schools built easily but not institutions like libraries in the true desert of Quebec public reading. Already, in January of 1960, Maurice Lebel . . .

a professor at the University of Montreal, if my memory serves me well,

> . . . was enlightening us on the core of the problem:
>
> > It is not enough to build beautiful gymnasiums and academic halls, we also have to spend much money on libraries . . . In times past, they used to talk of the pitiful state of the churches of France, but the pitiful state of our libraries is enough to make you weep.
>
> In their study on "the status of the writer and the diffusion of litterature", the Laval University team of sociologists gave us a picture of the global situation of public reading in the early 1960s.

It is almost incredible.

Senator Gigantès: On that subject, Senator Hébert, I have two questions to ask you, which came to my mind because of what you said a moment ago. I want to ask you them one at a time, if you allow me.

● (1520)

You said at a certain moment that it would have been unthinkable for those governments accused of not having done enough to go in the opposite direction, even to the point where they would have put a GST on book sales. The present government is telling us that this GST is needed to reduce the deficit, which could lead to a decrease in interest rates.

Yet, a former minister of the Mulroney government, Mr. Sinclair Stevens, is telling us what we were all suspecting, that our dollar is kept to the level of parity it is now with the US dollar, more or less, because of a secret deal between the Canadian and the American governments. In other words, the Americans said: "Listen, the Free Trade Agreement is a very good thing as long as you will not let your dollar go down, or rather providing that you bring back your dollar to a level where your products are not as competitive on our market as to worry our business people. If they are bothered, they will bring pressure to bear on the Congress. Our trade laws would have to be amended to block, as it were, the access to the US market for Canadian products."

How do you like that explanation by Mr. Sinclair Stevens of what is happening now? If he tells the truth, we would not need the GST to reduce the deficit, it would have nothing to do with it. In fact, the high interest rates are there to please the United States. I have another question to ask you after this one.

Senator Hébert: I am not quite sure I would trust Mr. Sinclair Stevens on everything, but this is certainly something he knows very well. He played a very important role in the Mulroney government. He was on the front line and he probably knows a lot of things that you and I don't know. His

analysis of the situation and the present fiddling with the dollar seem to me worthy of consideration, no doubt about it. Is that all you wanted to know? You said you had a second question?

Senator Gigantès: I was hoping for more, but you do not seem willing to go into this field, so I will switch to something else, the problem of university textbooks, especially in pure science, but also in some social sciences.

I have young relatives in Quebec universities, nephews and nieces who are fiercely separatist. So are their parents. However, they must study with English textbooks. These books are updated very regularly. New inventions from Xerox allow you to produce two copies of a 454 page book, with a full colour jacket, in 5 minutes.

Nowadays, scientific textbooks are published with replaceable parts. A new chapter might be published to replace one already in the book if new developments warrant it. These books sell for a very high price, because their translation is not subsidized. Very often they are not yet translated that a new edition or version is already out.

If we want to educate our young people in French in Quebec, is it not an area were a Crown corporation, or a book clearing house, or more money could be used to prepare speedy translations, quick updates of textbooks in the fields of business, social sciences, pure sciences like maths, physics, chemistry, biology, so that our students could be taught in French instead of being Frenglishized, if I may use this horrible new word? We would not want them to speak half English and half French, would we? Do you not think that, first of all, the GST will make this problem even worse? If it was too expensive to do it until now, it will be even more expensive.

At least in this field, should this government, that says that it is so concerned with the well-being of the French-speaking population in Canada, especially in Quebec, not make more efforts to allow Quebecers to protect their language by doing their professional training in their mother tongue, this very beautiful and rich language of French, instead of having to pursue their studies in English? There is nothing wrong with speaking English. I am totally in favour of bilingualism.

Even Mr. Landry says that he is for personal bilingualism, trilingualism or multilingualism. So, a sovereign, independent, associated Quebec, with a superstructure or infrastructure, I do not know, will always have to have a lot of bilingualism and unilingualism. One of the gifts that the Canadian federal government could make, that would be a very important contribution to the distinctness of Quebec, its distinct society, would be to allow young Quebecers to get an education in their language.

We are not talking about the language of Ruritania. We are talking about one of the very important languages in the world, of a really imperial language, French, which has an extraordinary richness, a superb elegance and flexibility.

This language has not only been neglected, but its protection will become even more difficult. It is not only a matter of availability of books, but also of computer sofware whose production should be financially assisted as well. Software are also a form of publishing. If we make these materials more expensive, we are turning our backs on the goals we are pursuing. And our goals are to have a much faster production of these news items in good French to make sure that vocational training is delivered in French. Otherwise, French will always be in danger in Quebec. Am I wrong?

Senator Hébert: No, Senator Gigantès, you are not wrong. That would be the ideal thing to do. But I cannot say that I am overly shocked by the idea as far as university studies are concerned. But it would be frightening if it were the case at another level. I suggest that a university student in Quebec, or elsewhere in Canada for that matter, should be able to manage in more than one language. It should not be much of a problem for a university student to have to study in books written in a foreign language.

I remember that when I was attending l'École des hautes études commerciales, in the 40s, the major accounting books were American. They were given directly in English. We had to make do, although we were not thrilled. Now, thinking of it, I wonder how we could have aimed at an advanced diploma in business and specialized accounting without being able to manage in English, an important language in the business world, especially in accounting.

I believe that today, books are available in French on this subject and may be used almost exclusively, if I am not mistaken. In spite of that, if I take it from the recent newspaper reports, exam results of Quebec students in accounting are slightly inferior to the Canadian average. I cannot explain it. Is it related to the fact that schoolbooks are not entirely in French? I don't know, but you all seem to say—and I agree with you—that these issues are not given much consideration by the government.

> In its inquiry on the writer's status and on literature distribution, the team of sociologists from Laval University gives us an idea of the general situation regarding libraries in the early sixties.

You will see that we had a long way to go to catch up.

● (1530)

> In 1962, the 100 public libraries of the province which were considered suitable—out of a total of 251—had a budget of 84 cents per person, for a total of $2,217,659, while the 510 Ontario libraries could count on a budget amounting to $2.52 per person, for a total of $10,553,182. Ontario had 1.3 books per person, and in circulation 6 copies, compared to 0.4 and 1.6 respectively for Quebec. In the province, of the 72 towns and cities having a population of more than 10 000, 56 have no public library, and two out of three towns with a population of 5 000 to 10 000, that is 41 out of a total of 61, offer no library service at all. On the whole, the number of city dwellers who do not have access to a suitable public library service is estimated at 1 million; as for rural areas, the number is close to 1.6 million, or 94 per cent of the population.

I am not too thrilled to mention numbers like these, but it is a fact. I hear some say: Blame it again on the English.

> In such a case, conclude the sociologists, we can speak of an urgent need, so much so that for certain fractions of the population, the economically weak, living in remote regions and not reached by the publicity, the public library is the only access to the written word, the only possible way for authors and the public to meet.

When there is no bookstore, when one can't go to the city to buy books, the library is the only way out.

> Budgets granted to public libraries from 1961 to 1966.

The budget granted jumped from $140 000 per year, can you imagine, to under 1 million dollars for all public libraries in 1966.

> We are a long way from considering libraries as "one of the main links" of cultural policy.

We could see from the chapter I have just summarized for you that the governement of the Quiet Revolution did not pass the important measures recommended by the Quebec commission on the book industry.

> The purpose of these measures was to thwart the sale tendancy of the last ten years which benefited private companies. For the commission, it was above all essential to take away the wholesale supply of books from wholesale booksellers in order to expand the bookselling network.
>
> On April 28, 1967, the Société des libraires du Québec petitioned the new Minister of Cultural Affairs, Jean-Noël Tremblay, a member of the Union nationale, to put an end to the bookselling crisis in Quebec, which, according to the petition of the Société des libraires was already responsible for several bookstores to go bankrupt, and among the survivors, it prompted a general deterioration of the service and a reduction in the selection of books offered to the public. In their request, booksellers suggested solutions to put an end to the crisis. Their proposals reflected what was previously recommended in the Bouchard report, such as buying only from accredited booksellers . . .

and accredited now . . .

> . . . and setting a fair price on books published in Quebec and imports. For imported books, the Société des libraires proposed tables for converting European prices in Canadian dollars. That went against the interests of the Société des libraires-grossistes, which expressed its objections in a letter sent to Minister Tremblay on May 31, 1967. According to wholesale booksellers, conversion tables would disrupt the industry, and even put them out of business.

They said that would put an intolerable strain on companies which were up till then offering a much-appreciated service to the French-Canadian community. It would create a vacuum which powerful foreign publishers and commission houses would soon have filled, using every possible means to quickly and efficiently colonize the publishing industry in Quebec.

> Eliminating wholesalers, hence disrupting the established structures, as was recommended in the Bouchard report, would mean wholesale booksellers would have to give up their domination over the book business in Quebec in favour of a few foreign companies. Indeed, it is those foreigners, not the Quebec government, who are responsible for the erosion of anarchic distribution and production systems in Quebec from 1967 to 1972.

During the Bouchard inquiry, the book business was practically controlled by Quebec interests. According to the Commission, until then, the whole market, but especially the general public market, was too small for European publishers to be able to turn a profit by having representatives and depots to supply small bookstores.

Not until the mid-60s did the major foreign publishers, who of course published in France books in great numbers for the whole French community, find the Quebec market profitable.

They realized it was very profitable for them to sell parts of their stocks in Quebec. However, for Quebeckers, with no outlet outside Quebec, to publish a book remained a very risky business.

> It was only in the early 1960s that the major foreign publishers felt for the first time that the Quebec book market could prove profitable and started to open offices in the province. They certainly were right in their assessment. According to an inquiry carried out in 1969 by Ernst and Ernst for the Federal Department of Industry, Trade and Commerce, the book industry went at the time through a period of accelerated growth. On the basis of the data published by the Quebec Bureau of Statistics, Ernst and Ernst tried to determine the average yearly growth rate of sales from 1964 to 1969, by Quebec publishers who file reports with the government. They established the yearly growth rate of these publishers at 12 per cent. This growth rate amounted to 14 per cent annually, according to the sample of 11 publishers among the 31 who participated in the study.
>
> The following table emphasizes the sale tendency over the six years under review by the Quebec publishers to a growth rate between 12 and 14 per cent annually, up to an estimated level of $16.2 million in 1969.
>
> For 1969, the total sales of books in the French language by bookstores and other distributors was estimated by Ernst and Ernst at $29 million.
>
> In 1967, according to a study made by the Department of Industry, Trade and Commerce, total sales for 77 bookstores amounted to only $27.5 million. Foreign publishers tried therefore to benefit from this growth of the Quebec book market. The major foreign publishers in Quebec in 1968 were McGraw-Hill, Holt-Rinehart and Winston, Dent and Sons, Bordas, Encyclopaedia Britannica and Hachette.

Of course, Bordas and Hachette are both French.

In July 1968, Encyclopaedia Britannica, a subsidiary of an American corporation of the same name, purchased the *Centre de Psychologie et de Pédagogie*, a 139-member cooperative, who, for the most part, were authors of school books.

A very important publisher of school books at the time.

At the time of the Bouchard inquiry, the CPP had almost the monopoly of the school book market in Quebec. At the time of the purchase in July 1968, the CPP published approximately half of the school books in Quebec, with assets over $4 million. Three years later, *l'Éducation nouvelle*, another major publisher of school books in Quebec, bought back the CPP.

The sale in 1968 of the Centre de psychologie et de pédagogie to American interests alerted the book industry and the public opinion in Quebec.

● (1540)

There was fear that, sooner or later, an important part of the book industry and of educational publishing would fall under foreign control.

In 1969, the Conseil supérieur du livre, the coalition of book professionals in Quebec, exposed the Hachette case. In a White Paper presented to the Minister of Cultural Affairs on April 11, 1969, the Conseil supérieur du livre denounced the fact that Hachette had invaded Quebec's book industry. In 1969, Hachette was present in all sectors of the industry, from publishing to retailing, from distribution to mail-order selling. According to background information given by the *Conseil supérieur du livre*, Hachette came to Quebec in 1955, but until 1968 its policy did not give rise to any major resistance.

In 1968, Hachette changed its policy. It opened a second bookstore in Montreal, established *Les Messageries internationales du livre* . . .

to distribute books to bookstores

. . . and broke the contract it had signed in 1965 with a textbook publisher from Quebec to whom it gave technical support for the production of textbooks from the Hachette collection. With the creation of *Les Messageries internationales du livre*, all the wholesalers and retailers from Quebec had to deal with this distributor for paperback and widely-sold series.

At that time, Hachette controlled a good number of French publishers and, in particular, the first paperback collection.

Quebec's wholesalers were cornered. Hachette was taking a big share of the book distribution business in Quebec.

Under those circumstances, the *Conseil supérieur du livre* asked the Quebec government, in its White Paper on the Hachette case, to intervene in order to prevent the distribution and, as a consequence, the publishing of French language books in the province of Quebec from falling under foreign control. It also asked the government for some help in order to obtain from Hachette a commitment to respect the existing structures of the book industry in Quebec.

Hachette was not intimidated.

It was obviously a very big business.

In January, 1971, with the help of the Société générale de financement . . .

That is, using Quebec funds . . .

. . . Hachette acquired the Centre éducatif et culturel, the largest publisher of school textbooks in Quebec, for $2 million . . .

It was a lot of money at that time.

. . . Then, in February of 1972, using the name of this company, in which it had a controlling interest of 45 percent, Hachette purchased the Librairie Garneau with its five branches. It was the oldest bookstore in Quebec City.

This, I think, was a psychological shock for Quebecers, including myself, particularly those who were interested like me in the publishing industry. The disappearance of Librairie Garneau, which was located in the heart of Quebec City, across from the Basilique, was a real shock and an outrage for members of the industry.

This operation succeeded thanks to the silence and complicity of the Bourassa Liberal government, which was elected before April 1970. In an editorial published by *Le Devoir* on January 11, 1972, under the title "Hachette buys out Quebec publishers", Claude Lemelin wrote the following:

Instead of condoning by its silence and complicity the cultural transformation of this industry that Hachette is effecting, the Bourassa government should be doing something about it.

The acquisition of Librairie Garneau by the Centre éducatif et culturel, which was owned by Hachette and the Société générale de financement, gave rise to violent reactions in the book publishing industry, the media and the Quebec public opinion. For professional writers, this transaction marked the beginning of an anti-Hachette campaign. J. Z. Léon Patenaude, Jacques Hébert . . .

. . . who was probably a cousin of mine.

. . . Pierre Tisseyre and Raymond Carignan were the main spokesmen of this campaign of the book lobby against Hachette and the Société générale de financement, which was accused of being the Trojan horse of foreign takeovers.

I have to say that the Anti-GST Coalition reminds a lot of the similar coalition that was formed when Hachette, this huge French multinational, suddenly invaded Quebec City with the clear intention of taking over all major book distributors, publishers and retailers.

There are so many similarities between the two situations. In the Hachette case though, the enemy was from the outside. They were foreigners, they were French, whereas we are dealing now with our own government instead of a foreign one.

With the GST, the Canadian government threatens the whole publishing industry which I have been trying to describe for a few hours. The dangers are at least as great as they were in the Hachette incident.

That is why . . . May I engage on a digression on the Hachette problem? I will even quote from a speech I made when I was president of the Publishers Association of Canada and vice-president of the Conseil supérieur du livre. I made that speech on February 8, 1972 before the Montreal Chamber of Commerce. I have to confess they did not invite me too often since then.

You will see that there is nothing new under the sun and that if problems are not always of the same nature, the book industry is always at risk. In 1972, the danger came from foreigners but this time it is our own government.

Senator Gigantès: They behave like foreigners.

Senator Hébert: The least I can say is they are not familiar with the Canadian situation, the Quebec situation as far as the publishing industry is concerned.

When you pay heed to nobody, you end up being cut off from reality.

Twenty years ago, I never thought the Canadian government would some day jeopardize all we fought for during decades. I will come back later to the interesting book of Ignace Cook which opened many perspectives for us. For now, let me take a few minutes to quote my own speech.

So, I was quite trembling before the Chamber of commerce of Montreal. I was trying to convince them to save the publishing industry from the Hachette threat:

> "An ordinary book business."

I make that quote at the beginning. It had been used on television by the president of the *Société générale de financement du Québec*. By the way, it is typical of the Quebecers to always complain about the federal government, in some cases, or about France or England or the United States, or whatever, but when we look deeper, we realize that there is always some of our elite trying to help the invaders.

> "An ordinary book business." This is how the director general of the Société générale de financement was referring to bookstores, during a recent televised debate, between himself and—is there a worst choice of an oppronent?—Léon Patenaude, a formidable passionate person.
>
> God bless his soul!
>
> The word "business", it is not to you . . .

I was addressing the Chamber of Commerce, of course, I was trying not to offend people's sensibilities. I said:

> It is not to you that I have to say it; as such, it is not offensive. And it is unquestionable that booksellers are business people. But what M. Deschamps . . .

Because it was he who was the director general of the *Société générale de financement* in those days

> . . . did not seem to understand—and that is extremely serious, considering the key role that he would like to play in the publishing industry—was that bookstores were not only businesses and books were not ordinary products.
>
> Must I repeat again that bookstores are real cultural centres that exert their influence over a whole neighbourhood, sometimes a whole city.

I know a lot of booksellers, the real driving force in the industry, who were having financial difficulties and pratically lived in their stores, being over worked, their passion for books overrriding everything else. A bookseller used to say:

> Authors write books, publishers publish them, and I sell them. Every day, I find myself at the outpost of the literary world.

Listen to what another bookseller had to say:

> Selling, advising, making suggestions, making a book a must, is the last step before the victory, and the victory is for the reader.

What other merchant can boast of playing such a cultural role? What other business is more essential for the expansion of a nation's culture, or simply of culture itself? We can deplore the fact that Mae Wests and other such pastries now belong to non-Quebec interests . . .

● (1550)

I remind honourable senators that the great confectioner from the Beauce that was Vachon once was the pride of Quebec. The Vachon company sold Mae Wests, a kind of pastries we can still buy here, at the cafeteria on the fifth floor. That company had just been sold to foreign interests, right in front of the smug General Investment Corporation. You know, we can deplore the sale of that company, but it won't kill us. However, the day we lose control over our book business, it will only be a matter of days before our collective identity disintegrates.

> What goes for booksellers goes for publishers, who also run a business. They put some pretty strange products on the market, products made of paper and ink, that would mean nothing without their spiritual content.
>
> That is probably why publishers make very strange businesspeople, always torn between the needs of the mind and the needs of their business, between this young and talented novelist who needs a break and the bank manager who is not sure whether he should loan money to someone knowingly producing such non profitable items.
>
> For example: Tomorrow I am publishing a beautiful book by Maurice Champagne, entitled *Lettres d'amour*. It was indeed a nice book that I brought out the next morning, so I was doing a bit of advertising while I was with these Chamber of Commerce people, who might not have been the greatest readers on earth, so what!
>
> This book deserved careful printing and good quality paper, which are expensive items. I bet on the book success and, if I win, everybody will be pleased, including my bank manager. But, if I lose, I'm not ashamed to admit that I will have no regrets.

As you can see, the publishing industry is different. Books are unique products, even materially.

Facing such a well-informed audience . . .

It was worth then, it is worth even more today, in front of all the assembled senators.

I do not have to insist on the cultural consequences of the book industry. But, you will surely ask, as far as business is concerned, what is the meaning of this industry which suddenly arouses envy amongst Americans and Frenchmen?

Very little, in fact. Total retail sales of French-language books by bookshops amount to about $40 million, split up as follows: (*a*) for publishers of school books, $15 million; (*b*) for general literature publishers of Quebec, $2.6 million; (*c*) for publishers of France, Switzerland and Belgium, $22.4 million. Of that amount, France's share is about $21 million. There is very little left for Belgium and Switzerland.

—or more than half the total sales of the book industry in Quebec. And it was in the hands of France.

This figure is indisputable. Indeed, the official French figure on book exports to Canada, at publishers' prices, totalled $12 million in 1970. Once you have added transportation costs, salaries of intermediaries and retailers' profit margin, you get $21 million.

Before the Quiet Revolution, bookselling in the Province of Quebec had no interest for foreigners.

So, they were not coming, it was not interesting.

School book publishing was entirely in the hands of religious congregations and a very large number of bookshops were coming under procuracies. As for the literary publishing industry, it was as it is today, an eccentricity left to a handful of cranky people willing to die poor.

During the last decade, as the religious congregations were moving out of the book trade, disorder and anarchy were setting up behind them. It was not a climate propitious to attract serious capitalists like MacGraw-Hill or Hachette.

But little by little, our professions organized themselves through the impetus given by men like Tisseyre, Patenaude, Dussault, Hurtubise, Carignan, Sasseville, Martin, D'Anjou, Constantin, Houde, Bode and so many others. Our associations have negociated without a respite with governments which finally, after some arm twisting, took some of the measures we were crying out for. That is how, in May, 1971, the Quebec Department of Cultural Affairs decided to recognize the competent book retailers that would be the only ones authorized to sell to communities subsidized by the state. That was a good way to get bookselling profitable at last. One of the conditions of the agreement was that foreign ownership of the bookselling business were not to exceed 50 per cent of the capital stock.

This, of course, was not what the Hachette bookshops wanted.

Unfortunately, it was too timid a step, but in the right direction. In practice, we know very well that a clever shareholder can manage to control a business with only 50 per cent of the shares.

That measure and a few others were nonetheless foretelling that the book market was to get healthier. It was getting almost interesting to be a bookseller, and Quebec publishers were viewing the future with confidence.

This change of climate was very rapidly sensed in New York and Paris, and in a very short time, the giants of the foreign publishing world which had always treated us with the most supreme contempt were swooping down on Quebec, well determined to reap what the Quebec bookselling and publishing hacks had sown.

Thus we were seeing them coming by every plane:

. . . Encyclopaedia Britannica, Bordas, Holt Reinhart and Winston, Hachette, MacGraw-Hill and many more.

Every time we lost a knight or a rook, our associations sounded the alarm and alerted public opinion and governments. The last big blow, i.e. the takeover of the five Garneau bookstores by the *Centre éducatif et culturel*, a publishing firm practically controled by Hachette, was the straw that broke the camel's back.

I see here a note which might be of interest to experts.

Hachette holds 45 per cent of the shares of the C.E.C. and an option over 5 per cent of the shares held by the founder's widow. The SGF holds the other 50 per cent. Justly, the *Conseil supérieur du livre* maintains that the SGF can only be a silent partner and that the effective control belongs to the main shareholder which has the expertise and the experience in the trade, i.e. Hachette.

● (1600)

From now on, we will fight, not for the status quo, but to regain the lost ground! Foreign domination in the book business is no longer a vague threat, it is a sad reality that I can describe by quoting a few figures.

In the field of books for elementary and secondary education, foreign companies control more than 40 per cent of the total sales, which amount to $15 million. The group controlled by Hachette accounts for half of the foreign sales.

In the field of distribution to wholesalers, foreign control amounts to almost 65 per cent of about $9 million sales, and a third goes to Hachette.

Foreigners already control 15 per cent of bookstores sales, and Mr. Jean Deschamps,—

. . . president of the Société Générale de Financement . . .

said publicly that he intended to develop the network of bookstores already controlled by Hachette through CEC.

As to general publishing, the large foreign publishing companies scornfully leave it to us, because it is not yet profitable. Furthermore, they know full well that by controlling the distribution and the bookstores they will bring the Quebec publishers to their knees. The Quebec publishers have been brought to their knees.

[*Editor's Note: For continuation of proceedings see Issue No. 115F.*]

THE SENATE

Thursday, November 29, 1990

[*Editor's Note: Continuation of proceedings from Issue No. 115E.*]

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE ACT
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMEND—DEBATE RESUMED

That is a fact. Such a situation is intolerable. But it will surely get worse. I am not making a case against Hachette, but rather honouring its all-consuming dynamism when I say that it will try to dominate the Quebec market like it did in all countries of the world where it spread its tentacles. Hachette is not to blame in trying to dominate, control, prosper. In a capitalistic system, and I am sure the members opposite will understand, these are the principles applied by big trusts. In his speech to stockholders at the Company's last general assembly, the president and chief executive officer of Hachette, Mr. Ithier de Roquemaurel, did not hide his ambitions. He said:

In conformity with our intention to increase our international presence,

said he,

> said he, we have, among other operations, acquired an interest in the Centre éducatif et culturel de Montréal . . .

—which is the leader among school book publishers in French Canada,

> —in spite of the problems encountered nowadays with cultural investments in Quebec.

I am telling you, who knows how strong Hachette would be in Quebec if our publishers and bookstore owners associations had not reacted.

> On the other hand, one cannot blame France for backing Hachette a hundred per cent and applying incredible pressure on our provincial government. This is a normal course of action for capitalist countries with a colonial past. However, it seems necessary to mention that one of Hachette's most embarrassing characteristics has to do with its close and forever ambiguous relations with governments.

According to *L'Expansion*, the great French economic review, and I quote—

Senator Corbin: Will you tolerate another question?

Senator Hébert: Yes.

Senator Corbin: You know that in Ottawa, we have the National Arts Centre. In the NAC there is a large auditorium for operas, symphonic orchestras and an other auditorium, I think, for theater plays. There are also two other theatres, one of which is used for experimental theatre and things like that. Of course, there are also atriums, rooms for official ceremonies, for example, an official reception was given for Queen Elizabeth II. Well, actually, it was not a reception, after a gala, she walked through people, corridors, atriums, and all that.

But what I am driving at is this: In the large complex formed by the National Centre—and by the word national I mean Canadian—there is, or there used to be, two bookstores. One of them was selling French books, and the other was selling mostly English books, but also videos in the end because that have become popular. I don't know for what reasons, but the later one closed its doors. Just besides the English bookstore, there was a French bookstore. That is, a bookstore where books, encyclopedias and luxury books of art or photography were sold, with a lot of magazines arriving from everywhere in the world, but mostly from France. You could also find there literary critics, poetry magazines, all in all, a sample of everything published in French.

This French bookstore was called Librairie de la capitale. I don't know who were it's owners, but it was closed or sold last spring. I had not been there fore several months, but I went for a visit in September. First of all, I wanted to see if there was still a French bookstore there, and if so, who was the owner. Well, I have been told that Flammarion has taken over our National Arts Center. It is not a Canadian bookstore, it is a branch of Flammarion. And what is Flammarion? A publisher? You know the publishing world much better than I do. For one thing, I don't know how long they will stay in business, because you know the price of a French book, nowadays.

PLus seven per cent, naturally. But of course, Flammarion does not sell only books or magazines from France. They also sell books published in Canada. All this to tell you or to strenghen your argument that efforts are still being made in our country to control book publishing sales. And in this case, in the heart of our capital, of Canada, it is Flmarion, a French company, which did settle in our country.

The same phenomenon is happening elsewhere in the city and in the Ottawa region. Then, are these not obvious and sufficient reasons for the government to ponder the matter? To mainly reflect on the consequences of its tax, of its GST. Where there was no tax before, now French books are going to be taxed, which is going to make their price even more

outrageous. I am not against books from France, on the contrary. If it were not for French books, we might not be as advanced culturally and intellectually as we are now. Well, if there is a good author somewhere in the world, we want to read his work, and so on and so forth . . .

But the GST is going to make French books even more expensive and will discourage people from buying them, and I think this is the point you are making today, namely that Canadian books which are already experiencing so many difficulties just to survive will be hit ever harder than French books. What should one conclude, dear colleague? Faced with this situation, would it be better to close down all Canadian bookstores and abandon this field to French and other foreign bookstores? Or should the Government reconsider its GST? Granting that the Government is providing assistance to the book publishing industry through grants, the Canada Arts Council and other agencies perhaps, has the time not come, before the bill is implemented, for the Government to seize this opportunity, before the GST is adopted if that should be the outcome, to reassure Canadian book publishers and bookstores before it is too late.

Senator Hébert: I think that your analysis is perfectly correct. That is why the Quebec Government changed its mind. Its Finance Minister had taken a position similar to Mr. Wilson's, publicly stating his support for the GST at a young liberals convention or meeting.

He had put forward all the arguments used by Mr. Wilson and others, that it is absolutely impossible, for technical reasons, to exempt books and that this would complicate things greatly for all equipment, cash registers, etc. And then suddenly, under the pressure brought to bear by the publishing industry, the Quebec Finance Minister found an apparently simple solution that allows books to be exempt from the Quebec provincial GST.

• (1610)

[*Translation*]

So, nothing is stopping the federal government from doing the same thing for the entire country. But I don't think it will, at least not willingly. That's why we have to continue trying to convince it.

As for the Flammarion book store . . .

Senator Corbin: Do you think it is right for a French publishing house . . .

Senator Hébert: I'm getting to that . . .

Senator Corbin: . . . to have such a high profile in what has become one of our national institutions, the National Arts Centre?

Senator Hébert: Well, in that instance I don't know the root of the problem. I would certainly be very surprised if the Centre Pompidou in Paris let booksellers from Quebec or anywhere else set up shop there. It is most unusual for a national institution to be shared with foreign investors.

In any case, the fact of the matter is that Flammarion is on the one hand a publishing house, but it is also a major bookseller and has had a bookstore in Montreal for a very long time. However, unlike Hachette, Flammarion never tried to corner the market, to have a foothold in all sectors, as did Hachette with its involvement with schoolbooks, bookstores, distribution of French books, etc.

So obviously, it is unfortunate that a foreign bookseller should have set up shop at the National Arts centre. But you can't compare the threat posed by Hachette with that of Flammarion. I would just like to remind you of the Hachette incident.

I was quoting the economic magazine *Expansion*, a major French magazine, which deplored Hachette's strong position in textbooks publishing—this was strictly in France, they were complaining about it in their country—its strangehold on the new distributing services for the Parisian press, in other words, those who distribute magazines and newspapers to all the train stations, sales outlets and newsstands. There are also complaints about its near monopoly on distribution of books and newspapers abroad, because Hachette has not set up business only in Quebec, but also in all francophone countries. The name appears everywhere in francophone Africa, in Dakar, Lomé, Kinshasa; Hachette's stranglehold can be seen everywhere in French Africa. It's sort of an international book conglomerate.

> Its control over bookstores in train stations and Métro newsstands, its influence on public opinion through the daily newpapers

. . . because there was also a daily called *France-Soir*

> . . . none of this would exist without state approval.

Obviously, such a thoroughgoing domination of the media could not have come about without some approval from the state.

> Hachette always had the governement behind it.

It was a French magazine that wrote that.

> (Including during the Nazi occupation from 1940 to 1944).

That didn't bother them at all, they were there to make money and to publish. So obviously, the most widely read authors during the Occupation were not necessarily the strongest advocates for democracy. In any case, Hachette got along well with the Nazis.

> Those in power always co-operated with Hachette, because they knew they could then influence people to adopt their political views. Everyone got something out of it . . .
>
> For instance, Hachette has just entered into sweetheart deal with the ORTF, a French government organization, a deal which has provoked strong reactions in France, especially since two of the prime minister's close colleagues, Mr. Simon Nora and Mr. Gérard Worms, were suddenly made Director General and Assistant Director General of Hachette.
>
> It was Mr. Nora who signed the Agreement on behalf of Hachette, while Mr. Chaban-Delmas had signed the

decree on behalf of the government. On January 24th last, *L'Express* reiterated the fact that before becoming prime minister, Mr. Chaban-Delmas had negociated the transfer of a tabloid, *Samedi soir*, to *Librairie Hachette*. In short, the universe was unfolding as it should.

I sometimes wonder whether the provincial government of Quebec is aware of these things, if is knows that when it has these cordial meetings with the French Government, when it attends fine dinners with Mr. Pompidou (one of Hachette's stable of authors!), and proposes champagne toasts to France-Quebec agreements in the halls of the Élysée Palace, there are always representatives of Hachette hovering about?

Be that as it may, the time has come for the Government of Quebec to stop yeilding to French pressure, to stop allowing the SGF so stray from ist fundamental mission by allowing Hachette and other foreign interests to acquire effective control of business that should obviously be protected because of their special nature, and finally, to take the emergency measures that Quebec publishers and bookstores are urging it to take, with the questionable support of the majority of the population.

No doubt because it has become commonplace to see ultra-secret cabinet documents from one government or another published in the daily paper, public opinion did not react as strongly as it should have when *Le Devoir* published, last January 21st, the text of three Orders in Council that show how the government backed down.

On March 10th, 1971, a first Order in Council placed a ceiling of 25% on the foreign ownership of Quebec bookstores if they were to be certified by the Government, giving them the right to sell to organizations subsidized by the provincial government. That was positive, but the news was not made public.

Six days later . . .

on March 16th . . .

a new Order in Council raised the ceiling on foreign ownership of our bookstores to 40%. We were on the verge of defeat. Hachette knew that, and at that time, in cooperation with the SGF, they were negociating the acquisition of 45 % of the shares of the CEC.

On April 28th, or shortly after Premier Bourassa's official visit to Mr. Pompidou, the Cabinet passed a third Order in Council reaising the ceiling on foreign ownership to 50 %. France had won and Quebec had lost.

And to cap it all, the *Syndicat de l'édition de France* (French Publishers' Union) denonced even this regulation . . .

saying that the 50 % limit was still too stringent.

It took the Quebec Government as well as our professional associations to task in a tone that reminded one of the atitude the French used to take in days gone by toward their African colonies that dared to attempt to shake off their yoke.

[Senator Hébert.]

Among other things, the French union accused our Ministry of Cultural Affairs of having placed the production and distribution of books in Quebec into the hands of a small coterie (in the worst sense of the word). And what did the French refer to as a small coterie? The three large associations that represent almost all of the publishers and bookstores in Quebec!

No doubt to add more weight to the pressure exerted by Mr. Pompidou on Mr. Bourassa, Mr. Maurice Schuman, the french Minister of Foreign Affairs, brought the issue up again when he was in Quebec last September. With a rather brutal approach, surprising on the part of a diplomat, the Minister informed the Quebec press that if our publishing policy did not suit France (or Hachette?) the French would not be interested in distributing books published in Quebec in France. If that was not a kind of blackmail, I don't know what else to call it!

But allow me to come back for a moment to the role played by the SGF in the Hachette affair. I'm willing to admit, to be fair, that the law did not forbid them to act as they did. Some crimes are legal but remain crimes nevertheless. Like the *Conseil supérieur du livre*, we should at least say how unacceptable it is that «for the sole purpose of earning money—that is not my expression but the one used by the Director General of the SGF on television!—a corporation set up by the Quebec government with taxpayers' money, should intervene to sell out Quebec interests in favour of a French conglomerate, even so skillfull and competent a trust as the *Librairie Hachette*.»

Senator Corbin: Senator Hébert, I feel I must put in a word here. You have just referred to crimes that are legal but are crimes nevertheless. I must say I lost you there.

Well, now I really can't follow you. How, on the one hand, can you say that a crime is legal and how, on the other, can you say even if it is legal, even if it is allowed, it is done, even if it is forbidden, it is done.

I don't understand that kind of talk. If it's forbidden, it's not allowed. If it's forbidden and it's done, it's a crime. When does a crime stop being a crime? So I ask you before going any further in your recitation of the Hachette case to explain exactly what you mean by that. It seems contradictory.

Senator Hébert: It's easy to understand. The example we all have in mind is the GST. If the GST, especially applying to books, were to become law, God forbid, it's far from being done, but if ever, hypothetically speaking, the GST were to be enacted, I think that it could be said without exaggeration that the GST on books would be a crime, at least morally speaking. It's an attack whose impact in the area of culture is incalculable. That wouldn't prevent the GST from being legal, if ever it passed, but it would still be a crime, morally speaking. That's what I meant when I used that expression in this case.

Senator Corbin: Now, what you've just spoken about, can this be done in other areas? You're saying that the government is perhaps acting legally but is committing an immoral act.

I have in my hands a book entitled "The Eloquence of Winston Churchill". I've had this book for a long time. I've never read it through, but I thought of taking if off the shelf in my library on the weekend for relaxation. On page 37, I found this excerpt from a speech given by Sir Winston Churchill in the House of Commons at Westminster on April 6, 1936. That's quite a while ago; 1936, that wasn't quite 12 years after I was born.

The editor of this book on the eloquence of Winston Churchill entitles a paragraph from which this excerpt from one of his speeches is drawn, and I quote:

> "Le roi ne peut faire le mal. Le roi ne peut faire le mal."

And he then quotes Sir Winston:

> "Selon une vieille doctrine constitutionnelle, le roi ne peut faire le mal et si le roi commet ce qui peut passer pour être un crime, ce sont ses mauvais conseillers qui en portent l'odieux. Mais appliquer cette doctrine au chef controversé d'un parti politique, voilà qui serait une extension indue de ce principe."

Maybe that's what you meant when you said that something done legally can still be a crime. The king can do no wrong, but his advisers, that is, the government of the day, may, through its policies and under the cover of sovereignty, Her Majesty in right, the Sovereign of Canada and her other domains, the government may commit acts which, it might be said, are "illegal". That's the word, a strong one, that you used before. It may perpetrate or commit acts and do things that seem immoral. You told us a moment ago that imposing a tax on books has a an immoral stench about it. But to get back to Sir Winston Churchill, the king can do no wrong. Perhaps that's what you meant when you said a moment ago that crimes can be committed which are legal. I'd like to hear what you have to say about that.

Senator Hébert: It is quite clear that . . .

● (1620)

[*English*]

Hon. John B. Stewart: Before you deal with the question as put to you by Senator Corbin, Senator Hébert, may I put it to you in a slightly different way?

In the time of King Charles II a wag is said to have written on the King's bedchamber door, "Here lies our sovereign lord the King. He ever said a foolish thing and never did a wise one." The King commented, "Well, that is easy to explain: My words are my own and my deeds are the deeds of my ministers."

I wonder if that does not sum up neatly the situation to which Senator Corbin refers. Is it not the case that, in this instance, the Queen, by whose consent this bill will become an Act of Parliament—if, indeed, that happens—will have done no wrong, but her advisors will have done a very bad deed? Is that not the situation?

Senator Corbin: On a point of order, is Senator Stewart extending that affirmation to the appointment of eight additional senators to the Senate of Canada? Her Majesty did no wrong but, on the other hand, the matter is before the courts; so that raises a question, does it not?

Senator Stewart: Yes, I think it is pretty clear that the doctrine that the sovereign can do no wrong would apply in the instance to which you refer as well as to the imposition of taxes on books.

Senator Gigantès: I think an extension of that is the doctrine of estoppel which Senator Beaudoin, I am sure, could discuss learnedly. That was established under the reign of Kind Edward III of England who had a great chancellor, whose name escapes me, the man responsible for the beginnings of the edification of the great jurisprudence that is common law. The doctrine of estoppel says that no mistake by a servant of the sovereign can be used against the sovereign. In other words, if, for instance, a tax official, mistakenly but in good faith, tells you that you do not owe tax, and you do not pay that tax, the sovereign is not bound by the errors of his or her servants.

In this particular case, after six years of Conservative government, I would suggest that, for all monarchists, this is a wonderful doctrine here in Canada because, if the Queen were to be held responsible for the acts of the Mulroney administration, there would not be a monarchist left in the land.

[*Translation*]

Senator Hébert: Having witnessed this pyrotechnical display of erudition from my three learned colleagues, I do not know which way to turn to get out of this. Perhaps I should pray to Talleyrand, the minister, who one day said to Napoleon: "Sire, what you are about to do is worse than a crime, it is a mistake." So that is what the government is doing with the GST: "Worst than a crime, it is a mistake".

I see a senator laughing. I can assure that if the writers of Quebec were to hear you laughing, they would remember your name for a long time because they are not in a mood for laughter at all. If you had met Gratien Gélinas last week, you would know what I mean. Well, yes! I am not the one who provoked him. He started laughing because we were saying that the GST is morally a crime.

It is not the *Société générale de financement*'s mission to introduce into an industry, a business entirely controlled by Quebeckers, a foreign interest so powerful in its own country that it periodically inspires press campaigns to prevent it from increasing its power any further.

> Nor is it the role of the *Société générale de financement* to become the silent partner of foreign interests that do not even have the merit of setting up a new publishing business or opening bookstores, but infiltrate existing concerns, choosing the most prosperous. The $2.3 million cash paid by the *Société générale de financement* for its share of equity in the *Centre éducatif et culturel* will not create one single new job. In fact, many employees of the *Centre éducatif et culturel* have been laid off and it would seem logical that some of them will be replaced by Hachette's men from France.

But let us leave the painful *Société générale de financement* to its own devices and get back to the crux: the invasion of the book trade in Quebec.

Because it is the most ambitious, the most sly and the most brutal of the invaders, Hachette deserves our attention more than the others. So let us look at the immediate and future consequences of this company's policies in Quebec.

First of all, Hachette was the catalyst of the foreign takeover, of the French publishers who, in France, refused to kow-tow to this conglomerate. They thought it was indispensable to set up in Quebec to distribute their own books, as Hachette ws invading the market and was going to impose preferential treatment for the stock of books it controls.

Since Hachette's decision to charge into Quebec, two big publishers, Bordas and Gallimard, have set up here, not to mention distribution concerns such as Somabec, Socadis and so forth.

Those who do not come over will, sooner or later, have to fall into Hachette's clutches for distribution in Quebec.

As for Quebec publishers, they will also be forced to hand over their distribution to Hachette if they do not want to disappear.

● (1630)

This may seem unthinkable to the layman. The mechanism is easily demonstrable and I am sure that none of you will be surprised. In any case, the move is on because *Éditions du journal La Presse* have just handed the distribution of their works over to Hachette, even though there are many exclient Quebec distribution services; these, however, were less powerful and did not have Hachette's prestige.

You know just as well as I do that when you control a good share of whatever is sold in a store, you can demand better shelf space from the retailer. Hachette admits to already controlling 22% of all French books sold in Quebec and, thanks to the *Centre éducatif et culturel* it is now the publisher of 20% of Quebec's schoolbooks. Besides that, Hachette is the exclusive distributor of the *Livre de poche* and is now the exclusive distributor of *Éditions de La Presse*, who are about to launch some 60 new titles in 1972. Can there by any doubt that Hachette will instruct its vendors and representatives to demand everywhere that the books it is distributing occupy the very best of shelf space, that is, the window displays in the bookstores and countertops elsewhere?

No retailer will be able to refuse this preponderance to the books distributed by Hachette when Hachette becomes the most powerful distributor.

In the area of magazines, whose sales are short-lived—but for many books the sale is short-lived also—this policy is so prevalent that Ontario did not hesitate, in view of the recommendation from the royal commission, to legislate to prevent Canadian distribution agencies for magazines and pocketbooks from being controlled by foreign interests.

The Ontario legislators were in fact convinced that if Canadian distributors were to become the property of the Americans, all that would be found on shelves and countertops would be magazines such as *Time*, *Life* or *Playboy* while *Maclean's*, *Chatelaine* and the other Canadian magazines would no longer by displayed. For books, it is less obvious, but the tactic is the same. If, out of curiosity, you walked around railway stations in France, you would see that a considerable number of books published by the Hachette group are on display in the station bookshops. You would really have to search for a comparable choice of books by other publishers. The reason for that is simple: Train station bookshops in France are owned by Hachette. Thus, travellers who have several hours to spend on a train and who want to buy a book are offered mainly books published by the Hachette group. Of course, this means higher revenues for Hachette than if the book had been published by another firm.

Quebec publishers will thus be caught between a rock and a hard place: Either they can refuse to be distributed by Hachette and their books will disappear from shop windows, or they will agree, but will have to settle for the few crumbs that Hachette is willing to throw their way.

Like all publishers, I have not forgotten the sale of the Pony bookshop that used to be located in the heart of French-speaking Montreal. It was sold to Hachette in early 1959 and, overnight, Quebec books disappeared from the windows and shelves of this old bookshop that many of you probably once shopped in. Quebec books were removed from the windows and shelves and confined to the darkest corners. Of course, Hachette refused its services out of hand and it had to be begged to accept the odd copy of our best books.

Since Hachette cherishes great ambitions in Quebec, and particlarly since the *Conseil supérieur du livre* devoted a white paper to it, the Hachette bookshop on St. Catherine Street has slowly begun to sell Quebec books.

On October 28, 1968, it condescended to order a copy of the Quebec book catalogue for the first time. What will happen if Hachette ends up controlling the distribution of books in Quebec in the same way it does French railway stations?

In certain circles—outside this profession, I should point out—it is said that if we accept Hachette in Quebec, Hachette will impose Quebec books on the huge market in France and the rest of the French-speaking world already under its control. Pardon me if I laugh, along with other publishers here today who have not forgotten our first similar adventure with Hachette exactly 12 years ago. We really must tell you about it because it is quite funny!

After intense negotiations, the *Association des éditeurs canadiens* signed an agreement with Hachette in Paris on December 7, 1959 for the distribution of our books in France.

(The dates are important here.)

As I recall, the champagne was flowing. The agreement provided for a discount of 50%, an absolute right to return unsold books,

and return transport

and taxes to be paid by the Quebec publisher.

Thus far Hachette was not exactly risking its shirt! In order to reduce the risk even further, it only accepted 15 Quebec titles in all.

Fifteen of the best titles.

The number of copies varied from 100 to 250, depending on the title. That is how on December 22, 1959, for the first time in history, 3,690 Quebec books left for France.

After that, a long silence descended on this first France-Quebec agreement. Finally, on December 7, 1963, four years later, we received a final report on the operation.

Throughout France and the rest of the French-speaking world, Hachette had managed to sell exactly 523 Quebec books. We received a cheque for $606.79 to be divided among all participating publishers, and that was before deducting shipping costs of $222.51. Some publishers had their unsold books returned to them at their expenses. In order to get them back, we had to pay the shipping.

Gaston Miron had the surprise of seeing that Hachette had not even opened boxes containing works from L'Hexagone, although these boxes had spent four years in France. At the time, Gaston Miron was the director of L'Hexagone. He is the one who told us about this. His boxes of books left for France at his publishing house's expense, spent four years in a Hachette warehouse, and came back at his expense four years later without having been opened.

Finally, Hachette notified our association that we had to assume the cost of bringing back 2,364 unsold books that they wanted to return to us.

● (1640)

[*Translation*]

In a magnanimous gesture, such as are sometimes made by beggars who are exasperated, we decided that these damn books would end their days in France no matter what: we donated them all to the Quebec delegation in Paris!

It is a fact that we still have a few books to offer France and the rest of the French speaking world, but in the past 10 years, and particularly in the past five years, many Quebec authors have demonstrated that they are at least equal to good contemporary French authors. With or without Hachette, they will be not received any better in Paris than Belgian or francophone Swiss authors. The French are loath to buy books published in French outside of France. That's a statement of fact.

On July 23 of this year, *Le Figaro* published a major survey on the problems of Swiss authors and publishers vis-à-vis France, despite the proximity of these two countries.

The Swiss are right next door, they don't have an ocean separating them from this market!

You only needed to replace the words "Suisse" and "romand" by the words "Québec" and "québécois", and that article could have applied in its entirety to our own situation.

Let us listen to what they have to say. I'm quoting the article that was published in *Le Figaro* regarding the problems of Swiss publishers. Quebec's situation is no different.

Francophone Swiss writers have always experienced a legitimate feeling of frustration . . .

I think that that could be said of Quebec writers.

One has to either become a Parisian like Jean-Jacques Rousseau or Benjamin Constant or, if one intends to stay Swiss, resign oneself to not crosing the French border . . . The literary books displayed in bookshop windows in Lausanne, Neuchâtel and Geneva are mostly foreign, and mostly French.

Swiss novelists hardly get the same treatment. They have little access to Parisian publishers and the patronage of a Swiss publisher far from guarantees open doors to the French market. It is easy to understand the bitterness of Vaudois ou Valaisan writers upon seeing that translations of works from German-speaking Switzerland have a better chance of penetrating the Paris market than their own books. They are also correct in saying that they are not on an even playing field with French authors, who benefit from powerful distribution networks in Switzerland while they have to fight tooth and nail in Paris.

You will have noticed that one simply needs to replace the word "Switzerland with "Quebec" for this article to describe exactly our situation in France.

I do not claim that the French market is forever closed to us. Our publishing association was successful in making a small breakthrough four years ago by establishing a distribution centre for our books in Paris, thanks to the cooperation of the *L'École* bookstores. We have another one in Brussels that is developing much faster than the one in Paris. I'm simply saying that Hacette is not the solution and that we must continue to look to joint publishing and joint distribution with friendly French publishers who are independent of Hachette.

The arrival of foreign publishers in general and of Hachette in particular will not be anymore beneficial for textbook publishers than it is for literary publishers. They will be placed in an impossible competitive position, since the major foreign publishers can use documents, illustrations and films whose cost was amortized in previous use.

Where were the major American and especially, French publishers 15 years ago, when we needed at least their

technical assistance? They were very far from Quebec, a market that did not interest them because it was controlled by the church. Now that everything is changed, now that we have technicians and authors, now that we have hard workers such as Georges Nadeau, the founder of the CEC, who have successfully built up modern and often flourishing textbook publishing house, these foreigners come here, settle in and grab our most prosperous enterprises. Economically speaking, it's galling enough, but culturally speaking, it's absolutely intolerable.

At a time when Quebeckers are more concerned than ever with their collective dignity, will they accept the humiliation of letting Paris or New York decide what books will be used by Quebec students and what authors they should read? Never! The word should be spread abroad, as well as in certain government circles in Quebec itself.

We don't want American textbooks nor French textbooks for our school children and students; we want Quebec textbooks. That answers the question asked earlier by Senator Gigantès.

For subjects on which it is not yet economically possible for us to produce textbooks, Quebec publishers are perfectly capable of deciding for themselves which foreign textbooks they want to adapt to our needs until such time as our own textbooks can be published.

Some well intentioned people have tried to reassure the population by stating that the arrival of large foreign firms will stimulate competition and make book prices drop. That is a delusion, unfortunately. All the experts will tell you that Hachette's bursting into our market will most certainly result in a 20 percent increase in the cost of French books sold here.

Allow me to remind you of a minor "Hachette incident" that is still fresh in minds of our booksellers.

In 1968, Hachette established a distribution service in Quebec, called *Les messageries internationales du livre*, to distribute certain books published by Hachette, as well as their paperbacks, for which it was the sole distributor. Since the publishing house had its own outlet here, everyone thought that the price of paperbacks would finally go down. What happened instead was that their price suddenly went from 90 cents to $1.10.

Although that is a far cry from the prices we see today, it gives you some idea of the change that took place:

the jump meant an increase of more than 20 per cent. It took all the combined energies of the bookstore keepers and the the *Conseil supérieur du livre* to persuade Hachette's chief executive officer to bring the price of pocket books back into line with what they were before the publisher's arrival in Quebec.

Since I am speaking to businessmen . . .

I went before the Chamber of Commerce to explain all of this . . .

[Senator Hébert.]

it is impossible to raise arguments that one hesitates to submit to public opinion in general, because the ordinary man-in-the-street sometimes finds it difficult to believe that some accusations are well-founded.

To convince you that the selection of books available in Quebec will be limited if we allow Hachette to control the market, it should be enough to point out that when books published by a firm belonging to Hachette are sold to Quebec consumers, Hachette makes a three-tiered profit: as publisher, as distributor, and as bookseller if the works in question are sold by bookstores under its control.

When books by other companies are sold through the Hachette distribution network, Hachette makes no profit as a publisher. Consequently, it is clear that *Librairie Hachette* will be putting more effort into marketing the books put out by its own group of publishing firms.

For this publishing giant, a book is a product and must make money. It will seek to identify the most profitable products, and if there is more to be made from the sale of ballpoint pens and games from the sale of such and such a book, it will sell ballpoint pens and games. It has the right to do so. But the possible development of a book distribution monopoly with profit as its only objective would mean that the cultural interests of Quebec would be very poorly served indeed.

That is in fact the way Hachette runs its operations in France, a modus operandi which has stirred up the hostility of the other publishing firms and led them to make concerted efforts to set up their own distribution channels for their books abroad. The reason Gallimard, the biggest publisher of literary works in France, severed its ties with Hachette was that it was not satisfied with Hachette's distribution methods.

A bookstore, be it large or small, cannot stock all available works. In Canadian books alone, there are more than 8,000 titles available from publishers.

That was some time ago: today there are many more.

As for French books, there are some 150,000 titles. Now, consider that Quebec's best-stocked bookstore is proud, and quite rightly so, to stock 30,000 titles, and that that is less than 20 per cent of all available books. If Hachette manages to establish itself as the dominant distributor, it will be able to force its clients to favour its own works over that of other publishers, and the most directly affected will be Quebec publishing firms. Thus, I think it is safe to say that Hachette's domination of the Canadian market would not result in an increase in the number of titles made available to the reading public, but rather in a change in the available selection, a change which would be tantamount to a kind of censorship, because books that are not available when one wants to buy them are very often never bought at all. Only librarians have the patience to wait several months to receive a book they have ordered.

The average customer who goes into a bookstore because he has just read an article about a book and wants to read it, will, nine times out of ten, not follow up on it if it turns out that the book is not available in Quebec.

This insidious form of censorship is all the more disturbing when one is aware of the close links between Hachette and the French government of the day, and that included the Nazis in their day. The freedom to write, to publish, to distribute and to read whatever books one chooses to is too precious a right to give up one iota of it to foreigner. Furthermore, Quebec's publishers and booksellers have always been very much in favour of having books from France, Belgium, Switzerland and elsewhere circulate freely, and have practiced what they preached. We have never advocated protectionist measures that would have hampered that free flow of books and increased the price of books published in French.

In the current debate on whether the GST should apply to books, this attitude is apparent in the fact, which you may or may not have noted, that the group made up of publishers, booksellers, authors, and librarians, etc., have never asked that only books published by Quebeckers be exempted from the GST.

They have always asked that all books be exempted. Had they wanted to, Quebec publishers in particular would have had a perfect opportunity to say: "Well, of course, we want our books exempted from the GST, but don't exempt the books that come from our big competititors in France, Switzerland, Belgium or elsewhere, and for the rest of Canada, from the States or Great Britain." Rather, the common front is asking that all books be exempted from the GST, not only those that are published here.

That has always been the attitude in those circles. We have never advocated protectionist measures that would have hampered the free circulation of books, and hence of ideas, and increased the cost of books published in French, even elsewhere. If the GST were to apply to books in French, you can be sure that those books would be terribly expensive.

I bought a book yesterday. I could not get over it. It was the French version, published in France, of Gabriel Garcia Marques' most recent work, "The General in his Labyrinth". It cost 30 dollars, even though it is not a particularly big book; it is in fact relatively short. If the GST were added on, it would cost much more. By comparison, books published in Quebec would be less expensive. But we don't want that kind of protectionism.

For instance, I wonder if our French friends know how easy it would have been to demand that the federal government impose a duty on imported French-language books, as it does for English-language books?

We tend to forget that French-language books can come into Canada duty-free whereas English-language books are dutiable.

This apparent «favour» on the part of legislators is due to the fact that for these purposes French was considered a foreign language, and, out of consideration for its cultural minorities, Canada does not impose a duty on "foreign-language" books. When the decision was made, the legislators considered French a foreign language. We never complained about that. We could have said: Why are French-language books imported from France not dutiable, as are books imported from the United States or Great Britain? We never complained, and even accepted this anomly of having French considered a foreign language.

Senator Fernand Leblanc: Has this been going on for a long time?

Senator Hébert: I think it is still going on. We did not want to complain because we did not want to impede the free circulation of French-language books. If we had asked the federal government to impose a duty on books from France at that time, they would have become even more expensive than they were already.

On the contrary, Quebec publishers and book sellers will continue to accept this curious «favour»,

which consists in having French considered a foreign language,

and if they are currently taking a stand against foreigners taking control of the book trade, it is, among other things, to avoid a decrease in the number of foreign books available, and to prevent an increase in their prices. On the other hand, did you know that the books from Quebec that manage to get into France, and they are few and far between, are subject to an import duty of seven and a half percent, the value-added tax? They have this tax in France, which was at 7½% some time ago. I don't know what it is today. I mentioned the figure in another speech I made before the Senate. However, what I do remember is that France is one of the countries in which a much lower tax rate is applied to books than to other products generally, and to certain luxury goods.

That being said, neither publishers nor book sellers want to see the fraternal relations that should exist between France and Quebec marred by this unfortunate Hachette affair. We intend to pursue our mission as publishers and distributers of the works of authors who write in French, be they from here or elsewhere. All we want, for reasons that are known to you, is that Quebeckers keep control of the book trade.

We should not wait, as did our fellow countrymen from English Camada, for almost all of our publishing and distribution companies to have been taken over by foreign interests before legislating. To correct the situation, the Royal Commission that is at this time studying the problem involving English-language books will probably have to recommend radical measures to the Ontario Government. It has in fact done this, as I mentioned earlier.

In the closely related fields of radio and television, federal authorities did not hesitate to impose a 20% limit on foreign ownership of businesses' share capital. Within two years, radio, television and cable companies, many of which had been controlled by American or British interests, were 80% Canadian-owned.

This was due to the 20% limit on foreign ownership, before which American and British business interests were quickly snapping up the very lucrative cable distribution companies.

Neither Mr. Nixon nor Mr. Heath resorted to undue pressure to prevent the Canadian governement from adopting this necessary measure. Mr. Pompidou will also have to accept that we intend to pass similar legislation, for the same reasons, in the publishing field.

We are asking the Quebec government to impose a 20% limit on foreign ownership of publishing firms that produce literary works, and textbooks to be used in grade schools and high schools, and that the same measure apply to distribution companies and bookstores.

To obtain this legislation that is essential to their survival, publishers and booksellers, energetically supported by librarians, authors, unionized printshop workers, French teachers and many others, are gearing up for a battle royal.

It is comparable to the coalition against having the GST applied to books. It is made up of the same people, the same groups, the same union workers, authors, French teachers, etc.

Not since 1860, when the *Capricieuse* made its famous voyage to bring the first French-language books Quebec had seen since the Battle of the Plains of Abraham, have the books been the subject of such unanimity, such a collective will as that being expressed day after day in editorials, open letters, petitions and resolutions addressed to government. I took the trouble to tell this story because I find it very relevant to what is happening at this time, and the coalition of interests that took a stand then is the same as we see now. I think the fierce determination of the anti-GST coalition made the Quebec government back down and that the federal government is going to have to do the same sooner or later.

It is only a matter of time.

You can be absolutely sure of one thing: we are not going to give up!

That is exactly what Mr. Foulon, the president of the coalition, said last week and two weeks ago when he came here to meet with us.

The reason I am deeply committed to this struggle is not primarily to defend the legitimate economic interests of Quebeckers, but rather because I feel that if we lose this fight, the cultural future of Quebeckers as a whole will be jeopardized forevermore.

We won the previous battle and I do not think that the current coalition is going to lose this one.

[Senator Hébert.]

In conclusion, I would like to submit a short but urgent request to our New Minister of Cultural Affairs. The portfolio changes hands every year; at the time, the Minister of Cultural Affairs was Mrs. Claire Kirkland-Casgrain, who had just been appointed, on February 2nd, 1972. Moved by inspiration, I said to her:

"Madam, although quite recently appointed to your new duties, you are already being given the opportunity of taking a step that will eary you the gratitude of future generations."

I could adapt the message for Minister Wilson and say to him: "Sir, perhaps you have been in the same portfolio for too long, but you are finally given the opportunity of taking a step that will earn you the gratitude of future generations.

Act quickly and you will earn everyone's admiration!

I am asking you to exempt books from the GST.

• (1700)

[*Translation*]

If only you were still with us, Madam!

I should say that at this point the entire Montreal Chamber of Commerce burst into applause. They would, of course, have applauded for Mr. Wilson just as warmly, on behalf of all Quebeckers. That is the end of that aside.

Let me get back to the history of publishing in Quebec from 1960 to 1977, which basically sheds a great deal of light on the precariousness of the book publishing industry in Quebec and on its vulnerability to the threat of the GST.

The Conseil supérieur du livre—this was at the time of the Hachette affair and I added quite a bit to what this author had to say to you—will once again urge the government to intervene, but this time, if the Quebec Government does not intervene, says Pierre Tisseyre, chairman of the Conseil supérieur du livre, we will have no option but to turn to the federal government.

We never thought we would see the opposite situation today. It is the federal government that is deaf to our pleas. It is the provincial government that finally opened up its heart and mind to the pleas from the industry. In January 1972, then, the Conseil supérieur du livre sent a document entitled "Requête présentée au ministre des Affaires culturelles" (request submitted to the Minister of Cultural Affairs) to the new Minister of Cultural Affairs, François Cloutier—one of several ministers we had during that period—in which it recommended that the Quebec government place a ceiling on foreign ownership of publishing firms that produced literary works and school texts, as well as of distribution companies and bookstores.

In its text the Conseil supérieur du livre also provided figures illustrating the extent of foreign ownership of the book trade in 1972. The percentage of foreign control over publishing and distribution are estimated to be as follows. These are figures I have already quoted to you before in my speech. I will spare you the repetition.

The Conseil supérieur du livre received support on every hand in its struggle to protect Quebec interests in all of these book-related fields. In a telegram addressed to Premier Robert Bourassa—that was Robert Bourassa in his first incarnation—the Société des auteurs et des compositeurs (Association of Authors and Composers) blamed the Quebec government for having allowed the French firm Hachette to penetrate the Quebec book market to such an extent. And the association added:

> In the face of this foreign infiltration, we invite Quebec public opinion to rise up against its leaders, and to express its indignation at this dispossession which is being tolerated and negotiated by its government. We thought, concluded the Société des auteurs, that we had seen the last of colonialism, at least in the cultural domain. Economic considerations alone are of very little import when measured against the will of a people to protect and express its identity.

Both *Le Devoir* and le *Soleil* took a stand on the Hachette affair. Claude Lemelin, of *Le Devoir*, wrote an editorial supporting the positions defended by the Conseil supérieur de livre on the substance of the issue, i.e. the 20% limit to be imposed on foreign ownership of publishing firms, distribution companies, and bookstores, as well as the gradual withdrawal of foreign businesses that were well established in this sector of the Quebec economy, the most notable being Librairie Hachette.

Claude Lemelin saw no reason to seek the collaboration of foreign businesses in that sector of the Quebec economy where the capital needed to restructure and finance growth of the Quebec book trade was to be found in quite sufficient amounts.

Finally, according to Lemelin, it was incumbent upon the Bourassa government to maintain an independent, domestically-owned book distribution system in order that publishers, and Quebec publishers first and foremost, might have access to it. Ivanohé Beaulieu, of Le Soleil, spoke out on the Hachette affair by preparing a background article. According to Beaulieu, no industry so insignificant from the economic point of view had ever raised such a hue and cry in Quebec.

But, said the Le Soleil reporter, when you talk about books you cannot expect to tell the whole truth by quoting percentages and financial statements. In Quebec, you must look beyond these figures to see that the debate is driven by emotion, by such things as nationalism, culture, heritage, etc. Like any society that feels threatened, Quebec will react very strongly if it feels that any part of its collective life is in jeopardy.

In Quebec, foreign invasion, be it by Europe or the United States, will always be considered a legitimate hobby-horse. Beaulieu felt that the accusation that Hachette wanted to take over the Quebec book trade was justified by the remarks made in May, 1971, by Mr. Ethier de Roquemaurelle, whom I spoke of a bit earlier, at the shareholders' general meeting. And in his article he brings in the quote I gave you a bit earlier:

In light of the fact that in Quebec Quebec publishers and all professionals must maintain their fair share of decision-making power, Beaulieu and Lemelin both blame the government for its attitude in the Hachette affair. In his analysis of the interests involved in the battle opposing the Conseil supérieur du livre and, more particularly, the pressure group representing the Société des éditeurs de manuels scolaires (Textbook Publishers' Association), to Hachette's majority shareholders, the journalist from *Le Soleil* concludes that the threat referred to by the publishers of school books is to a certain extent of a commercial nature. This may at bottom be a trade war rather than a fight to the finish to protect our culture, as some would have us believe. So the journalist harbours certain doubts. Textbook publishers always react very badly to the arrival of foreign publishers in their sector of the publishing business which they consider to be a very lucrative one overall. A study carried out in 1969 by Ernst and Ernst throws some light on the real concerns of textbook publishers. As a solution to the gradual decline and inevitable disappearance of bookstores—that was the situation at the time—several textbooks publishers and a few publishers of general works felt that the Government of Quebec should set up a program to assist bookstores by providing them with subsidies, for though they might not be economically viable they continued to have a cultural *raison d'être*.

> The proposed solution did not change any of the gives in the book trade. The scales might have been tipped by the arrival of Hachette in the textbook publishing milieu with the opening of the *Centre éducatif et culturel*. (Cultural and Educational Centre).

> On May 3, 1971, the then Minister of Cultural Affairs,

I have to name him because there was a new one every year, François Cloutier, a psychologist,

> announced the Bourassa government's comprehensive policy on books. Three days later, *Le Devoir* published an editorial entitled: *Une politique québécoise du livre* (Quebec's Policy on Books). The editorial was signed by Claude Ryan.

He also wrote this book. In the editorial, he wrote:

> "Of all the areas for which reforms have been considered in the past few years, none has seen as much discussion and as little effective action as the publishing field. The Quebec government has finally published its policy on the issue, a policy that was eight years in the making. The enormous advantages it will have for Quebec's society as a whole certainly outweigh the few disadvantages it will bring to those who had developed bad habits." We were aware of all the ins and outs of the problem since the publication of the Bouchard report. It is, then, in the Bouchard report, which had been collecting dust since 1963 at the Ministry of Cultural Affairs, that François Cloutier found the ingredients that went into his policy on book publishing. The policy was approved by the Bourassa Cabinet, which passed three orders in council on

2 February 1992, at the urging of a new Minister of Cultural Affairs, Mrs. Claire Kirkland-Casgrain.

Senator Castonguay was a minister in that cabinet, by the way. I don't know what his position was with regard to books in those days, but we know what his position is today. He is against them.

> Two orders in council, numbers 353 and 354, were signed concerning the institutions to be subsidized: school boards, libraries and bookstores. They force all institutions subsidized by the Government of Quebec to purchase their books, be they published by Quebec firms or foreign ones, from approved bookstores . . .

Today they call them certified bookstores.

> At least 50 per cent of the share capital of these approved bookstores had to belong to Quebeckers. These two orders in council, which also contained provisions concerning a price and rebate mechanism and the regionalization of purchases, came into effect on February 26, 1972.
>
> The third order in council, number 352, concerns assistance to publishers. For a publishing firm to be subsidized, at least 50 per cent of its share had to belong to Quebeckers. That regulation came into effect on February 19, 1972.

Senator Corbin: They had to belong to Quebeckers, not Canadians, but Quebeckers.

Senator Hébert: Yes, Quebeckers, yes. I think they could have belonged to other Canadians as well. I think they simply wanted to exclude foreign ownership.

> The Bourassa government, by passing the three regulations on the publishing industry that set a 50% ceiling on foreign ownership of share capital in these firms, showed scant regard for the representations made to it by the *Conseil supérieur du livre* and by many other cultural groups on the issue of foreign ownership.
>
> Just as the government's lack of action in the cultural field was incomprehensible in the days of the Quiet Revolution, the measures taken by the first Bourassa government at the time threatened to provoke some very ominous backsliding.
>
> It has become a commonplace in Quebec to refer to the cultural colonialism of Hachette—Hachette is in a way the symbol of cultural imperialism in Quebec—but the Bourassa government is the one that instigated this by its silence and its complicity. The Bourassa government's record is no better than that of the governments of Jean Lesage or of Daniel Johnson and Jean-Jacques Bertrand: it does not consider books to be an essential means of expression of Quebec culture.

Even among Liberals, you can find conservatives: people for whom books are considered an industrial product of little importance—and the grotesque orders in council defining the policy on book publishing prove it.

[Senator Hébert.]

Senator Corbin: Could we also say that there are liberals among the Conservatives?

• (1710)

Senator Hébert: There are some too, but they did not express themselves with much courage during the last vote on the amendments, as we could see. If there are Liberals amongst them, people who have some liberalism left in the bottom of their hearts, it didn't show during the 10 votes on the amendments.

> On March 10, 1971, foreign participation was limited to 25 per cent in an order. Six months later, a new order brings this level to 40 per cent and at that time, Hachette became the owner of 45 per cent of the shares of the *Centre éducatif et culturel*. But according to the last order, it couldn't be approved by the Department. Finally, shortly after Premier Bourassa's official visit to Paris . . .

where champagne was served in abundance . . .

> the Cabinet voted a third order bringing foreign participation up to 50 per cent, which was more acceptable for the French.

In *Le Soleil*, Invanhoe Beaulieu summarized this imbroglio in these words:

> In less than two months, Quebec book professionals have lost the guarantees they had been promised during the last few years. The door was opened for the arrival of foreign capital. Between the James Bay project, where French investors provide funds, and the Quebec book industry, the Bourassa government chose the James Bay project.
>
> The period from 1967 to 1972 was also the beginning of the conquest, the occupation.

The Quebec cultural landscape had been left vacant by the cultural inaction of the Quebec government and, as I said earlier, Canada Council's initiative was extremely beneficial for Quebec and I wonder if the book industry in particular would be where it is now without the intelligence, efficient, generous contribution of the Canada Council. And this compensated for the carelessness shown by the various ministries for cultural affairs which followed one another in Quebec under one government or another, under Bourassa's Liberals or under Johnson and Bertrand's Conservatives.

> Instituted by the Parliament of Canada in 1957 following the work and recommendations of the Massey Commission, which is rather called the *Commission Massey-Lévesque* in Quebec, because of *Révérend Père Lévesque* who was the co-chairman, Canada Council's mandate was to encourage intellectual creation and activity. It was designed after some large American foundations—

the author should maybe also mention after a British Council of the Arts which was also taken as a model—

> and with typically Canadian characteristics. This agency was created by the Secretary of State only four years before the Quebec Ministry for Cultural Affairs.

> At first, Canada Council resources were limited, since they only had a total of 2.7 millions dollars. These resources would remain limited up to 1965. During that time, the average operating budget was around 3 to 4 million dollars for the whole country.
>
> In that first phase of its existence, the federal competitor

—this, according to Guy Frégault, of course, who was a strong nationalist and as such, very hostile to any type of intervention, as he said, of the Federal Government in our affairs—

> the federal competitor didn't seem to have the muscles of an unbeatable champion. Despite its lack of resources, the Cultural Affairs Ministry was strong enough to compete with the Canada Council.

In reality, this did not happen, and the Canada Council started to pull ahead of Quebec in 1966.

> The second stage of the Canada Council's existence starts at the beginning of 1966 and goes on till 1973. It is the era of experience, also the era of abundance. As early as 1966-67, the Federal Government cultural expenses reached 146 million dollars. The resources granted to the Canada Council also begin to grow: 7 million dollars in 67-68 for the arts, then from year to year, $8,700,000, $9,400,000, $10,300,000, $12,700,000 in 1971-72. In 73, the arts' subsidy amounts to 45 million dollars. In a speech given in September 1973, the Canada Council Director, André Fortier, thus summarizes the Council's role:
>
> But first of all and essentially, the Canada Council represents a direct and partial effort to face one of our big national problems: the necessity of promoting and developing our cultural identity. This identity has been and still is difficult to realize.

There was a survey made at that time—and I will just summarize this:

> 70 per cent of respondents—

This must have been publishers themselves—

> think that Ottawa is more likely to solve their problems.

So, that was the book industry.

> This conviction will be strengthened by the Hachette affair which had shown that the Quebec government had not made a very good choice in this situation.
>
> In the publishing sector, Ottawa's role was mainly to grant subsidies for research and creation.

They were not very high but at least it was done clearly, it was direct and it was useful.

> One of the tables, table 2, summarizes the evolution of subsidies granted to the publishing sector by Ottawa and Quebec for the period from 67 to 72, period when the Federal Government started infringing on the Quebec cultural landscape. This table shows that the assistance granted to Quebec publishers by the Quebec government is of the same magnitude in 72-73 as in 67-68; that of the Federal Government was 15 times higher than in 67-68.

There, you will note the tone used by the author I'm quoting, who is obviously a nationalist and most probably a partisan of sovereignty or independence, as they call themselves in turn. This is not my case and then, when he talks about the Canada Council's interference, I cannot agree that it is an interference. I cannot imagine that Canada being my country, it could be accused of interfering in a field which is not education and culture but a mixed field which could receive assistance from various levels of government.

> Throughout this period, we saw further inroads being made into economic control over Quebec culture through foreign takeovers of distribution companies.
>
> As for the government's representatives, in private they continued to profess their goodwill and sympathy for the spokespersons of special pressure groups,

Just as the Honourable Marcel Masse did last week, when he received a delegation of publishers, booksellers and authors headed by Gratien Gélinas, I believe—in any case, I know he was the most senior person among them, since he is more than 80 years old. So, again, we had fine words from all these people, including Mr. Masse, except that the last word was still a clear, emphatic "no".

Senator Corbin: May I ask a question? Since you are talking about the Minister of Communications, the Honourable Marcel Masse, I wonder whether you are aware that last Wednesday in the House of Commons, Sheila Finestone, the member for Mount Royal, put a whole series of questions to the government? Perhaps I could just quickly quote some of Mrs. Finestone's comments. She said:

> Mr. Speaker, over the past several months, the Government of Quebec, like us, has been imploring the federal government to exempt books from the GST. But like us, it has come up against a brick wall.

Were you aware that the Quebec Government had asked the federal government to exempt books from the GST?

Senator Hébert: Yes, Senator Corbin.

Senator Corbin: Oh, you were! She goes on to say: "Yesterday, realizing that it had made a grave error by also putting a tax on books, the Government of Quebec changed its position and finally decided not to tax books or reading materials. Is the Prime Minister prepared to tell us today, in this Chamber, whether he intends to follow Quebec's example and comply with the wishes of thousands of canadians from coast to coast by announcing that books will be exempt from the GST?

Hon. Senators: Hear, hear!"

That question was put last Wednesday in the House of Commons at 2.20 p.m.

So, the Honourable Marcel Masse, the Minister of Communications, rose and gave this answer:

> "Mr. Speaker, with respect to taxation, the government has decided on a broad tax base in order to keep the rate down".

Do you understand what he is talking about? Initially—and these are my words now—they had set the rate at 9%. Then they lowered it to 7%. And yet, they neither broadened or narrowed the tax base when they took that step. And let me just quote again Mr. Masse's words:

> Mr. Speaker, with respect to taxation, the governmnent has decided on a broad tax base in order to keep the rate down. The government recognizes that particularly in recent years, the cultural industries in general, and particularly the publishing sector, have experienced some difficulties. The Prime Minister has sympathized with their predictament and the government is indeed prepared in due time to further analyse the situation and make whatever changes may be required.

That was the first answer from the Minister of Communications, Mr. Masse, to the first question put by Mrs. Finestone. However, unsatisfied with that answer Mrs. Finestone rose a second time and said:

> But changes are required immediately, and the minister knows that perfectly well, as does the Prime Minister, in fact. In Vancouver, the Prime Minister said he would reconsider taxing books such as the Bible and Koran, for example. We saw that in the TV clip; the Prime Minister may not agree with the network, and I can hardly blame him. And we do not blame him, because we are increasingly concerned about the growing problem of illiteracy and its impact on our economy and our international competitiveness. We are also concerned about the feeling of isolation experienced by those who cannot read.

It is a little difficult to read but I think I can do it. No problem. Just because I am from New Brunswick—indeed, a francophone from New Brunswick—does not mean I cannot read in the Senate. You do not need to come from Quebec in order to read in French in the Senate. We are not just warm cadavers, Senator Poitras—although some of your Quebec compatriots would probably like people to think so. Isn't that something! So Sheila Finestone went on to say:

> The Ministers of Finance and Communications said . . .

Then the Speaker rose and . . .

● (1720)

[*English*]

Senator Roblin: This pseudo question here, this speech introduced in guise for a question: you know that is against the rule.

Senator Stewart: I suspect you will rise on a point of order, Senator Roblin.

Senator Corbin: Would Senator Roblin please indicate in what way my question to Senator Hébert, who has the floor, is against the rule?

Senator Roblin: I think I can safely say my friend is not asking a question; he is making a speech. He is making a reasoned argument. He is not asking a simple question. That is what he should be doing.

[Senator Corbin.]

Senator Corbin: All I am doing, Senator Roblin, is quoting from the House of Commons *Hansard* as a lead-in to my question. Shortly after your government was elected in 1984, you yourself admitted that you had mastered the art of asking long questions with long preambles when you were sitting on the opposition benches. So I really don't see why I should be taking any lessons from you today. Anyway, you aren't listening. What, indeed, is the point of trying to get through to our friends opposite? Consequently, I will address myself to Senator Hébert. Then, the Speaker rose and said:

> I would ask the member to please put her question.
>
> **Mrs. Finestone:** The Ministers told me that they were seeking other means of funding the publishing sector and the Minister has, in fact, just recognized the problems it is experiencing, which also goes to show that the government is hurting that sector of the economy.
>
> **The Speaker:** The member is starting to make a speech; so I would ask her to please put her question.
>
> **Mrs. Finestone:** Will the minister immediately withdraw the tax on books and publications?
>
> **The Hon.Marcel Masse, Minister of Communications:** Mr. Speaker, since we are talking about reading, I think the member for Mount Royal would do well to read exactly what the Prime Minister has said on the subject, as she would realize that her interpretation does not in any way jibe with the Prime Minister's statements.

Perhaps I could just digress for a moment and say that I do not know exactly what the Prime Minister may have put down in writing on the subject, but I, myself, heard him say on television, in front of a group of young people, that he was unaware that the *Bible* and the *Koran* would be taxed. I stand to be corrected, but I heard it myself on the CBC news. Then Minister Masse goes on to say:

> Secondly, the member says the government must take steps. The fact is, the government has already taken steps in the past, is currently doing so, and will continue to take whatever steps are necessary, bearing this in mind."

This is Minister Masse speaking here: "The government has already taken steps in the past, is currently doing so, and will continue to take whatever steps are necessary, being this in mind."

That is certainly relevant to the debate? Is it not? And to your comments, Senator Hébert. Minister Masse goes on to say:

> The government does recognize that there are two separate markets for books in Canada: an anglophone market and a francophone market. I thought there were actually three—what the Quebec government likes to call the allophone market.
>
> We also recognize that the francophone market is under pressure because of the small population base available to support the industry as a whole. That is why, in its current 8-million-dollar annual program, the government devotes 40% of its funding budget under the publishing

program to the francophone publishing sector in Canada, Mr. Speaker.

So, Mrs. Finestone rose a third time and said:

Canadians who read books, be they francophone or anglophone, need to be able to do that; but they don't need a tax.

No tax on books.

She then moved on to another topic—the CBC.

You see, Senator Hébert, the GST not only concerns the senators, who are in the process of considering the legislation and debating it at the third reading stage; it continues to be a source of concern within the House of Commons, which has already passed the bill.

It continues to concern members of Parliament who have the courage to rise and talk about it because they want the government to change its ways and get rid of the tax now. So, you see, Senator Hébert, this issue is by no means resolved. It is not in the bag for the government just yet. Members of Parliament continue to discuss the issue. And senators continue to discuss the issue. And Senator Poitras, do not say a word, because your whip told you not to say anything today. You disobeyed the rule earlier. So did Senator Roblin. You must keep silent. Listen to what your leaders tell you; just do not say a word. Your turn will come.

So, Senator Hébert, do you think the government will be able to continue to resist pressure from all sides to remove the tax on books, as the Quebec government has done? Do you think this government will be able to resist up until the day the tax is finally in place, if we ever reach that day?

Do you not think rather, that the pressure is so strong and so irresistible that in an attempt to make a sort of a peace offering, the government is likely to make a statement in the next few hours or days to the effect that it is prepared to listen to the representations of the Liberal senators and the arguments of publishers, booksellers, provincial governments and Canadians in general by backtracking on the plan to apply the GST to books. I have the feeling that that is what is going to happen, do you not?

Senator Hébert: Well, I am not sure you are right. I certainly hope so, though. And there is a very simple reason why I am not sure: The Quebec government really did not have any intention of giving in on the issue of a tax on books. The reason it gave in is because it quickly realized that the coalition it was facing was not the kind of coalition that is here today and gone tomorrow. It realized that his coalition was not about to disappear overnight. Intellectuals are very stubborn, as are publishers. Even a very down-to-earth man with his feet firmly on the ground like Mr. Gérard-D. Lévesque, the Quebec Minister of Finance, realized that it would be better to concede now with dignity rather than continuing a battle that he was certain to lose one day. I think at the federal level, the difference is that they are not quite as familiar with that kind of coalition or with these people. And yet, you would think they would be familiar with its counterpart in Toronto, whose members include the best-known English-speaking writers in Canada, as well as publishers and booksellers. It is the kind of coalition that does not just fade away overnight, but continues to fight until it succeeds. I am not sure the government really realizes this. That is why, to answer your question, I am not really convinced the government will have the grace to say: Okay; we will follow Quebec's lead and exclude books and periodicals from our proposed tax. I do not think they will do it. I think they are going to dig in their heels because they imagine they still have the support of—what is it, 14 per cent of Canadians? It seems to me that is not a lot of support. But they still seem to be pretty sure of themselves, and they are pretending to govern with a majority that is becoming increasingly eroded in the House of Commons, although they have increased their numbers in the Senate through the totally illegitimate means that we are all aware of.

• (1730)

Senator Corbin: You have partially answered my question. But I would just like to briefly draw your attention to the Honourable Marcel Masse's second answer.

Senator Hébert: Senator Roblin is not here.

Senator Corbin: Well, Senator Roblin just may be here. I asked him to tell me what Senate rule prevented me from putting a question to you while you have the floor. He was unable to answer my question, although he did give me a little sermon. He was unable to refer me to a specific Senate rule in that regard. In other words, he is not terribly serious about all this. So, Minister Masse, in his second answer made the following statement: This is what the government has done in the past, is presently doing and will continue to do, bearing this in mind. And a little later on he says: That is why, in the current $8-million funding program, the government devotes 40% of its budget under the publishing assistance program to the francophone publishing sector in Canada.

Does that lead you to believe that the government does in fact have another option, namely to increase its publishing assistance program? According to the minister, the annual budget is now about $8 million. Now here is an option: He could increase it to $10 million, or $12 million and still keep the GST in place; or, another option would be to leave the program funding at $8 million a year, but rather than devoting 40% of the publishing assistance program funds to the francophone publishing sector in Canada, he could increase that to 50, 60 or 70%. If he were to give the entire $8 million to the francophone publishing sector in Canada, would that be enough to counter the damage caused by the GST?

Senator Hébert: Well, what it might do is allow a number of publishers to avoid going belly-up. Funnily enough, the publishers did not commend Mr. Masse on his proposal—indeed, not at all, because they understand that even though artificial means, such as direct subsidies to publishers, may make it possible to save some publishers from starving to death or closing their doors, that sort of thing does not stimulate reading. That does not change the fact that the book I paid $30 for yesterday afternoon, will cost $40 or something once the GST is in place, if it ever passes.

That is what people in the books and publishing sector cannot accept. The introduction of the tax will mean a drop in book sales, and will actually prevent many ordinary Canadians from buying books. Consequently, it will inhibit the exchange of ideas, something that already is not all that easy in a small community such as ours, with only a small network of bookstores and libraries that are neither well stocked nor well funded. That is why Mr. Masse's proposals, which seem generous—he talks about $40 million here and 40% of the budget there—did not really impress the books and publishing community or the delegation he received, because it does not solve the problem. It is nothing more than a band-aid. Perhaps he thought he could buy the silence of publishers, but he was wrong. Publishers are not like other businessmen. They are people who generally see what they do as something of a calling; so it is not enough for them to know that they will not starve to death, they want people in Quebec and Canada to read books. They want books to be accessible. They are already too expensive. But with the GST added on, as the figures demonstrate, it will be an absolute catastrophe. All this discussion arose from the fact that we were talking about the Quebec Government. But governments are sometimes alike. I think the government will be content to establish working groups to look at the problems without ever following up on the excellent recommendations that we have made.

There again, at that particular point, the Quebec government was behaving a little like Marcel Masse. There were plenty of fine words and studies, but when something occurs that is as clear and unequivocal as what happened in Montreal—I refer to thesurvey showing that 92 per cent of the population of Montreal was asking both governments to abolish the tax on books, well, that is thekind of unanimity one rarely sees on any subject.

So it referred to documents or studies on the book trade in Quebec that had been prepared for the Ministry of Cultural Affairs in October of 1976 by Drouin, Paquin et Associés. These presented a full picture of the situation that has prevailed in the distribution sector in recent years. I have an excerpt from the study here. The fact is the market share of foreign distributors has been steadily increasing in the past four or five years. They now form the majority within the Quebec book distribution network.

Most of them are French distributors or publishers, like the Nouvelles messageries internationales du livre, Hachette, Socadis—which is the Gallimard group—Flammarion, Bordas, Juneau, d'Imédia—which is the Seuil group—les Éditions françaises—which is Larousse—les Presses universitaire de France and finally, les Presse de la cité.

Also, a number of exclusive distributors of foreign collections deal with imported books, which they distribute and sell at exorbitant prices. And they are perfectly free to do so, because the 1972 regulations do not cover the way in which retail prices are set for exclusive foreign collections.

The popular distribution agency established by the Sogides group to distribute its own collections, like l'Actuel, l'Édition de l'homme, Habitec, and Édition les Presses libres, is the only Quebec distributor in a position to compete with foreign distributors. A number of Quebec publishers have no choice but to use foreign distributors.

According to Drouin, Paquin et Associés, Quebec publishers have to choose between a Quebec distributor having only limited means of dissemination and a foreign distributor, who can be much more effective in that regard but who is, at the same time, a competitor in the publishing sector. And because foreign publishers and distributors are effectively controlling the market, Quebec books are treated as poor relations. It is perfectly understandable that if foreign publishers control the distribution system, their priority will certainly not be to distribute and promote Quebec books. On the contrary, those distributors are primarily concerned with giving prominence to their collection and ensuring that their books are well displayed in bookstores and other points of sale.

Senator Corbin, you spoke a little earlier of the Flammarion bookshop in the National Arts Centre. It goes without saying that books published by Flammarion are prominantly displayed in that bookshop. And no one can blame them for doing that—particularly since they do provide reasonable space for their competitors' books, be they French or Canadian.

> Because of the foreign publishers' and distributors' effective control of the market, the needs of the people of Quebec are subordinated to the interests of these foreign publishers and distributors, who are not concerned with the future of Quebec literature.

One cannot expect Flammarion or Hachette or any other French publisher to show any great concern for Canadian or Quebec literature. It is of no interest to them.

> Literary publishing, of course, is not profitable, and therefore does not interest foreign distributors whose primary goal is to maximize profits. By pushing certain collections, the consequence of which is to eliminate others in the market, some of the more powerful distributors, like Hachette, are effectively exercising a kind of censorship, by preventing the circulation of ideas, and in that sense, are engaged in an activity that is not only commercial in nature but ideological as well. One can certainly understand that a distribution company like Hachette would want to distribute the book about Mr. Pompidou, who was the President of France and Prime Minister under de Gaulle, but it is less clear that it may want to handle a book like "*Notre ami le roi*", which has just been published and is a blistering criticism of the King of Morocco's regime. I do not imagine Hachette will be all that keen to distribute the book, particularly since it dominates the French-language book distribution network in Morocco itself. So, you can see the kind of latent censorship that that gives rise to.

● (1740)

[*English*]

Senator Stewart: Honourable senator, would you entertain a question at this point? I realize that you are concentrating your interesting address on publishing principally in Quebec,

but I know about a situation in English-language publishing that disturbs me and many others. I wonder if the same situation prevails with regard to French-language publications in Quebec.

I am referring principally to books published by university presses—for example, Oxford University press or Cambridge University press. It used to be that one could buy an Oxford University press book when I was an undergraduate for approximately $5 or $6. They then went up to $10 or $15. A book that cost 10 pounds was really extraordinary. I now find that when I buy books from England I am paying 30 pounds, 40 pounds, or even 50 pounds for them. One asks: Why has the price of these kinds of books gone up in this astronomical way?

I am told that it is a vicious cycle. The price was put up to pay for the increse in printing costs. The result was that the number of books purchased declined. Consequently, the price was raised again, and, as a result, the circulation declined. We now have a situation where books are printed in small runs—as they say in the printing trade—and are sold for 40 pounds or 50 pounds. I buy a fair number of books of that type—at least I used to. A book that costs 40 pounds when imported into Canada will cost around $85 or $90 plus postage. We will then put a tax on that. That will decrease the number of those books purchased and printed. The same will apply with regard to books published by the University of Toronto press or by McGill-Queen's press in Canada.

Does the government have any realization of the economics of academic book publishing in Canada? I ask a two-pronged question here. First, is what I say true with regard to academic books published in the French language? Secondly, how will the tax on books influence the publication of so-called learned books in Quebec itself? I wonder if now or at some other opportunity perhaps later today you could deal with that question.

Senator Hébert: You described the situation for the learned books of university presses published in Great Britain, or Toronto for that matter, quite accurately. It also applies to books published in French, but with one difference, namely, when the University of Laval or University of Montreal press prints a book on a matter that is for a limited audience, especially if it concerns matters that are related to Canada and are of special interest to Canadians or Quebecers, it is more accurate. The difficulties that you described concerning books that are printed in English are still more acute in Quebec because of the smaller number of readers.

You are correct. The price for these books is now so high that it is difficult to buy them for students who have limited means. These books will not be classified as text books and will be taxed at 7 per cent by the GST. Consequently, fewer books will be sold to students, academics, researchers, and so on. Also, fewer books will be exported at a cost. Consequently, fewer books will be printed in the future. Because there will be a fewer number of books in the run, as you have mentioned quite correctly, the publisher will have to increase the price of these books, and the higher these books are, the less people will buy them and the more costly they will become. So what is the end of that, I don't know. One thing that is quite clear to me is that the GST on books is not the answer. It is the beginning of the end for a lot of books.

● (1750)

Naturally the publishers of learned books will also have to make choices, which means that a lot of the good books that should be published on very special subjects, books that are important for the evolution of thinking of society, will not be published at all, let alone sold in smaller quantities. In a year from now the Toronto University Press will not publish the same number of books that they are publishing now, and that will be because of the GST. If I were the government, I would not be happy to be responsible for these books never becoming a reality and never playing a role in the evolution of our society.

Senator Stewart: I thank the honourable senator. May I ask another very short question on the same topic? We have in our midst a distinguished authority on constitutional law who has just recently published a book on this rather esoteric topic. Would it be helpful to ask, Senator Hébert, if Senator Beaudoin could tell us the implications for the publication and sale of books similar to his own after this tax goes into effect, if indeed it does go into effect; or is it too much to ask him to share that kind of knowledge with us as we debate whether or not Canada should have a tax on books?

Senator Hébert: I could see Senator Murray making a negative sign to Senator Beaudoin not to answer your question, and he is intimidated—

Senator Frith: Like a pitcher shaking off a catcher's signal.

Senator Hébert: He knows he has received his instructions at what I described on Friday as a Conservative caucus, when Senator Murray told all these nice people, "One thing is sure, do not intervene. Shut up. The only thing you are here for is to vote."

Senator Frith: I don't think you are going to hurt Senator Murray's feelings.

Senator Stewart: He wouldn't use language like that.

Senator Hébert: "Shut up" is perhaps a bit rough. "Please be quite", he would have said. That is why I think we are right. Senator Beaudoin will not give this information. We will never know.

Senator Frith: Not publicly, anyway.

Senator Hébert: No.

Senator Simard: You had better take a pill over there.

Senator Hébert: Oh, you were told not to intervene, Senator Simard.

Senator Simard: Take a pill, anyway.

Senator Frith: When that old harpoon hit him, Moby Dick rose.

Senator Hébert: The discipline is going to the dogs on the other side, eh?

[*Translation*]

When I was interrupted, we were talking about

> . . . several exclusive distributors of foreign stocks apply excessive sale's prices to the books that they import and distribute. They are free to do so because the 1972 regulations do not establish the retail prices of exclusive foreign stocks.

Does Senator Beaudoin want to make a point?

Senator Corbin: On a point of order, Senator Poitras is telling Senator Lefebvre: Be polite! Be polite!

Senator Lefebvre: I am always polite!

Senator Corbin: Here they go again! The other side is giving us another lesson!

Senator Hébert:

> . . . Because the book market is subordinated to foreign publishers and distributors, Quebec books are treated, so to speak, as second class. Clearly, in a distribution system controlled by the distributors of foreign publishers, the distribution and promotion of Quebec books hardly is a priority! Indeed, these distributors make a point to give priority to their own books and to promote them in book stores and sales outlets. Foreign publishers and distributors exert a stranglehold on the book market and the main victims of their indifference to the future of literature are the Quebec readers.
>
> Quebec is a prosperous market, particularly for French publishers. Between 1972 and 1975 the imports of French books have grown rapidly.

During that period, they have grown from 16 million in 1972, to 22 million in 1975. You can easily imagine what the figures are in 1990.

> According to reports on the book market presented to Cultural Affairs during the last few years, Quebec books deserve a more prominent place in book stores and outlets. To give them the place they deserve, the Government will have to intervene in order to change the rules of the game that control the economic mechanisms in the cultural field. According to the findings of the Drouin, Paquin et Associés report, the distributors of foreign publishers should lose their dominance so that Quebec publishers could be distributed by a Quebec company that would not be controlled by a competitor.
>
> In his report, Mr. Pierre de Grandpré,

. . . who was a senior civil servant at the Ministry of Cultural Affairs, and who had been asked to do a study on the distribution of periodicals and pocket books, concluded, and I am quoting him:

> "In the publishing field, a Quebec policy can only be efficient and fruitful if shipping and stands which constitute the most important distribution network of popular culture through the printed word, are adequately regulated."

There you have a long winded sentence typical of a civil servant.

> According to the report, there are more than 10,000 outlets for newspapers, periodicals and pocket books in restaurants, grocery stores, "tabagies" . . . The word "tabagies", which means smoke shop, is put between brackets because it is a Quebec creation which is particularly common in Quebec City.

BUSINESS OF THE SENATE

The Hon. Acting Speaker: Honorable Senators, according to article 12 of the Regulations, I must leave the Chair. The debate is adjourned until 8 o'clock tonight.

Are you agreed, honorable senators?

Hon. Senators: Agreed.

The sitting of the Senate was suspended until 8 p.m.

[*Editor's Note: For continuation of proceedings, see Issue 115G.*]

THE SENATE

Thursday, November 29, 1990

[*Editor's Note: Continuation of proceedings from Issue No. 115F.*]

[*Translation*]

(The sitting of the Senate was resumed at 8.00 p.m.)

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE TAX
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

THIRD READING—DEBATE RESUMED

Hon. Jacques Hébert: Honourable senators, once again at the stroke of six, I was rudely interrupted in mid-sentence, maybe at the exact moment I was about to convince some senator across the way.

Never mind! I am an incorrigible optimist and I will continue. After all, I only need to convert two or three and then it is done.

In the first part of my speech, I took the trouble to explain the difficult beginning of publishing and book selling in Quebec, because the situation there is in many ways similar to that in English Canada. I recalled the battles that the book community had to fight, the unfair foreign competition and, alas, too often, the indifference of governments.

In spite of everything, both the provincial and federal governments at least claimed in their speeches that they wanted culture, and literature in particular, to flourish. The federal government created the Canada Council many years ago. This Council has made an effective contribution to encourage the publication of new works and translations of Canadian works in one language or the other.

At the end of the 1970s, The Department of Communications created wonderful programs to help publishers. For its part, the Government of Quebec established the Department of Cultural Affairs and set up some programs, which, however, were more timid than those of the federal government.

One thing is certain: the various levels of government so far have treated books with the respect they deserve. That is why, since Confederation, no government has even suggested taxing books—neither their sale or manufacture. Then came the Mulroney government. With the wonderful assurance that comes from ignorance and in particular ignorance of cultural realities, Minister Wilson decided to apply the GST to books, which is a real tragedy for publishers, booksellers, librarians, authors and readers of books. In fact it is a tragedy for all of society.

Before proving that statement, let us describe the situation of publishing in the 1972's to show you what it was like then.

> Without denying the beneficial effects that the decrees of February 1972 had on the book industry, it is likely that the Bourassa government's aid policy . . .

I am talking about the first Bourassa government, of course.

> . . . had no tangible effects on the development of the bookstore system.

This refers to accredited bookstores. We said what an accredited bookstore was. From 1966 to 1976, the number of accredited bookstores increased from 89 to 136.

> The number of accredited bookstores remained quite steady from 1966 t0 1970 . . .

In fact, in 1971, there were 142 of them. The number went up to 156, then 174 and went down to 166.

So you see how fragile that business is. From a peak of 174 to 176, some 40 bookstores had to close their doors or lose their accreditation for lack of the necessary facilities.

> Note that the number of accredited bookstores remained quite steady from 1966 to 1970, grew very rapidly from 1970 and 1971 (53%), continued to grow significantly between 1972 and 1974 and declined suddenly and sharply in 1976, bringing the number of accredited bookstores to the pre-1971. So the period of significant growth is around 1971, when 142 of 190 bookstores were accredited. At that time, booksellers already had some government support. "Nevertheless, we believe the main effect of this aid was not to create new bookstores but to encourage existing ones to seek accreditation." The reason they did not do so before is that the 1965 Accreditation Act was not commercially attractive. It was only in 1974 that the bookstore accreditation policy started to be seen as insulfficient to ensure their profitability. The difficult economic situation that began around 1973 or 1974 surely did not help the book business. At the same time, bookstores reported a drop in book sales and a sharp rise in prices due to inflation.

So as we saw in 1973-74, as book prices go up, sales go down. It is a direct effect of inflation which is less apparent in other sectors but very obvious in the book trade. That is why no one doubts that the GST applied to books will lower book sales, thus lowering press runs, thereby raising book prices. The more book prices go up, the more sales go down. The decrease in sales leads to catastrophic vicious circle.

So booksellers' profitability has declined since 1974, with a gross profit margin, according to the Drouin, Paquin at Associés report, of 26 to 28%, which is very close to overhead expenses of around 27 to 28%. Nearly half the bookstores (46%) had less than $250,000 in total sales in 1975. For that year, total book sales were estimated at $54.5 million.

• (2010)

Insufficient profitability forced many booksellers to give up accreditation and its standards (at the end of April 1976, Quebec had 136 accredited bookstores—two-thirds of those in the province) to be able to limit their stock to what sold the most and give greater importance to better-paying related products: stationery, office supplies, etc. Books were in danger of becoming just another product.

Now we now that the growth of the book market in Quebec depends on the health of the bookstore business.

For Quebec publishers, the bookstore system is of prime importance. Unlike the United States, where book sales have become the specialty of college stores and book clubs, here in Quebec, we have proportionately 10 times as many bookstores as the United States. Bookstores are the first place to look for works of general culture and reference.

Let us turn now to the structure of publishing.

By defining commercial publishing houses to be those that publish at least four books during the year, the Bibliothèque nationale du Québec estimates that the number of publishers did not exceed about 50 in the period from 1972 to 1976. For its part, the Conseil supérieur du livre believes that the actual number of publishers—those whose main activity is publishing—was about 65 in the same period.

Since the number of publishers in Quebec varies over time (firms start one year and close the next), we can expect the actual figure to be somewhere between the two mentioned.

Since 1970, Quebec publishing has become much more concentrated geographically and economically. Of the 79 publishers recorded in 1974 by the literature and book service of the Department of Cultural Affairs, 65 were in the Montreal area, 11 in the Quebec City area and 3 in other regions. The presence of a large number of consumers and of renowned universities (centres of intellectual activity) is likely a deciding factor for choosing the location of a publisher, but it must also be admitted that, owing to its cultural nature, publishing is a luxury only big cities can afford.

In economic terms, this results in most of Quebec's book production being concentrated in about 10 publishing houses.

In 1974, "about ten publishers produced nearly three quarters of the titles issued every year and four or five of them accounted for most of the new titles, reprints and republications." The profitability of Quebec publishing is low and the great majority of firms are small as the following table shows:

[Senator Hébert.]

I do not have a table for 1990, but proportionately, the number of publishers is higher than at the period we were talking about. However, the ratio of large to small firms is much the same. As I said, I think, last Friday, it is all very well to say that large publishers will survive the GST. There is no doubt about that. Large publishing firms will survive the GST. But the history of publishing and literature shows us that the small firms have a large role to play and that writers who are now well known in France, England, or other countries would never have been published if there had not been small firms to believe in them and in works that at first glance may have seemed more difficult because they were new, because the ideas were new.

In 1975, only seven publishers had sales over $1 million and 54.2% of firms had sales under $200,000.

You see how small that is.

In 1975, the total sales of Canadian publishers in French were estimated at $29.9 million. The sales of commercial publishers (59 in Quebec) were $26.1 million, of which $19.66 million was for their own books and $7.45 million for those of other publishers.

To survive, a Quebec publisher must in most cases represent another publisher, often French, whose books he distributes. So, except for rare cases, he can never be only a publisher but must also be a distributor and wholesaler to some extent.

Statistics Canada estimates that, for the period with which we are concerned, Quebec publishers' sales of their own books were:

I will spare reading you the table . . .

Although total sales rose sharply, especially since 1973, the profitability of publishing has remained low. All studies agree on this point.

The impact of foreign capital on publishing houses is not negligible. Foreign-controlled firms publish mostly educational books, almost all in translation. "The opportunities French Canadian authors have to publish their own works seem to come only from Canadian-funded publishing firms."

Foreigners do not accept our works.

According to the report by Drouin, Paquin et Associés, profitability is limited by the following factors: Ever increasing production costs, competition from foreign publishers in a market that is already limited, lack of foreign outlets and especially no growth in medium-sized press runs.

The production of so-called commercial publishing firms, those that have published four or more titles during the year, has grown hardly at all in recent years.

No growth in number of titles combined with stagnant or declining press runs has led to a stability in the size of publication.

• (2020)

> Commercial publishing (firms with four titles and more) . . .

That is not a very big business . . .

> Depend mainly on new releases (93.6%). Only 6.4% of production is not destined to become quickly obsolete with reprinting, it represents financial cultural capital that may increase continually in value.
>
> In the period 1972-1977, the breakdown between new releases and republications . . .

Was somewhat similar.

> Until 1976, Quebec's cultural development was always identified with the Department of Cultural Affairs . . .

Which was created, as I told you earlier, in 1961,

> . . . which was never taken very seriously by subsequent governments. Our previous analysis shows that cultural development was not a government priority in the same way as economic development.

That was true Quebec in 1976 and it is true at the federal level in 1990.

> In 1976, Jean-Paul L'Allier, Minister of Cultural Affairs at the end of the Bourassa regime, in his green Paper entitled "For the evolution of a cultural policy", which was the first summary and policy paper released by the Department of Cultural Affairs in 15 years, put cultural development back in its true context.

This is the same Jean-Paul L'Allier who is now mayor of Quebec City. He was then Minister of Cultural Affairs at the end of the Bourassa regime.

> In 1978, two years after the green Paper, the Lévesque published its white paper entitled, "Quebec's cultural development policy". The Parti Québécois' white Paper went further in giving cultural policy an over-all dimension.

But it was still rhetoric. It was still discussion papers. Not much was done in fact.

> The Green Paper puts forward the concept of an over-all cultural policy and proposes broadening the field of activity of the Department of Cultural Affairs.
>
> The concept of culture underline the green Paper is found in the main documents published over the years on Quebec's cultural policy. Jean-Paul L'Allier draws heavily on "The Report of the Cultural Tribunal" chaired by Marcel Rioux for his over-all cultural policy.
>
> The concept of culture put forward by Marcel Rioux and the reality it identifies refer "to all individual and social behaviour, both economic and political, in daily life and in intellectual life. Culture—the world of values, images, signs and symbols—is found in economics—defined as the process of producing goods and services—as well as in politics—defined as the organization of power".
>
> This concept of culture is entering the common language of post-industrial society, which seeks to make cultural policy part of a broader policy of quality of life.
>
> Jean-Paul L'Allier shares Marcel Rioux's views and proposes a department "of services" to go along with the Department of Cultural Affairs. It would emphasize information, cultural activities, dissemination and access to culture. It would set policies that all departments would be called on to implement.
>
> In short, Jean-Paul L'Allier suggests a department that would be the government's "cultural conscience setting guidelines and limits for everything so that in all its activities in all areas, the government can protect and promote Quebec culture". Concretely, as "cultural conscience" of the government, the department will help set policy for public works, immigration, education, recreation, communications, business and industry.
>
> Jean-Paul L'Allier objectively analyzed what his department did over the years.

Here is what he said:

> A marginal department, Cultural Affairs over the years turned inward. According to L'Allier, it lacked resources, manpower and the necessary structures. It also lacked imagination and dynanism.
>
> Jean-Paul L'Allier also provides an accurate picture of the situation with books. His paper draws attention to seven main problems: Penetration of the relatively small, weak Quebec market by large foreign publishers; lack of markets for Quebec books abroad; weak public and school library systems; very high cost of books;

Imagine what it will be if the GST is every passed!

> Poorly protected copyrights; lack of an effective distribution system and especially inadequate government effort for a real book policy.
>
> Jean-Paul L'Allier admits "efforts made concentrated more on the industrial than on the cultural aspect of book publishing. Thus, Quebec has no real public reading policy". Furthermore, the help for the business side, such as aid to publishers, has been inadequate. L'Allier is the first to admit it. This is because the Quebec Department of Cultural Affairs has always been marginal, in budget terms: it has always had less than half of one per cent of the total government budget. The federal government "has occupied the field left vacant by Quebec's chronic inaction".

It is reluctant tribute, but tribute all the same, to the Canada Council, which is responsible for Canadian cultural policy and has managed to support Quebec publishing with all sorts of programs.

In fact, it was the publishers who suggested these programs. There was one difference. They were never acted on in Quebec but were well received by the Canada Council.

> L'Allier wonders: "How can we ask artists, creators, disseminators of culture not to agree to co-operate with

the federal government if Quebec cannot offer them a vigorous, effective policy of action and co-operation?"

Jean-Paul L'Allier's great merit is that he proclaimed the need for a "real public reading policy in Quebec". To do so, L'Allier says, "the first objective of the Department of Cultural Affairs must be to make Quebec products, and incidentally the best foreign products, available to as many Quebecers as possible".

Attaining this objective requires, among other things, a library development policy, which is the precondition to a publishing policy and a policy to make books available to Quebecers.

In his green Paper, Jean-Paul L'Allier analysis the reasons for Quebec's slowness in developing public libraries . . .

This answers a question Senator Marsden asked me on Friday.

. . . with great insight. He compares the situation of public libraries in Quebec with public libraries in Canada on the following nine criteria: percentage of population served, number of books in libraries, number of loans, total receipts, municipal contributions, provincial subsidies, total expenditures, salary expenditures, expenditures for books.

That is, book purchases.

Quebec comes sixth to tenth among the 10 provinces on these different criteria. In spite of a catch-up plan accepted by the government—a 15-year plan—L'Allier says that 15 years from now, we will be 15 years behind Ontario in terms of the number of people who have access to a public library.

So this shows you the comparative situation and of public libraries in Quebec and Ontario.

The ideological context in which public libraries in Quebec were established and maintained for too long largely explains the lag behind Ontario.

Thus when John Ridington came to Quebec to study library development, Premier Taschereau told him . . .

He was a Liberal Premier, who preceded Duplessis. This was the 1930s.

[*English*]

"A public library is not without perils to our older generation and especially to the younger ones."

● (2030)

[*Translation*

We see the same thing when the time came to create the Montreal Municipal Library.

Bruchési thought the library should only contain technical works and exclude those that were "dangerous for faith and morals".

That means novels, poetry and so on.

Public libraries thus became a way for the church to "proselytize" and something harmless and inoffensive for the government. The cultural revolution revolution of the 1960s helped redefine the concept of library and promote real pluralism for Quebec's reading public.

Jean-Paul L'Allier's green paper was widely commented on in newspapers at the time. In *Le Devoir*, Victor Lévy-Beaulieu described it this way:

A collective cultural projet that the Parti Québécois could very well adopt if it came to power.

The defeat of the Liberal government on Novemberd 15, 1976 prevented Jean-Paul L'Allier from implementing the structures required for the reforms he advocated. However, we will see that his paper did not meet the same fate as Pierre Laporte's did after the Liberal defeat in 1966.

The PQ government made culture one of the cornerstones of its plan for society.

Therefore, it took over much of L'Allier's green paper.

In its analysis of the situation of cultural industries, the white paper pointed out their cultural weakness, which was worsened by the overwhelming presence of multinationals, and suggested a series of measures to correct the situation.

The white paper suggested creating a cultural industries development corporation, known by its French acronym SDIC, to help produce and distribute Quebec cultural products. The PQ government used the SDIC to help set up a Quebec production, distribution and marketing infrastructure.

On the subject of books, recalling that the publishing, distribution and sale of books are a "powerful means of cultural expression for a community", the white paper observes:

No country, no people, no group can allow it to be under foreign control. Nevertheless, that is the situation in Quebec, in varying degrees, for each of these industries. Can heavily foreign-controlled publishing firms legitimately benefit from direct or indirect government subsidies? Can these interests be allowed to choose what regions to serve, what points of view to convey, what titles to distribute, what teaching material and school texts to prepare and so on?

The white paper suggests reviewing the book policy on this basis.

A system of accreditation or licensing for publishers and distributors that would complement the one for booksellers;

—new regulations on Quebec ownership that would take account of the particularities of publishing, distribution and book selling and the practices in effect;

—the creation of two Quebec co-operatives, one for supply and distribution, the other for a Quebec collection of paperbacks;

—government involvement in a communications and transport plan and also an advertising plan and a plan to encourage reading;

—a special program to help companies succeed and export;

—a Quebec law on intellectual property;

—a special program to help develop public libraries.

Of course, not much of all that has been done, but at least there was an expression of political will to change things with respect to books.

During the period 1960 to 1977, most of the present publishers came into being. The reason was the Quiet Revolution. The Quiet Revolution marked the beginning of a new Quebec, a renewal of social structures, a modernization of government, a retreat of religious authority and the birth of a party advocating sovereignty.

We will show how the change and restructuring of various kinds of production can be explained by the growing public and its changed social composition, a result of education being more democratic.

This made new classes of people consumers of the written word—books, periodicals and newspapers.

We will also show how this restructuring was accompanied by changes in authority in society. The Quebec politicians who came out of the Quiet Revolution, writers and journalists took the place of the former clerical elite in providing themes and symbols for collective thought. Generally speaking, one could expect a slow movement from a fairly homogeneous production, one with a moralizing or religious character, to a more differentiated production where literature and science take an ever larger place. As production becomes more diverse we would expect the increasing number of publishing houses to reflect the cultural dynamism of Quebec society.

The election of a Liberal government in 1960.

Many observers agree on the importance of the social and political upheaval and massive cultural changes that took place in Quebec after 1960. The Liberals' coming to power in June 1960 marked the end of a period in Quebec history. According to Marcel Rioux, the election of the Liberals in 1960 called all of society into question. It called centuries-old truths into question, as well as the most firmly established authorities.

● (2040)

Since the 1960s, says Guy Rocher, Quebec has been going through a metamorphosis:

The old traditional, clerical, inward-looking society gave way to a post-industrial, secular society that was more and more North American.

The pre-industrial mentality of most Quebecers gave way. Léon Dion and Micheline de Sève summarize this period of upheaval thus:

A people whose living conditions had changed with no corresponding change in mentality was suddenly forced by its political leaders to realize how unfit it was for a definitely urban, heavy industrialized environment and it had to catch up fast.

The rapid upheaval of institutions and the consequent breakdown of the cultural framework Quebec knew at the beginning of the 1960s are not merely the result of an election and its political and ideological context.

The breakdown of the institutional and cultural framework of traditional society is part of a slow, painstaking process of questioning ideologies, attitudes and mentalities. This process arises from many powerful forces for change that were already active in our community between 1948 and 1960.

Among the main social agents opposed to the established regime, we can name: the Faculty of Social Sciences at Laval University, some Catholic action groups like the JOC, some farmers' movements and co-operative organizations, the CTCC,

which became the CSN,

the group associated with "Refus Global",

a manifesto published mainly by artists in the late 1930s, I think—

—the Hexagone group—

around Gaston Miron, a group of poets especially—

The magazine *Cité libre*. The opposition to the regime (ideology and power) of these groups of social agents from different ideological backgrounds, often working underground, helped Jean Lesage and his "équipe du tonnerre" take power in 1960.

In the struggle that these social agents waged from 1948 against the upper classes (the clergy and members of the traditional professions), the information media (radio, television, books, newspapers) were a favoured tool for change.

It was these media that spread new ideas on authority, freedom, economic and cultural development, the secularization of society, the role of the state, and the nationalization of natural resources.

In a nutshell, the Liberal Party's accession to power enabled some social groups that had fought against traditional factions of higher social classes to implement their ideas about direct state intervention in economic and cultural key sectors, with the accompanying increase in responsibilities with regard to superstructures, principal channels through which established ideologies are transmitted into the hands of the old coalition made up of religious authorities and members of traditional professions at the end of the 19th century.

The enhanced role of the Quebec state during the Quiet Revolution was accompanied by a superstructural renovation of society, a modernization of state organizations and a regression of the religious power in public affairs. The battle fought around Bill 60

. . . introduced by Paul Gérin-Lajoie

. . . and the creation of a Department of Education in 1964 were the apex of the then Liberal government's efforts to assert itself politically.

The first years of the Quiet Revolution were characterized by a battle among the new elite to take their places at the head of the state and administrative system and ideological organizations (schools, health, leisure, culture, information). As early as 1964, Jean-Charles Falardeau . . .

a professor at Laval University, sociologist and political scientist who died a few years ago . . .

. . . explained where the various players stood in the fight for state control:

And I quote:

Finally, our society is dominated by two groups of planners and technocrats opposed to each other, at least partially, through their objectives and their ideologies. While one group comes from a university environment, the other comes from industrial or financial big business, but they both try to control the state.

In general, the Quiet Revolution government took the initiative of developing policies aimed at meeting the social ambitions of the urban population. For example, it democratized access to education by providing it free of charge.

With the Quiet Revolution, says Denis Monière, education became a fundamental value of our national creed. Educated people get richer. In ten years, the number of students increased by 101% at the high school level, by 82% at the college level and by 169% at the university level. The education budget went from $218 million to $1 billion.

The emphasis on education and the rise in the level of schooling went hand in hand with the intellectual dynamism and the collective euphoria of Quebec society which had its turning point between 1959 and 1963. We will try to briefly describe these exciting times when it was obvious that literary creation was the lifeline of books.

"The Age of Speech"—The story of the first years of intellectual dynamism during the Quiet Revolution has not been written yet. *Notre éveil culturel* by Germain Lesage is our only essay, and a partial one at that, on the subject. It is not a historic research but rather a diary of the identities Quebec society gave itself daily from 1959 to 1962. In early 1963, Germain Lesage wrote:

"The French Canadian people are going forward. Our cultural awakening is really a mass movement. This collective change is powerful and irreversible. It is an evolution whose purpose may not be clearly defined but which is going in a new direction at an unprecedented pace".

[Senator Hébert.]

• (2050)

The almost terrifying pace of evolution in Quebec since 1959 was also pointed out in *Le Devoir* by Gérard Filion who wrote in 1962:

"Quebec has experienced almost a century worth of changes in every areas."

Two other observers of the unsettling first years of the Quiet Revolution, D. Clift and R. Daigneault wrote:

"In the current confusion, what seems most important is to adjust to the new conditions prevailing in Quebec".

As early as 1960, Quebeckers were aware of taking a path which would allow them very quickly to fill the gap created over the years between their culture (ideas, values, symbols, motivations) and their society (urbanization, industrialization) because they were letting life go by instead of playing an active role in their own fate. That is why sociologist Philippe Garrigue said in 1961:

"We hope that this phase of anxiously looking for new cultural values shows that French-Canadians want to take control of their future."

Influence of the media—After having a major impact on the emergence of social groups who challenged the rigid traditions of Quebec society before 1960, the information media also played a major role in the sudden change of mentality and the re-evaluation by the population of its social and political identity in the early 1960s.

The role played by the elecronic media (radio and television),

especially Radio-Canada,

in post-war Quebec society has not been sufficiently emphasized. The eminent popular science writer Fernand Séguin,

who died a few years ago, said this:

"Radio-Canada is the best thing that happened in French Canada since Jacques Cartier. Quebec homes were quickly invaded by television. The percentage of Quebec households owning a TV set went from 10% in 1953 to 52% in 1955, 89% in 1960 and has been hovering between 97 and 99% since 1972. When writer Marcel Dubé summarized in 1962 what Radio-Canada had done in its first 10 years of existence, he said that state television was directly or indirectly responsible for the intellectual rejuvenation and the ideological revolution in Quebec. According to Dubé, Radio-Canada is also responsible to a large extent for the evolution of literature and the arts. Richard Arès,

a Jesuit and nationalist,

described even more fully the impact Radio-Canada had on literature and the arts. He wrote in 1961,

probably in *Relation* magazine:

It is obvious that we are now witnessing an important rehabilitation of French-Canadian culture, especially in literature and the arts. And it is just as obvious that

> Radio-Canada's leading influence is at the root of this phenomenon.
>
> It was able to accomplish this through its financial support of artists and intellectuals and the quality of its programming. Radio-Canada made it profitable not only to practice an art or be an intellectual but to do so in French . . .

Since writers, especially novelists, poets and playwrights could not make a living any more than today, Radio-Canada was certainly their lifeline as they could practice their art and write for radio or television and earn a little more money than by having their books published in Quebec.

It is regrettable to see this government directly attack not only writers, books and readers through the GST but also Radio-Canada through drastic budget cuts. Richard Ares, the Jesuit I just quoted,

> described Radio-Canada as, on the one hand, the most powerful contributor to the disintegration of traditional culture and, on the other hand, a typical new cultural institution where the source of inspiration is not religious values anymore but language and a so-called secular and democratic humanism. Finally, Richard Ares rightly talks about a new leading,
>
> vigorous and creative but non-religious cultural elite that will leave its mark on French Canadian culture.

For a Jesuit to write this in 1961 took a certain courage.

Senator David: Senator Hébert, do you—

Senator Hébert: You want to talk? I thought nobody else could.

Senator David: Nobody ever forbade us to talk and I am pleased to ask you a question. You often say, "I quote" and then, "according to Dubé or Ares". I would like to know which document, thesis, book or publication you are referring to because I find them extremely interesting.

Senator Hébert: Of course, there's a lot of asides. But I mentioned at the beginning (maybe you were away) that it was a thesis by Mr. Cau that was eventually published in a small book by a small publisher. It is called *Histoire de l'édition au Québec*, I believe. I can give you the exact reference with the publisher's name and the year of publication.

Senator David: Can I ask you a supplementary question? Is it the same book you referred to in the speech you gave last Friday? Is it the continuation of this thesis or this book that you continue to quote?

Senator Hébert: I see Senator Murray nodding. It shows he listened more carefully than you, dear doctor. It is a relatively unknown document. You are therefore justified in thinking that it may be unpublished but it is not the case. It would be surprising if those who appear not to take seriously the status and the importance of books in a market as small as Quebec and, to a certain extent, as English Canada had heard about this thesis.

Senator David: In what year was that book published?

Senator Hébert: I think it was in the late 70's or the early 80's. I mentioned it at the beginning of my speech but I don't have it anymore. It is with the stenographers but you surely have a copy.

Senator David: Do you know how many pages it contains?

Senator Hébert: Yes, it is 175 pages long.

Senator David: What page number are you at?

Senator Hébert: At about page number 100.

Senator David: Thank you, Senator Hébert.

Senator Hébert: However, as I've done since the beginning, the time I've spent talking since Friday doesn't count because I often get away from this book. And I quoted many other sources. I quoted from a lecture I gave on the Hachette affair.

We were referring to the new cultural elite Father Arès was talking about in 1961.

> It was this new cultural elite made up of writers, academics and journalists, who, with Quebec politicians emerging from the Quiet Revolution, replaced the old religious elite and other leading citizens. In its mission to give symbols and values to Quebecers' expectations. This of course gave rise to a wave of protest in conservative circles—

I am talking about small-c conservatives even though it is sometimes hard to see a difference—

> who violently attack the new authorities. This is confirmed by two statements.
>
> In 1962, in *Les éditions de l'homme*, E. Simard

takes aim at all information media:—

> Montreal dailies give readers a distorted image of our people's judgment and conscience, not to mention television, radio, certain magazines—
>
> Jean-Louise Brouilli,

another Jesuit a little different from Father Arès,

> reacted against newspapers that had replaced church authorities in providing collective symbols without really reflecting society. This is what Father Brouille, who made waves at the time, had to say:

Senator Beaulieu: He is not dead.

Senator Hébert: No, he is not dead, as I found out recently that he was busy writing, with a few collaborators, a history of St-Marie College alumni such as myself.

● (2100)

> Our papers have become quite important in the last few years.

He says this not because he is happy about it but because he finds it annoying.

> The new press has taken the place of priests and educators.

It is true that people were less likely to listen to Father Brouilli's sermons and more likely to read the papers.

> The influence exerted in the past by those who had a little instruction is not exerted today by the information media (press, radio and television).

I suppose he meant Jesuits such as himself. He resents having to admit that they are being overtaken by the media.

> Our daily newspapers do not really reflect French Canadian society.

Like the clergy was before people were liberated by books. The first years of the Quiet Revolution introduced a real change in Quebec publishing. To help you better understand the scope of these changes, I will give you an idea of what publishing was like before 1960.

> According to a statement made in 1964 by a group of sociologists from Laval University, publishers divide the development of publishing in the last 25 years into three periods. Before 1946 was the golden age but there is hardly any of those publishers left. The prosperity was mostly due to the opening of the international market following the enforced idleness of the French publishers, as I explained to you last Friday. Quebec publishers were authorized by MacKenzie King to publish French books that were in demand on the international market, mostly in North and South America, even if they later had to pay the copyrights to French editors then under German jackboots.

It was an era of artificial prosperity when publishers were gambling, living the good life, throwing parties at the Ritz-Carlton hotel which has since been taken over by Tory bigwigs.

> From 1947 to 1956-57 was the black period. Some publishers continued to publish out of a sense of obligation but it was a very difficult period.
>
> Since 1957-58, we have been in a period of renewal.
>
> The foundation of *Les Éditions de l'homme* and *Les Édition Leméac* in 1957 illustrates the climate of renewal observed in publishing circles in the late 1950s.
>
> On the eve of the Quiet Revolution the publishing world is still going through hard times. However, the profession is not a "dangerous adventure" as it was in the early 1950s. People, especially intellectuals and writers, expect publishers to promote creative works that fire and awaken the public imagination. Jean-Guy Pilon, a poet and Radio-Canada producer, wrote in 1959 that publishers are the link between writers and intellectuals and their public.

Obviously, without a publisher, the author cannot communicate his thoughts to his public.

> In 1959 Jean-Guy Pilon used both poetic and prophetic words to express this wish:
>
> Now that the structures of French Canadian society are about to burst, that some of our free spirits have decided to liberate us, that we feel the need to redefine ourselves in this cold, snowy country where pettiness is commonplace, it seems to me that the regular publication of serious books, whether they are political, social or literary works or simply testimonies given by free men, is not only desirable but essential. It was in 1959, at the beginning of the Quiet Revolution. We threw off the yoke of the omnipresent and very powerful church then associated with the conservative forces of the day, the Duplessis government, to put Quebec society into a kind of straightjacket. What this author with rather nationalistic views seems to forget is that Quebec was heading for a new darkness. A new church awaits us just around the corner. We notice a new unanimity among intellectuals.
>
> Quebec publishers faced up to the challenge and we saw, in the early 1960s, an increased production of books and the establishment of new publishing houses: HMH—

[Senator Hébert.]

which stands for Hatier, Manne and Hurtubise, PUM or *Presses de l'Université de Montréal*, the *Éditions du jour* which I know very well, *Parti-Pris*, and *Boréal-Express*.

> Publisher Claude Hurtubise, for his part, is enthusiastic. He says that, at the beginning of the Quiet Revolution, publishing was characterized by public recognition of the importance of Canadian publishing.

He wrote this in 1962:

> The public is finally admitting in the only positive way, that is by buying them, that Canadian books exist and deserve to be read. The launching of a new Canadian book is not only a social event of interest to a small group of intellectuals and a benevolent press, it also reaches the general public.

This was written by one of my publishing colleagues, Claude Hurtubise, who is also a talented writer. It is worth noting however that, in 1962, he could refer to Canadian books in a Quebec publication although he really meant books written in French and published in Quebec. Nobody said anything at the time but it would be very different today because of the nationalist mood currently prevailing in Quebec.

> The publishing explosion symbolizes in a way the intellectual dynamism and the frantic activity of the Quebec people who, through their writers, have reclaimed their place in history. Publishing is both the cause and effect of the shattering of cultural and institutional frameworks that were in place at the beginning of and throughout the Quiet Revolution which . . .
>
> Michel Bernard, the French literary critic touring Quebec in 1962, accurately describes the importance of books, that is of writers, in the promotion of the new Quebec consciousness. He wrote this:
>
> In Quebec a book can become the living word, the key to the universe. How can we not like Quebec's intellectual environment where every original thinker can express his ideas and affect society around him.

• (2110)

> Here intellectuals see themselves as pioneers. They are clearing the forest, making tracks, making water gush out of springs, awakening dead souls, and every one of their words finds an echo. And it doesn't have to be a master-

> piece. Culture becomes life. The most modest of intellectuals knows he is part of a larger creative design.
>
> Culture connects with life. This statement by Michel Bernard can be read in the light of another statement by publisher Jacques Hébert who said in 1962: "Everything that relates to our problems can produce a bestseller."
>
> With the foundation of the *Édition de l'Homme* in 1957 . . .

With the participation of the cousin I named earlier, and the *Éditions du Jour*, also established by my cousin in 1961,

> . . . another kind of book quickly became popular in Quebec: Popular practical guides and books on current social and political realities. Books published by these two houses in the early 60s show the changes in Quebeckers' lifestyle and bear witness to the activities of certain social agents in the political or intellectual arena. These popular books or documents also instilled in many the desire to read and to learn.

What these writers seem to forget is that the *Éditions du Jour*, for example, was publishing not only popular books and works by agents of political or intellectual change as he calls them but also a lot of novels and books of poetry as this house launched about 100 novelists, and half as many poets, not to mention plays and other works which have nothing to do with so-called popular books.

> The Quiet Revolution put an end to the privileges enjoyed by the Church, that is the religious communities, at the educational and cultural level. The modernization and nationalization of schools especially sharply reduced the presence of religious communities in Quebec textbook publishing. As we know, prior to 1960, textbooks had become very important to the church in their efforts to propagate their ideas.
>
> In 1962, half textbook publishers (which in 1962 still accounted for over half of French language publishing) are religious communities. However, their market share fell from 60% in 1952 to 35% in 1962.
>
> The advent of core programs in 1960 put an end to the traditional textbook published most of the time by religious communities and full of religious images.

Some among you might remember adding up wafers and dividing up monstrances.

> Under these new programs, dynamic teaching tools were encouraging personal research by the students rather than by the submissiveness often linked to the use of manuals considered immutable.
>
> With the creation of the Ministry of Education came free public education at the secondary level. In primary and secondary schools textbooks are chosen by the ministry and purchases in approved bookstores. Religious houses in textbook publishing, except for Fidés (both cultural and educational publishing) these les Frères de l'instruction chrétienne, les Frères maristes. These two houses established before 1960 restructured themselves on a more commercial basis in the early 1960s, and some minor houses gradually withdraw througout the 1960s from textbook publishing and the book business. The emphasis on education and the rise in the level during the quiet revolution coincide with a vigorous expansion of the textbook market. Many secular textbook publishing houses such as Erpi, Guérin, Julienne, Lidec, Sablier and McGraw-Hill opened their doors.
>
> The number of titles and books printed are the best indicators we have to study the evolution of production. The number of titles will show us the wealth and variety of intellectual production; the number of books printed will give us an idea of the impact of production (reading) in social life. It cannot be assumed that these two indicators constitute the main explanation for the diversification of production quality or value of the books.
>
> The number of titles and books printed whose meaning is very relative, allows us to assess the social significance of these works. The value of the book, that is its impact on the intellectual life of society, only exists in the context of over-all production. In short, statistical analysis underlines the basic structural characteristics of production. We will then have to interpret its characteristics by using the available data on the relevant social framework.
>
> The evolution of Quebec editorial production from 1962 to 1967 is shown . . .

on a table further.

> What is important is that this evolution is represented by the proportional importance of each category within the production structure.

First there was a gradual fall of religious production. Let us start by comparing the evolution of production between 1962 and 1967 to what happened before the 1960s. In 1964 a team of sociologists from Laval University analyzed from bibliographical notices of the Société des écrivains all titles published in Quebec from 1937 to 1961. This team noted that since 1955 the annual production of popular works was done while scientific essays and literature were up.

> It could be said that we slowly went from a rather undifferentiated and edifying or religious production to a more differentiated one where poetry books and scientific essays of all kinds play an increasingly important role.
>
> The decline of popular literature, especially religious books, intensified during the period 1962-67 and gave way to science essays and literature and a more diversified production in general. As a percentage of global production from 1962 to 1967, essays and literary critical works come in first place with 14.68 %, followed by history and geography with 14.18 %. Canadian novels come in third place with 13.02 %; poetry comes fourth with 10.70 %; education and leisure is fifth with 9.64 %; religious books come in sixth place with 9.03 %. We then have youth literature in seventh place with 7.42 %, science in eighth place with 5.35 %, sociology in ninth place with 4.39 %, and foreign novels in tenth place with 4.03 %. At the

bottom of the scale come the general category with 2.47 %, philosophy with 1.36 %, linguistics with 1.36 %, theather with 1.21 % and the arts with 1.11 %.

The percentage of religious books fell from 21.6 % in the period 1937-54 to 13.8 % in the years 1955-61, then to 9 % from 1962 to 1967. After dropping to 4.8 % in 1961 in the middle of the Quiet Revolution, religious publishing went up slightly to 10.27 % in 1963 and 12 % in 1964. This increase recorded in 1963-64 is due to the impact of the second Vatican Council. During that period, Quebec religious publishing was swept by the wave of renewal created by the Council. The prestigious *Heritage et projet* collection at Fides was launched during that time. The period following the second Vatican Council and particularly the 1970s saw again religious publishing fall to the bottom of the global production structure.

I think the percentage was 3.6 %. I remember publishing at that time a paperback edition of Pope John XXIII's first encyclic that had just come out. I was far from being a religious publisher but it proves my point. The second Vatican Council suddenly generated a lot of interest. I remember selling some 30,000 copies—with a 25-page foreword by Claude Ryan—at newstands everywhere, which was rather surprising.

The gradual decline of religious publishing and the considerable development of essays and literature show that academics, journalists, writers and poets started in the early 50s to replace church officials as legitimate symbols of society. With the shattering of cultural and institutional bastions in the late 50s and early 60s, the traditional role of religious values as a source of inspiration and main cultural integration factor was taken over by language and a kind of secular humanism.

In fact, we replaced the yoke of religion with the yoke of language and language-oriented nationalism.

● (2120)

Steady progress of literary production—The second comment in Table 3 concerns the steady progress of literary production. While the percentage, set at 22.5%, of literary works in world production made little progress from 1950 to 1965, Quebec literary production—

novels, poetry, theatre

—which was clearly lower than the international average until the early 60's, has increased regularly since the Second World War, going from 14.7% in 1950 to 31.6% in 1961. From 1950 to 1961, Quebec literature accounted for an average of 19.3% of global production. This proportion then reached 29% from 1962 to 1967. In 1965, the percentage of total production allocated to literature was between 22% and 33% in 22 European countries. That same year, Quebec publishing was certainly holding its own with 30.9% of its production devoted to literature, novels, poetry and theatre works, not to mention youth literature (in the last category, Quebec had a slightly higher percentage with 37.8%).

[Senator Hébert.]

Let us look closely at the evolution of the two main literature sub-categories: poetry and novels. We see that from 1955 to 1960 Quebec writers favor poetry (8.6%) over novels (5.7%). After 1960, poetry production continued to progress (to 12.6% in 1964). But novels come before poetry books in the number printed category. Novels come in third place as a percentage of global production from 1962 to 1967 (13.2%) and poetry comes in fourth place (with 10.7%).

Publishing in the 1960's is clearly characterized by its vigor, a diversification of production and a new restructuring of the various styles. This development and diversification coincide to a large extent with an increase in the level of schooling due to a greater democratization of education. The organization of the school system is certainly a factor in the abundant production of history, geography, and educational books (respectively in second and fifth place in the rankings). The people who read these educational books usually come from social classes whose only wealth is their culture and who rely on the school system to spread their cultural heritage. But in the 60's the public of Quebec writers (mostly of fiction), whose demand has remained relatively high (average run: 3,000 copies), is no longer limited to professionals. According to the study done by Laval University sociologists, we see more readers among members of the middle class: semi-professionals, white collars and, of course, professors and students.

These "new" readers coming out of the universities in increasing numbers work in the developing educational and cultural sectors: the public service, radio and television, newspapers, universities and so on. Similar changes seems to be affecting the population of writers: since 1965, there has been an observed decline in the number of writers who are members of the clergy or religious communities (less than 17%). In addition, most writers now come from urban environments and most often belong to the upper-middle class. Lastly, more women are writing and publishing, but women are still largely under-represented (21.7%). Often associated with the education system and cultural institutions (radio and television, newspapers, etc.), writers, of whom the percentage of foreign origin is tending downward (14.5%), are thus finding social and institutional conditions more favourable to the dissemination of their works and to greater personal recognition.

The political phenomenon. One of the phenomena that marked the evolution of literary output in the mid-1950s was the very rapid development of poetry. That development was surprising at first. How can one explain that poetry was a prominent literary genre and an expression of Quebec culture for years before the Quiet Revolution? The changes observed in the evolution of literary output are without a doubt intimately related to the overall development of society, but, as we have repeatedly seen in the sociology of literature, literature is not a simple

reflection of what a society is and experiences. "The production and consumption of literary books," writes Robert Escarpit . . .

and not "Escarpite", as someone wrongly said on Friday,

. . . are more related to the political structure than are voluntary activities, which area a realization of the need for communication in certain types of individuals, writers and readers. That need may be outwardly limited by institutional factors such as political propaganda, the police or religion."

In his study, *Poetry and Society in Quebec*, Axel Maugey observes that "Quebec's literary works present a very special interest since they are the primary manifestation of the level of cultural expression of a community which is entering the modern world and enriching that world as it goes." And he adds, very much to the point, that, "for a people that has been and remains dominated, poetic creation acquires a sense of individual reconquest through the reappropriation of language, which is the beginning of liberation through speech as a result of the irreversible process of thought and commitment it introduces. And indeed, poets, along with other intellectuals, were among the main social agents who, during the 1950s, prepared the Quiet Revolution through a slow and laborious rethinking of the old traditional, clerical, inward-looking society. To a certain extent, "in the early 1950s, poetry took on responsibility for what no longer was." And, as we are reminded by the poet, engraver and enamellist, Roland Giguère, certain poets at first took action through underground channels.

He writes:

• (2130)

I remember the 1950s as a time of extraordinary excitement . . .

This is Giguère speaking:

There was something clandestine in these activities carried on by a few isolated poets. It was of course a time of total darkness. We were somewhat like moles digging a tunnel toward the light, with no audience, no gallery . . .

because he was also an engraver,

. . . no publishers, nothing other than a wonderful, youthful revolt. Everything had to be done, and we did everything.

In the 1950s, the *Éditions de l'Hexagone* and a group of small poetry publishing houses gradually channelled the aspirations and actions of Quebec poets. L'Hexagone, the shrine of present day French-language poetry—

and by "present day" I mean 1990 and 1991; let us hope it will survive the GST

—was founded in 1953 by a team of six persons from various backgrounds and led by Gaston Miron.

He is also a poet, as we all know.

From its founding, this publishing firm decided its goal was to make "a publishing and editorial effort" to change the rules of the game in the publication of poetry. In 1953, there were no publishers for poetry; most of the time, poets paid for publication out of their pocket because, they were told, poetry did not sell. Hexagone undertook to prove the contrary by recruiting a reading public for poetry. The method hit upon for reaching out and interesting poetry readers was the subscription. Hexagone involved the public in the company's operation through subscriptions to announced works. The subscriber paid for the work, which was numbered and autographed before publication. This fortuitous form of financing through subscription was maintained until 1968, a date that marked the start of the "professionalization" of this publishing firm. In its editorial policy, Hexagone also helped change the "graphic face"—the expression is Miron's—of Quebec publishing by attaching very great importance to the material presentation of books, that is to their graphics and page lay-out.

We recently learned that the Hexagone is still in existence. It has had its problems, but was just bought by the Sogidis Group some weeks ago, I believe.

In its editorial and literary policy, the Hexagone team examined from the outset the identity and universal nature of our literature. "We discovered," says Miron, "a lack of universality due to a lack of identity, and we understood, around 1958, that, to rise to the ranks of other national literatures, we needed a concept of a national literature . . . Culture must have a political dimension."

Well, that's his opinion. As for Gilles Marcotte, he says:

In addition to being a publishing house, an originator of poetic trends, Hexagone is an ideological entity, a supplier of ideas that concern not only the practice of poetry as such, but also social action as a whole.

An initial examination provides an overall picture of the development of Quebec editorial porduction from 1968 to 1977.

Between 1969 and 1977, the number of titles published in Quebec increased 214%. After increasing sharply from 1969 to 1975, the production of titles began slowing in 1975. The 22.7% decline recorded in 1975 was in fact the result of a technical problem in the reporting of statistics because 556 titles published by the government were not copyrighted in 1975, but rather during the 1976 statistical year.

I must admit I could have spared you that last detail.

The picture is less rosy when you consider the number of copies published and average printings. Between 1969 and 1977, the percentage increase in the number of copies published was less than the percentage increase in the number of titles: 114% compared to 214%. The result of this uneven growth was a decline in the average press run per title, which fell from 5,450 in 1969 to 3,723 in 1977, a decline of 31%.

> Developments in all production categories. We will now analyze developments in all categories of Quebec publishing output from 1968 to 1977. The figure used to represent those developments is the percentage size of each category in the production structure.
>
> Social science specialties. This brief comparative analysis of the Quebec publishing industry with those of four European countries . . .

There is an analysis here which I should have read to you, a comparative analysis of Quebec publishing out put and foreign output showing that it compares well with that of other countries.

> Before I analyze the development of Quebec publishing output from 1968 to 1977 in greater detail, it would be quite interesting to compare, with the aid of tables, the major trends in that development (that is to say, the nine major categories) with those observed in the output of other countries such as Belgium, Spain and the Federal Republic of Germany. A very striking fact is that, in the fields of science and education, Quebec is developing in its own way. Only Spain appears to be developing along similar lines.
>
> Literary output is spearheading Belgian, Spanish and German publishing; this category occupies the largest place in the output of those three countries. It should nevertheless be pointed out that the literary output percentages of the three other countries outclassed that of Quebec partly because those other three countries produce more children's books. In Belgium, for example, 616 children's books were published in 1976, 9.6% of the country's total publishing output. In Quebec during the same period, 125 books were published, 3.3% of total output.
>
> Quebec, Belgium and the Federal Republic of Germany, but not Spain, promote scientific publications almost at the same degree. Quebec more than the other three countries appears to favour publications in law, public administration, political science and political economy. From 1968 to 1972, Quebec's output of religious publications developed somewhat similarly to that of Spain and the Federal Republic of Germany, whereas, from 1973 to 1977, it was closer to that of Belgium. In addition, the marginalization of religious publishing in Quebec since 1974 did not occur in the other countries analyzed. Lastly, the historical and geographical studies published in Quebec compare favourably or somewhat favourably with those published in Germany and Belgium.
>
> The social science specialties. This brief comparative analysis of the Quebec publishing industry with those in four European countries thus underscores certain characteristics which differentiate it from the industries in the other countries. The decline of religious and literary publishing, the major expansion in education sciences and political and administration sciences seems to us to be a phenomenon that is closely bound up with the sociological development of Quebec in the 1960s and 1970s.
>
> After playing a primary role in the circulation of ideas between 1958 and 1968, Quebec literature has had markedly less influence since 1970 than other disciplines such as the humanities and social sciences, in particular as a result of the gradual decline in religious output, and does not seem to be the genre used to state a broader plan for community existence as it was in the 1960s.
>
> More particularly, it seems to us—and this is the hypothesis we want to advance—that the writers (particularly literary writers, poets and novelists who, in the late 1950s, replaced the traditional wielders of influence, the clerical elites and the "notables") in the symbolic legitimization of the cultural, social and political universe of Quebeckers, the writers have in turn been replaced since 1970 in this function of symbolic legitimization by specialists in education and social sciences. For a few years now, these specialists have managed phenomenal development in all the social sciences, particularly education, from their bases in the new "centres of influence", that is to say the educational institutions, which, starting in 1960, began to take over from the traditional forms of clerical tutelage. For members of a social class, whose social position was altered as a result of the various economic, social and political changes in Quebec since 1960, these fields provide access to management positions and high incomes. To improve their social position, the greatest number of members of the lower and middle French-speaking middle class study toward university degrees in the social sciences. "From 1970 to 1975, the largest number of graduates were in the humanities and social sciences: 3,643 in 1970 and 5,297 in 1975. This was followed by the education sector, in which the number of graduates rose from 1,000 to 3,785. The education sector saw the largest increase in six years: 275%."
>
> In short, our impression is that these social science specialties, which have been rapidly expanding since the 1970s, can be held responsible for this explosion in Quebec publishing output in education, political and administration sciences. These specialists, these sociologists among others, have, for example, enabled the public to accept progressive political measures by the governments in power. They have encouraged people to develop collective solutions to their problems, and their efforts to increase awareness have produced even more fundamental changes in people's perceptions of the distinct, specific and original character of Quebec society.
>
> In conclusion, it should not be forgotten, however, that the sharp increase in the number of titles in certain categories of Quebec's output is also closely linked to the radical change in and democratization of the education system (that is to say, the phenomenal expansion in the secondary, collegiate and university education system). "The number of graduates at the three levels—secondary, collegiate and university—increased from 1970 to 1975

> by 80.6%, 231% and 7.5% respectively." The majority of young people now continue their education to the end of the secondary level. In 1977, according to the following table, 80% of young people 16 years of age were still in school, compared to 51% in 1961.

[*English*]

Senator Hastings: I wonder if the honourable senator would permit a question.

Senator Hébert: I sure would.

Senator Hastings: I am sure that we are all very grateful for the exposé the honourable senator has given us this evening with respect to the contribution that publication and printing has made to educating the masses during the quiet revolution in Quebec. I am sure that the honourable senator would agree that all the great periods of reform throughout history have been aided by the distribution of literature and information; for example, Martin Luther and the Renaissance. His success was due to the invention of the printing press which, for the first time, carried the printed word to the multitudes.

I presume that the honourable senator would agree that one of the most regressive features of this goods and services tax is that, for the first time, we are going to tax the printed word, including school books and those publications that are so necessary to the education of our youth. I am sure that one of the greatest disappointments to the youth of this nation was the rejection by the Senate, particularly by the Conservative majority in the Senate, of the Liberal amendment which would have changed that very regressive feature of the GST. There are many regressive features to this tax, but had the government been a little more sympathetic, perhaps—

Senator Lynch-Staunton: Are you speaking or asking a question?

Senator Hastings: I am asking a question. If you will listen carefully, you will see that I am asking a question of my friend with respect to the taxation of the printed word as a result of the rejection by the Conservative majority in this legislature of an amendment. Had that amendment been accepted, it would have made the GST a little more palatable.

Senator Hébert: A little more.

Senator Hastings: Not much but, nevertheless, it would have been palatable to the coming generations of Canadians who will be saddled with the GST on many things; in particular, on this most important feature, education materials that are used in our schools.

Does the honourable senator agree with me that that is one of the most regressive features of this tax?

Senator Hébert: I most certainly agree, and I have been trying to say that in all kinds of ways. During the past week we have argued the terrible effects the GST will have on many sectors of our nation—for example, in certain regions, like the great North; on certain types of organizations, like the cooperative movement; and, on certain goods, like fuel. It is obvious to me, at least, what the government is doing. Taxing books is the most devastating of all the effects that the GST will have on our society, because it is a way of depriving our society of ideas, of books, of poetry, of joy, of information, of education. This will not be without serious consequences on future generations. There is do doubt in my mind that the other amendments that we and the two Independent senators presented were all good amendments. However, this one is something special. It touches something very intimate in the soul of our nation, and we will never be able to evaluate exactly the consequences of this really crazy gesture of the government.

● (2140)

I think they could have made a mistake. We all do. But this mistake was explained to them at such length—not by me, I'm doing my job now,—and I am not referring just to us, I am referring to the people directly concerned and the best informed among them. That is to say the writers, the poets, the novelists, the drama writers, the publishers that allow them to reach their public, and the bookstore owners—all these people have told the government and have formed a very united common front as they have done in Toronto for English Canada and in Montreal for French Canada. These two groups have done a fantastic job gathering everybody and uniting against the government to try to convince two governments, and in the case of Quebec they have succeeded in changing the mind of the Quebec government.

How is it, and I wonder really, why is it that this government does not at least accept this small amendment? We are not talking about a great amount of money. I do not think it would make much difference to the deficit. I do not think so at all. It has been mentioned previously that it is not a great amount of money. So why is it that the government is so stubborn on this matter? If they had accepted this one amendment—and as you have just mentioned, senator, the bill would still be a bad bill, and the tax would still be a bad tax—but at least they would have recovered some dignity with a very important sector of our society, and a very influential one.

I know that politicians do not think much of intellectuals usually, but, in the long run, intellectuals very often have the last word on politicians. So I do not understand why, simply for political reasons if not for any other, why they did not change their mind on this small part of their bill?

Well, we will never know.

[*Translation*]

Senator Lefebvre: Would you permit another question, Senator Hébert?

I was just reading an article published in *La Presse* on November 29. The headline reads, "Ottawa refuses to cancel the GST on books. Minister of Revenue softens stance: let's pass the act first." The article is written by Philippe Dubuisson of *La Presse*'s Ottawa bureau. I'll read only two paragraphs, and I would like to ask you some questions afterward.

> After its victory in Quebec City the day before, the Coalition Against All Taxes on Books suffered a bitter defeat yesterday in Ottawa. The federal Minister of Communications, Mr. Marcel Masse, categorically stated there was no way the federal government would exempt

books from the GST. For his part, the Minister of Revenue, Otto Jelinek, suggested that Ottawa might remove the GST on books, but not before the act was passed.

Encouraged by the Quebec government's decision to offset the effect of the 8% sales tax on books, a large Coalition delegation of some 200 writers, editors and book store owners appeared on Parliament Hill during the morning.

Could you tell us, Senator Hébert, whether you had the opportunity to meet with this major delegation of people from Quebec? I imagine you know almost all of them. Did you have the opportunity to discuss their important request with them? Is there some small hope that the government may change its mind eventually and, with a little heart, follow Quebec's example? As we all know, the Quebec government had announced it intended to impose a provincial GST on books. That would have added 16% to the price of books because the Quebec GST would have applied after the federal GST. But it seems these people understood the common sense argument against such a measure. Here in Ottawa, can we expect that the government representatives may also use a little common sense from time to time and recognize that these people are right?

I would like you to explain what the people who came here hoped to achieve when they set out.

Senator Hébert: Well, first of all, I would like to tell you that the delegation came to Ottawa twice. They came a first time when they held a press conference here on Parliament Hill. They met with a number of Liberal senators. They tried to meet with Conservative senators, but were not able to do so. They did not manage to meet those whom they met because they were well received by their secretaries. On the contrary, the secretaries refused to organize meetings with the representatives of the Coalition.

They nevertheless managed to meet a few senators, they told me, by chance in the elevators and in the halls. I wish to tell you that the Conservative senators were not very interested in hearing what the President of the Coalition and the persons accompanying him had to say. Their impression was that they were better received by the Liberal senators than by the others. I am telling you what they told me.

● (2150)

I also met a number of the members of the Coalition again at the Montreal Book Fair, which is a major event and showcase of the dynamic book industry in Quebec. The Fair was a fantastic success and, in a few days, attendance exceeded the 100,000 visitors originally expected. I spent four or five hours there on Saturday and Sunday.

Despite the fact that it was a considerable success—since the publishers were pleased with sales of the books displayed and so on—there was also a sense of sadness and gloom because of the GST. Everyone wore buttons that read, "No to the GST on Books". In all the areas, at almost all the booths, at the entrance and everywhere else, there was this handsome petition booklet. And by the way a *Globe and Mail* review which I quoted on Friday described these handsome black booklets, which were something like school exercise books, but black—it was not by chance that they were black—then in white letters, there was the Coalition's slogan, "Taxing books is imposing ignorance". So, despite the fact that it was a major book fair, there was for the first time—I've been attending the event for some 25 years now—something gloomy and sad about it.

I believe I told you about the very moving moment when the President of the Fair, Jean-Claude Germain, who is a writer himself, a playwright, and who was Honourary President of the Book Fair this year, suddenly took the microphone and asked everyone who could hear him in the enormous room to observe a minute of silence because of this incredible misfortune that has befallen the book publishing industry in Quebec.

I don't know if these are things that people on the other side find funny, but none of the people who were there laughed, and there were thousands of people at the Book Fair. And people in fact stopped talking for a minute and said to themselves: what we are seeing at the Fair this year is the end of an era. Some of the publishers exhibiting their books this year won't be at the Fair next year because they will have disappeared.

To come back to your question, I believe that the delegation that came here and that included a large number of writers and publishers and book store owners went home very disappointed. They had just achieved a major victory in Quebec City and arrived here fully confident that they would be received with at least a minimum of courtesy by the government people. Not more than one or two weeks earlier, they had tried to meet with the Conservative senators from Quebec and were of course unsuccessful. I can tell you that because I gave them telephone numbers and other information and they tried . . . All the Conservative senators from Quebec received a telephone call from the President of the Coalition, Mr. Foulon, and every one of them found an excuse not to receive either the delegation or Mr. Foulon. They returned this time with more prestigious names such as Gratien Gélinas, and Beauchemin, the novelist, and a number of others, hoping this time they would be received with a minimum of courtesy. They were not.

You saw what Mr. Masse told them? That was the most positive response. It was in fact a formal no to their main request to remove the GST from books. Mr. Masse told them stories about wanting to apply remedies to the publishing industry in an attempt to calm publishers somewhat by telling them: well, you're going to lose money, of course, but, on the other hand, I'll be giving you a little, and so on, not realizing that was not the problem. The real problem is that fewer people are going to read; fewer people are going to be able to buy books. Even if we assist certain publishers so that they don't starve, that won't help people buy books at a reasonable price.

Senator Lefebvre: One question with your permission. You have acquired considerable experience in this field, Senator Hébert, over many years, particularly in Quebec. But you have contacts and are in communication, I believe, from sea to sea,

with writers and publishers in English Canada as well. I would like to draw a comparison. In Quebec, you call a book a best-seller when it has sold several thousands of copies, I believe. In the United States, however, a best-seller sells tens and tens and tens of thousands of copies. So, by comparison, what can a Quebec author hope for? To sell 10,000 to 15,000 copies if his book is a major success, compared to his cousin in the United States or England, or even with an author in France. I believe we saw in the newspapers that, if Quebec and Ottawa had both imposed the GST, that would have put 30% of the Quebec book publishing industry in serious danger of bankruptcy, if I am not mistaken.

Quebec has finally understood. They were very open; they listened to all the people who objected to the measure. They finally understood in Quebec City that they were endangering a very important cultural industry for Francophones, particularly in North America. So can you tell me what the danger is for French-language publishing especially in Quebec now that Ottawa has upheld its decision to impose the tax? Does that still threaten publishing in Quebec?

Senator Hébert: I don't think we can go so far as to say that Quebec publishing will disappear as a result of the GST. No one has gone so far as to say that. What is going to disappear, however, is a large number of small publishing firms. The larger firms will survive. That much is virtually certain. They will have more problems; they will raise the prices of their books. They will therefore sell fewer copies, and readers will therefore suffer. That much is certain. However, as for the firms that will disappear, we think it will be more the young firms. And I have often said that this is a field where it will not be enough for us to have only large firms. There are all sorts of contingencies in larger firms as a result of which it becomes more difficult at some point for a young author to get published. It is essential that we have small publishing houses that publish perhaps 10 books a year. Incidentally, I quoted statistics a moment ago and it was said that a firm is considered a publisher if it publishes more than four books in one year. From a statistical point of view, it is considered a publisher if it produces that figure. It can be a publisher that publishes books, but doesn't necessarily hang out its shingle perhaps. But if someone publishes only four books a year, he is a publisher. He doesn't need to have offices on St. Catherine Street. He can do it in his basement, doing business with printers. But the essential point is that we should not turn our noses up at that. Throughout history, there have been great poets, great . . . I am thinking of Jacques Ferron, for example, who is one of our very important novelists in Quebec, who began to publish with a small publishing house of no importance whatsoever. It was not even a real publisher. It was a printer who had small crank presses, and that's how Ferron published his first books.

The small publishing houses are going to be terribly affected by the GST. There is absolutely no doubt about that. I believe that the Coalition, which conducted the appropriate studies, told us that it expected 30% of book stores would close their doors.

That was when they expected to see two GSTs. Of course, that figure should be somewhat lower. Perhaps 15% of book stores will close their doors. That's nevertheless a lot of people, a lot of lost jobs and, especially, a lot of cultural centres, which is what the book stores are, that will disappear from the smallest municipalities and the less well-off neighbourhoods.

So it will have a harmful effect on small publishing firms, in particular, which will disappear, and on a certain number of book stores, which will also disappear. Even those that remain will suffer considerably from the GST because all the evidence given in all the studies that have been conducted to date shows that books are one of the first goods affected by a crisis, by recession, by a price increase, by inflation, by any other such thing. Books suffer first. Why? Because people first have to eat. People can't help it, they have to buy food, clothing, get their hair cut, and so on. When it comes to books, well, people can wait till next month, or they can wait until the situation improves.

● (2200)

In others words, this means that book sales are going to fall dramatically, if the GST is ever applied to books. And if book sales decline dramatically, publishers' press runs will fall as well. When press runs fall, that means that the unit cost of each book will increase. Book prices increase, and sales fall off even further. If sales fall off even further . . . well, you can see it's a vicious circle, and it is more catastrophic than it seems at first glance.

[*English*]

Hon. Colin Kenny: Senator Hébert, on page 99 of the committee's report, the GST and education is commented on. The report outlines how upset most witnesses from the educational sector were with the GST, and sets out their opposition to it in principle. Beyond that, they expressed specific concerns in relation to the GST and how it could negatively affect education in this country. I wonder if you could comment on that.

The Canadian Federation of Students decried the taxation of textbooks and other educational materials because they must be purchased separately by students. The federation emphasized that students could be adversely affected by the GST since many would not qualify for the full refundable credit. In order to qualify, one needs to earn at least $11,169 to claim the full $100 singles credit. The federation told the committee that only 22 per cent of post-secondary students have incomes in excess of $10,000. One could then conclude that almost 80 per cent of students would not be entitled to the full credit.

I would be interested to know if you have any views on that, particularly as it relates to Quebec students and their ability to get the required textbooks in order to carry on their studies.

[*Translation*]

Senator Hastings: Allow me, honourable senator, to point out something I read the other day in *La Presse* on the very subject we are discussing now. The article was entitled "The

tax on books: more than a partial victory" and said the following.

> The Bourassa gouvernment was wise to annonce yesterday that there will be no tax on books in Quebec starting in January.
>
> The announcement was made by the Minister of Finance, Mr. Gérard D. Lévesque. Although he was all smiles as usual, he must have acted with some reluctance. After stoically resisting the pressures exerted by the book industry and even by a few of his own colleagues, the Minister of Finance finally gave in.
>
> This goes to prove that the arts and culture community is making its presence felt much more than we could believe. The publishers, booksellers and authors succeeded in mustering popular support, which shows that they are not destined for marginality.

You said the same thing tonight, Senator Hébert.

> The Minister's decision should not, however, be viewed as a present, but rather as a good move. The new tax, in addition to the GST, would almost certainly have stirred up a crisis in the book industry.
>
> While not bringing about the wave of bankrupticies predicted by the opponents to the tax, a price increase in excess of 15 per cent would have lead to a decline in book sales, a change in reading habits toward other reading material, such as anglophone pocket books, and a shift in the policies of the publishers facing a shrinking market.
>
> The fact that Ottawa still insists on imposing its GST on books does not mean that the book industry win only a partial victory. A 15 per cent tax is not only twice as harmful as a 7 per cent tax, but this double tax was so high that it was setting a psychological barrier many would-be buyers would have found hard to overcome. The 7 per cent federal GST, on the other hand, will be more easily absorbed by consumers.
>
> Some are wondering why Mr. Lévesque made it a temporary measure, why he suspended the tax for a year and did not make a commitment for later on. It can be explained.
>
> In 1991, it is not the GST that would have applied to books but the conventional provincial sales tax that would have been extended to more goods and services for a year, before the real GST would have been implemented in 1992. That transitory measure was doubtful: The Minister was taking advantage of the hubbub created by the introduction of the GST to raise his revenues.
>
> It is easier to drop that strictly provincial temporary tax than to move back on the true GST in 1992, because one objective of the Quebec government is to harmonize its GST with the federal GST so as to avoid a complex and contradictory double system.
>
> That is why the Minister of Finance is right to wish first that Ottawa will also accept not to tax books before committing himself for after 1991. But he must not wait too long.

[Senator Hastings.]

Otherwise, the book trade will go through the year that will soon begin in a state of uncertainty, without knowing if it can rely for the future on a serene climate, favourable to its development.

> The battle will now move to Ottawa. There is little chance that the federal government is going to give up rapidly. Incredibly unpopular, getting only 12 per cent of the support of Canadians according to the Crop-Environics survey published this week in *La Presse*, the Conservative government is surviving only by disregarding the wind of opposition it is causing. In such a context, and facing the hysterical struggle against GST across Canada, the Conservatives can hardly amend the GST legislation, even for good reasons, without reviving the hopes of those who wish its abandonment. That is why, even if the Minister Michael Wilson were willing to accept amendments to the GST, he can reasonably do it only after it will have been passed and implemented. The English Canadian publishing industry has a wider market, but it has to face considerable pressure from the American industry. The survival of the English Canadian culture is threatened too. This battle in Ottawa may be won because the French publishing industry is not the only one to suffer from this new form of taxation. I think, honourable senator, that this article says exactly what you told us tonight about the GST.

Senator Hébert: I thank you for giving us these details, Senator, as I thank my other colleague for his questions. In fact, you are absolutely right.

Senator Kenny was pointing to the new burden that this tax will impose on those in need of help, that is the students, especially the university students. This tax brings disaster for them.

In Quebec, university students recently faced a very large increase in tuition fees, and now they are being told by the federal government that books—mainly scientific books which are often very expensive—will be taxed.

By the way, in student circles senators don't have such a great reputation, especially these days, but right now, I must say, Liberal senators are getting a lot of support from university students. I do not think they are indifferent to our fight.

I just received a letter that I happen to have with me and, I think, it addresses the question as far as students are concerned. It is from Krista Slade of the University of Toronto Students' Administrative Council. It says:

● (2210)

[*English*]

> Dear Senator Hebert
>
> I am writing on behalf of the Students' Administrative Council at the University of Toronto. We represent 32,626 full-time undergraduates at Canada's largest and most diverse university.

[*Translation*]

Not very many conservatives in there.

[*English*]

> I wanted to thank you for voting for the amendment which would have protected books and other reading materials from the proposed Goods and Services Tax (GST). We are strongly opposed to the GST as a whole but have been particularly lobbying on behalf of books being exempted. This is a significant issue for us because we feel the GST on books will create a financial burden and hence barrier to reading for our economically disadvantaged citizens. As these are the people who most need easy access to information, to tax them is regressive in the Canada of 1990. Sadly, this is to be our legacy to International Literacy Year.
>
> I preach to the converted, however, so I will thank you once again for all of your efforts in the Upper Chamber. We congratulate you for truly representing our interests in Ottawa and wish you well in your continued fight against the GST.
>
> Yours respectfully.

[*Translation*]

I have received lots of letters such as this that I could read *ad infinitum*. That is why those among—

[*English*]

Hon. Joan Neiman: Senator Hébert, I wonder if I could just interrupt you for a moment to contrast the type of message you gave there with an extract from a book that I have been reading recently. I do not know if you have heard of the author of this book. It is entitled *One Woman's War* and the author is a woman who was born in Saskatchewan, Gladys Arnold. She studied and worked in France for some years just prior to the war, and happened to be there for the fall of France and escaped with one of the last groups of people who were taken back, in the first instance, to Britain. One of the interesting things about her is that she was very committed to the French cause and Free France, and she came back here and worked as the information officer with the Free French consulate here in Ottawa for the rest of the war, from 1941 and for many years afterwards. She writes in a very vivid and moving way, but one of the things she talks about is that when she got to London, they were expecting, at that time, in the summer of 1940, that London would be the next point of attack after the fall of France, and all the people were trying to be prepared. She describes them turning in their pots and pans, and using all their articles of household furniture and contributing things to the cause. She describes in a wonderful way the great spirit of the British people when they were facing what they thought would be almost imminent attack. However, I should like to read the paragraph that I thought you would be most interested in. This was in the summer of 1940 when, as I say, the British were expecting to be bombed at any time. She writes:

> A stir of excitement arose when the newspapers announced that the British government intended to tax books. Public indignation almost swept the war news off the front pages. Authors, book publishers, librarians and booksellers called a huge meeting to protest, chaired by J. B. Priestley. The meeting turned into an enormous street crowd. "Tax on books! Never! Not in Britain. What are we fighting for?"—that was the message and it kindled thunderous applause. The British government hastily denied any such intention.

I just wonder if you would like to comment on the contrast of this type of reaction of the people themselves and then of the government, realizing the enormity of what they were doing. In spite of the sacrifices and the necessity for money at that time, they still decided not to tax books.

Senator Hébert: That is a very interesting anecdote. I do not know if it will help in any way, shape or form to change the minds of the people on the other side, but it should. All of the civilized countries of the world that have a GST of some sort—with the exception of Denmark, for reasons that I do not know—have either totally exempted books, as they did in Great Britain, or, at the least, have reduced the tax to a bare minimum, as has been done in France and elsewhere. So Canada and Denmark will be the only countries that will treat books in a different way from all the other civilized countries of the world. It is really a shame, and in reading this letter I wanted to share with my colleagues on this side, at least, the knowledge that we are supported in this fight much more than it might seem from reading a few editorials that seem to imply that we have lost the battle and that we should quit. We on this side know that we have not lost the battle, that we are not ready to quit at all, and that a lot of Canadians feel the same way and give us their support.

I thank them like I thank this student who wrote Liberal senators in the name of 32,626 full-time undergraduates at Canada's largest and most diverse university. I just grabbed a few letters as a diversion, and some are very touching.

Senator Hastings: Read them!

Senator Hébert: I will read a few.

Senator Hastings: Just for a change of pace.

Senator Hébert: This first one comes from the association coopérative d'économie familiale de Québec. Apparently it is a federation of some sort of family cooperatives in Quebec that I do not know, and they say:

[*Translation*]

> Honourable Senator,
>
> Since our organization has the mission to protect the interests of consumers in the Quebec area, and particularly those of low and middle income people, the Quebec chapter of the ACEF is very concerned with the negative impact of the GST. We are asking you and all members of the Senate to do whatever you can to beat this legislation which will make the federal tax system even more regressive and which will have negative effects on an economy already in a full recession.
>
> Respectfully yours,

Roger Beaudoin
Coordinator for the ACEF Board of directors

I think it is worth it that once in a while . . . I have received another letter from a doctor, an opthalmologist, Dr. Ross Harris . . . Good Heavens, he seems to have a whole lot of titles. Dr. Keon could help us with the meaning of MD, FRCSC and FAAO.

● (2220)

[*English*]

Ross Harris, M.D., F.R.C.S.(C), F.A.A.O. from Sherwood Park, Alberta, states:

Dear Senator:

I wish to address the issue regarding passage of the goods and services tax. It is clear that the people of Canada have spoken eloquently against this tax and I wish to add my voice to the populace in hopes that democracy will reign and the Senate will vote against passage of this bill.

For Dr. Harris, democracy commands that we vote against this bill. The letter continues:

With the latest Gallup poll indicating that only 15 per cent of the people support the Conservative government . . .

Dr. Harris is just one poll late.

Senator Hastings: It was 4 per cent in the Montreal-Sainte-Marie by-election.

Senator Hébert: The letter continues:

. . . which has tried to shove this tax down our throats, I think this is the time to show Canadians that the Senate does have an important role to play in the workings of government. I only wish that the mechanisms were in place that would allow the Senate to have a vote of confidence and remove this undemocratic governing party from power.

As a former Conservative, now Reform Party member . . .

Dr. Harris is a former Conservative, but he has had it with the last six years of the Conservative government. He is now a Reform Party member and not a Liberal, so I am not quoting someone from my own party. He continues:

I applaud the Liberal senators who have stood their ground and listened to the people of Canada.

That is the key phrase. We are listening and the government is not. He concludes:

I congratulate the Senate for performing an integral role in preserving democracy in Canada.

[*Translation*]

Here is a letter written on a piece of paper. It comes from Quebec City.

Dear Sir,

I commend you for defending the poorest people. You are proving yourselves to be democrats by defending the majority against a group of MPs who have sold out to the rich bankers.

I pray that God will give you the courage you need to block this bad proposal. You will go down in history.

Étienne Giguère
321 Père Marquette
Quebec City

That comes from the heart.

Dear Sir,

Allow me to congratulate you for . . .

Doctor Ross Harris is not a white beret. He is a former Conservative, who has now become a member of the Reform Party.

Allow me to congratulate you for your effort in the fight . . .

Senator Lefebvre: Senator, would you allow me a question?

Senator Hébert: With pleasure, senator.

Senator Lefebvre: You have certainly been in the vanguard of the Senate troops, of the Liberal senators who have fought against this harmful tax, the GST. I am aware that you have received thousands and thousands of petitions and letters by the hundreds. Have you analyzed those letters and petitions, and out of the thousands and thousands of Canadians . . .

Senator Cogger: Billions!

Senator Lefebvre: Perhaps it's up to a million. Perhaps you could go count them, Senator Cogger? You don't seem to have very much to do.

Could you tell us whether, among all those letters, there was even one in 10,000 in favour of the GST and condemning your work and all your colleagues on this side of the House in fighting against the GST? Has anyone written to tell you to stop? Or, on the contrary, do they encourage you to do more and more?

Senator Hébert: In all honesty, I must admit that I have received a few letters out of several hundred in favour of the tax. Perhaps I received two or three from people who did not agree with us and who told us we should pass the GST. But . . .

Senator Lefebvre: Is that a letter that was sent by Senator Cogger, perhaps?

Senator Hébert: No, but it certainly came from his friends. They came from people in the chambers of commerce and people close to the Manufacturers' Association, that is to say from rich people whom the tax will profit directly. But the not so rich people, who cry out in this way . . .

Senator Cogger: Just a minute! That's a gratuitous allegation.

Senator Hébert: Senator Murray told you to be quiet.

Senator Cogger: Senator Hébert, you cited my name; I am answering you. The letters you have received . . .

Senator Lefebvre: You're completely mixed up!

Senator Hébert: He's the one who cited my name, not I. Listen to your leader, who has told you to be quiet.

Senator Cogger: You received one letter in favour of the GST. So be it. What entitles you to say it came from my friends or from millionaires or I don't know what. I haven't seen these people and I don't know them. I have never heard of you tabling a favourable letter when you table the letters. We will analyze them some time in the future. In the meantime, these are gratuitous allegations you are making.

Senator Hébert: First, I remind you once again that Senator Murray told you very clearly to sit down and be quiet. I fail to understand why you have no discipline! If Senator MacEachen told me to be quiet, I would definitely sit down.

Senator Cogger: If Senator Murray told you to be quiet, would you be quiet?

Senator Hébert: If I lacked discipline, yes.

Senator Cogger: I heard you say on television that you had an unlimited passion for the fight against this bill, that there was nothing that would hold you back, not even the health of Senator Hastings. Now you have just told me that, if Senator MacEachen told you to be quiet, you would be quiet. I'm glad to hear of it. I am pleasantly surprised, Senator Hébert.

Senator Hébert: Listen . . .

[*English*]

Senator Hastings: I wish the honourable senator would leave my health out of the discussion. I am very well and I am going to be around here to oppose this damn tax for quite a while yet. So just forget about my health when discussing what is going on.

Senator Kenny: How are you feeling?

Senator Hastings: I am feeling 100 per cent.

Senator Murray: You look better than you did.

Senator Barootes: Thanks to the physician you used to deride and make fun of.

Senator Hastings: Honourable senators, I rise on a point of order. I never derided the honourable senator.

Senator Barootes: You mocked him.

Senator Hastings: I derided the method of appointment of the eight senators, but I never personally derided anyone and I want the record to indicate that. I did deride the appointment of the eight regional Royal representatives and the method used by the Prime Minister. However, I never questioned the integrity of honourable senators who came forward as a result of that act by the Prime Minister.

● (2230)

[*Translation*]

Senator Hébert: I would like to return to Senator Cogger because he said something that was not correct, but that was perhaps not his fault. He is not always here. When he said I had never presented letters or petitions in favour of the GST, that is not correct.

I did so, I believe, at the start of last week. I received a petition bearing one signature from someone who was in favour of the tax. I tabled it here in the Senate. You can see it in the files. Consequently, when you say I have never done so . . .

Senator Lefebvre: When that person sent you a letter in favour of the GST, did you frame it and put it in your office? That would be a very rare person indeed! When I was with the Committee on Banking, Trade and Commerce in the Atlantic provinces and in the Northwest Territories and Vancouver, no one was in favour of the tax at that time either. Have you taken a small poll to determine whether that person wasn't perhaps the sister, sister-in-law or wife of one of the Conservative MPs or senators, or perhaps the President of the Conservative Party Association in those provinces? Did you conduct a poll on the subject?

Senator Hébert: I didn't frame it. I did the only honest thing. I tabled it here in the Senate. It was the only petition that had one signature. So listen to Senator Murray, when he tells you to be quiet!

Senator Cogger: The only petition in favour of the GST that I've seen recently was signed by your own brother, a car dealer in Repentigny. On the back of his business card, he wrote: "Jacques, please let the GST pass." The MP who represents the region where your brother lives and has a dealership came and tried to table it in the House. He was interrupted and brutally thrown out by your colleagues, Senator Corbin.

Senator Hébert: This story of a business card was obviously a practical joke. I telephoned my brother, and he doesn,t remember the incident at all. So i don't know what's going on. It's obviously a story made up by your colleague on the other side of the House.

I hope that's your last word, Senator Cogger, because I . . .

Senator Lefebvre: I would like to point out that Senator Stanbury was reading petitions one evening and there was one signed, "Ray Hnatyshyn, Rideau Hall". He did ot check to see whether it was His Excellency or not. I don't know whether he was against the GST. So perhaps Senator Cogger could mention his as well.

Senator Hébert: In any case, as I told you, I received a petition bearing one single name. I'm not even certain it was legal.

However, Senator Murray did the same thing a little earlier when he presented us with a petition with a single signature sent by fax by the president of the Canadian Manufacturers' Association. I don't think that one was legal either.

In any case, I just thought I didn't want Senator Cogger to criticize me for never tabling petitions. All of a sudden, he's the one who sent it! So I took no chance and tabled it here about a week ago, I think, thinking that it was an exception, that it was the only petition signed by a single person in favour of the tax.

I have here . . .

Senator Lefebvre: I also believe that we received a petition bearing three or four signatures. They were all by people working in the office of the Government Leader in the Senate or something like that. Do you remember that petition?

Senator Hébert: Yes, I don't know whether I have it here, but I have it somewhere. Someone asked me for photocopies.

Senator Frith described to us the scene when it went to Senator Murray's office. Obviously, when he called for his staff, he couldn't find them. They are all on the payroll and they were in a poor position to say no when asked to sign a document.

So we don't know what they really think. We simply know that they signed all the same saying they were in favour of the tax. In the eyes of the Government Leader in the Senate, that was a petition signed by those three employees.

The other petition was a fax signed by one person, the President of the Manufacturers' Association. I don't think that was legal, but, well . . .

In any case, then, I have another one here, which comes from a certain Christin Sheitoysin, who writes:

> Dear Sir,
>
> Allow me to congratulate you on the struggle you and your Liberal colleagues are conducting against the GST.
>
> You are an example of tenacity and hope in a society that has become all too careless of its material, psychological and moral well-being.
>
> My sincerest regards.

Mr. Jean Ouellette, from Sillery:

> I would like you to know I unreservedly support your heroic fight against the GST. Notwithstanding the comments of some . . .

He is alluding, I imagine, to some editorialists, who are not pleased that we listen to people when they themselves do not.

> . . . there is no doubt in my mind that you have the support of the very great majority of Canadian men and women who despair of the day when the Conservative government may accept the obvious and give up its proposal.
>
> I learned with a great deal of satisfaction that your party is to establish a committee to propose alternatives to the GST. I dare hope you will make recommendations that will ensure a better redistribution of the Canadian tax burden, among other things, to ensure that corporations and high-income earners pay their fair share. They have benefitted too much from Conservative government largesse.
>
> So I wish you every success. Do not give up, and remember you need not be ashamed of the tactics you employ and that you must employ in future, because the majority supports you.

Well, personally, I prefer to read a letter like this from an ordinary citizen named Jean Ouellette, at 1234 Luxembourg Avenue, in Sillery, than certain editorials by people who imagine that, within the four walls of their little office, they can decide the fate of the world without consulting or listening to anyone.

I have here another letter signed by three persons. It is almost as good as Senator Murray's petition! I have three names: Mrs. Marie-Jeanne Boyer, housewife; Aurèle Boyer, farmer, and Thérèse Eva Boyer, student and teacher. Three people from Saint-Rémy, Province of Quebec, who tell me:

> Dear Sir,
>
> We support your actions against the appointment of the eight senators in conflict of interest and the introduction of the GST bill. What an aberration this bill is. We are going through a period of instability in the world and recession across the country. The result is trouble for the young and the not so young, and worries for the less well-off in our cities, provinces and our country. What is the government in power thinking of?

It isn't thinking of anything, of course.

> They tell us in a mealy-mouthed way that the tax is designed to reduce the deficit. But what are they doing about the debt?
>
> The policy of our present government is a monstrous farce, a low-grade comedy. What are our politicians, our dear elected representatives thinking of when they think, if they think at all? Of taxing us and reducing us to rags. What a shame for people who are counting on us at the next election.

I don't think they should count on these people all that much next time around!

> Will anyone of these political hacks think of the people one day?
>
> We are also afraid that the politicians are tricking us by leaving the sales tax in place and adding the GST. If this is true, the worst is yet to come. Canada will be eaten away by the great evil of the century: taxes, taxes and more taxes.

I already mentioned the signatures. Here's another note I have recently received.

> Dear Mr. Hébert,
>
> I am 21 years old. I want my country to remain prosperous and united. I am sad to see the Upper House and its traditions flouted, but I also know that this is necessary. Please don't give up. I am in the gallery from time to time. I am going to bring my friends. My respects to the senators,
>
> Marc Beaulieu,
> 74 Brennan Place,
> Moncton, New Brunswick.

Here is someone who sits in the galleries and who took the trouble to write on a piece of paper that he supports us. Having been in the gallery, he has seen that the traditions of

the Senate were indeed being flouted, but he said: I know that it is necessary.

He understands. He did not take on an outraged tone like some of my colleagues opposite, who rise from time to time to sermonize about the proper comportment of senators.

Dear Senators,

I am a small businessman who sells children's clothing. With the GST, my customers will have to pay an extra 15% to clothe their children.

It's got to be a Quebecer.

7% federal tax and an 8% provincial tax, 15% in all.

This is certainly no way to promote a higher birth rate.

I encourage you to continue fighting this tax which the public does not want. Please don't give up.

Jean Bettez,
46 rue des Braves,
Sept-Îles, Quebec.

Sept-Îles, that reminds me of something. I have another one:

Dear Sir,

You have all my admiration in your fight against this inglobe tax, the GST. It is a tax that will strike the weakest and least well-off in our already sick society.

There must be other ways of attacking the deficit, other ways that will save the least well-off.

I encourage you to continue your fight for this noble cause.

You must not give up until all means are exhausted. Continue the fight. Thank you.

Jean Bettez,

46 Avenue des Braves,
Sept-Îles, Quebec.

I have another one here:

Dear Sir,

I congratulate you for your fight against the GST and support you in your struggle against this tax.

Please accept my highest respects.

Jean Zincovitch, M.D.

So, a doctor.

600 rue Kleber, Duvernay, Laval.

Senator,

I am sending you proof (see newspaper clipping) that the country's debt will not be reduced as a result of the gift Mr. Mulroney is making or of a number of other expenditures of which citizens have not been informed.

He's encouraging us to continue fighting against the GST.

Honourable Jacques Hébert,

Congratulations on your fight against the GST.

We are with you in this fight for the citizens of Canada.

Thank you, Carmelle and Rolland Plante, Joly à Lotbinière.

The Comité d'Éducation Populaire Métis/Nigette Inc., at 88 Avenue Laval, Mont-Joli, Quebec, Writes:

Dear Sir,

Enclosed please find a copy of the resolutions by the General Assembly of the Comité d'Éducation Populaire Métis/Nigette challenging the proposed GST put forward by the Conservative government, as well as the proposed amendments to the present unemployment insurance system.

The latter has been passed. Thanks to eight new senators, it has been passed. People are going to learn what the unemployment insurance program, as revised and corrected by the Conservatives, is all about.

We thank you in advance for your attention . . .

Bill on the GST.

WHEREAS the new act is not yet in effect . . .

And it may never be in effect!

WHEREAS the supplies of volunteer organizations are taxable where the goods and services they produce are sold by for-profit corporations, something that denies the distinct nature of volunteer organizations;

WHEREAS increasing numbers of families can no longer afford the bare necessities of life (this act is very deeply unfair because, in addition to further impoverishing the poor, it will push into poverty people whose incomes are at the survival line);

WHEREAS books will also be taxed and this measure will considerably increase the cost of education for everyone;

You see this committee has very specific concerns, but, in their "whereases", there is one that concerns books.

WHEREAS books will also be taxed and this measure will considerably increase the cost of education for everyone;

WHEREAS the government has not undertaken to amend the GST with respect to volunteer organizations;

BE IT RESOLVED THAT we of the General Assembly of the members of the Comité d'Éducation Populaire Métis/Nigette are opposed to the proposed GST put forward by the Conservative government.

Moved by Pierre Dufort.

Seconded by Gilles Bernier.

Passed unanimously.

Les Boules.

It's signed by the secretary, Thérèse Sheehy.

• (2240)

[*English*]

Here is another letter:

> Dear Senator Hébert, I wish to extend my support to yourself and your senate colleagues in your efforts to block the GST Bill. Myself as many other Canadians, taking note of every news update on what is happening in the Senate House since the GST Bill has made its way to its final conflict.
>
> Please continue all efforts, tactics and means to blockade this unfair tax grab—

[*Translation*]

So you see! He is not offended like a few of our colleagues on the other side and certain editorial writers who feel pretty bad because we made some noise with our desks. It does not bother anybody. The man in the street wants us to block this bill any way we can, using all tactics and means—

[itEnglish]

To continue:

> . . . to blockade this unfair tax grab. As an admirer of Shakespeare, MacBeth and a former Katimivik participant, I would like to offer my sincere regards and admiration in your discord on this bill.

And it is signed, Erline Corline, Norwood Crescent, Regina, Saskatchewan.

Senator Lefebvre: Right from Regina.

Senator Hastings: One of your constituents.

Senator Hébert:

> Dear Senator Hébert. You folks are doing a tremendous job in stymieing the GST which most Canadians despise. *Motor Truck* magazine has also taken a firm stand against the GST.

It is the name on the letterhead, *Motor Truck* magazine.

> We are forwarding more than 800 petitions from our readers showing their disgust with this proposed tax to Liberal Senator Leader Allan MacEachen. This is the largest readership response that *Motor Truck* has received in years.

Senator Lefebvre: The most.

Senator Hébert: Yes, the largest readership response, because they have asked their readers to sign this petition and they have received 800 names, which is the largest they have received in years.

> Hope our petition will buoy your spirits . . .

Well we do not really need that but it helps . . .

> . . . and be of help in your fight. If you would like to read into *Hansard* the hundreds of name of truckers who oppose the GST you have our blessing.
>
> Yours sincerely,

[Senator Hébert.]

> Barry Holmes,
> Executive-Editor,
> Associate Publisher.

[*Translation*]

And it is also signed by Managing Editor Lou Smyrlis.

Here is a telegram from Elizabeth Grahame, 10423, 127th Street, Edmonton, who says:

[*English*]

> Senators have moral obligation, legal rights to axe GST otherwise Senate Tories rubber stamp it.

[*Translation*]

Good. That is clear and simple.

[*English*]

Here is another letter. This is Evelyn Lateluck, Lérie, Province of Quebec:

> Dear Sir: Your extensive efforts to block the bad tax "reform" bill have been widely appreciated in this community.

[*Translation*]

That is the town of Lérie in Quebec. I am familiar with that locality because I used to go there during my holidays when I was a child, but I do not know this person.

[*English*]

> It can be said that individual energies are the building blocks of the universe. Certainly, your energy and the energies of others like you . . .

Meaning the Liberal Senators . . .

> have provoked the most extraordinary display of cynical venal action on behalf of the ruling party. You and your fellow Liberal Senators have forced the Canadian public to recognize the appalling state our country is in. Thank you, you will long be remembered for your efforts.

[*Translation*]

However I do not know whether Senator Cogger will respond by reading ten-odd letters supporting the other side, but with the same tone and passion as in these letters.

[*English*]

> Way to go, Jacques! Do anything you have to do to stop the GST—anything. If this GST passes, I will close my glass shop. Yours truly.

He operates an auto glass distribution centre. He will close it if the GST passes.

Another letter states:

> I want to express my appreciation for opposing the goods and services tax. I don't want it. Keep up the fight. Don't back down. I am 100 per cent opposed to the Mulroney government, 100 per cent opposed as a former proud Canadian. I am no longer proud to say Canada is my country, and I am no longer proud to be a Canadian. I wish I didn't have to say this, but, unfortunately, it is true. The Mulroney government is 100 per cent responsible for my feeling this way. I have zero respect for the

Mulroney government. I do not like to live in this country and see how this country is being destroyed.

Do everything in your power to oppose this tax and everything you can to ensure it is not passed. Sincerely, James Bernoise, 390 Princess Avenue, Apartment 9, London, Ontario.

Senator Marchand: Would Senator Hébert permit a question? I want to ask a question regarding publishing by universities.

I am reading a new book by Dr. Paul Tennant of the University of British Columbia. It is entitled, *Aboriginal Peoples and Politics*, and it is hot off the press.

Senator Hastings: It is ahead of the tax.

Senator Marchand: He has made some interesting comments which I feel are relevant to the tax situation. For example, he states:

I was the first political scientist to conduct such field research in British Columbia.

Before he wrote the book he travelled to many communities in British Columbia and attended many tribal council meetings. He met with several Indian organizations and did extensive research for the book. There is reference to the fact that he had a difficult time putting together the finances for the book. It was published with the help of a grant from the Social Science Federation of Canada, using funds provided by the Social Sciences and Humanities Research Council of Canada. It was published by the UBC Press, 6344 Memorial Road, Vancouver.

Based on your great experience as an author and your knowledge of the publishing industry, not only in Quebec but in the rest of Canada and at universities, how would you say this tax would affect publishers such as the UBC Press? It would be unfortunate if they were not able to publish books such as this. Really, this is a very rare book because of the way it was put together. It would be unfortunate of the tax hindered professors or other authors from using the facilities of a university press. Could you comment on that, Senator Hébert?

Senator Hébert: Of course, the situation is a little different for university presses because they receive grants from their universities and they occupy facilities in university buildings. They do not publish for profit. Nevertheless, we all know that grants to universities have diminished in the last few years, which means that grants to university presses have been getting smaller. They cannot count on an increase in their grants.

Their books already sell for high prices because they are specialized books. They are not printed by the thousands. I don't know about the book you have in your hand, but some of these books have a printing of only a thousand copies or less, which means that each copy is costly to publish and consequently sells at a high price.

With the GST the price will be higher. Fewer people will buy these books because they will be too expensive, and at a certain point university presses will be unable to publish certain books. There is a limit. You cannot print 100 copies of a book. It doesn't work like that. It would be extraordinarily expensive.

One thing is certain. Fewer of these books, such as the one you have in your hand, will be published in Canada because of the stubbornness of this government which does not want to exclude books from the GST. We will all suffer because some important ideas will never be expressed in a form that is necessary for their transmission to others.

• (2250)

[*Translation*]

I am going to take a short break from my reading of the document I told you about a while ago in order to turn to another document because I would like us to get together on this because time is passing . . . I eventually want to give others the opportunity to speak as well. So in the survey from which I quoted large excerpts and which ended in 1977 . . . The book publishing industry has continued to progress in Quebec and in the rest of Canada since this survey was taken. Thanks to the vitality of this sector and to the assistance of various governments and to the more pronounced interest they have taken in culture and in books in particular over the years. That is why the GST has created such a stir in intellectual circles in English Canada and French Canada. That is because it is contrary to what the governments have gotten us used to in recent years.

And it is because, in recent years, for example, in the early 1980s, the Federal Cultural Policy Review Committee was established—it was called the Applebaum-Hébert Committee, named after one of my cousins. The task facing that Committee in the early 1980s was enormous. It worked for two years, meeting people from all cultural circles, including book publishing, in all the provinces.

And since this was a much more recent effort, I would like to make a few remarks about it. I would like to recall that Committee's recommendations concerning books and publishing. As you can see, some of those recommendations were implemented. However, in the best interest of the cultural community, many others went unheeded.

So we are going to shift our sights somewhat to still talk about the same subject, but in the 1980s, to see how far we have come. And the chapter ws entitled, "Writing, Publishing and Reading".

The title of this chapter, incidentally, reflects the spirit in which our report was conceived.

When I say "we", I mean the authors of the report.

. . . The creators and cultural producers do not work in isolation, but form an integral part of a whole. In literature, Margaret Atwood did a remarkably good job in giving expression to our thinking. The writer and his readers are siamese twins. Kill the one and you risk killing the other. Try to separate them and you may very well find yourself with two lifeless half bodies.

That is why, if the GST discourages some readers, you will be killing one of the siamese twins because the author needs the reader. The two are siamese twins.

> One can obviously not dissociate the writer from the publisher or from the reader. An author can certainly exist without readers, just as people can go through life without opening a book, but there will always be a fundamentally important dimension missing from their human experience. The publisher, for his part, can help bring the two together.

This description leaves something to be desired, however, because it ignores the contribution of editors, translators, graphic artists, printers, book store owners, librarians and critics who all play an essential role. One sees therefore that literature is very much a collective undertaking.

• (2300)

[*English*]

Senator Kenny: Earlier you spoke of writers, and everyone knows they are often on the lower end of the pay scale or impoverished. You have not commented on how poor writers will function at the lower end of the scale. The Banking Committee heard from the National Anti-Poverty Association, which referred to the refundable tax credits and how they discriminate against large families living in poverty and single people living on welfare. In its brief to the committee, the National Anti-Poverty Association said that families of four or more persons who live under the poverty line will not be entitled to the full tax credit. It went on to say that no single person receiving social assistance, with or without disability, would receive full value for their tax credit.

One of the most common objections to the GST is that Canadians would begin to lose those credits because they are not fully indexed to inflation. As taxes and prices increase in the future, the amount of protection for low income Canadians would fall. Virtually all of the social groups were unanimous in saying that lack of full indexation of the refundable tax credits would make an already unfair GST system even more unfair over time.

In the National Council on Welfare's brief to the committee, it said that the shrinking sales tax credit and its falling threshold will weaken its capacity to protect low income Canadians from the GST in the future. In effect, their federal sales tax burden will grow heavier with each passing year because the sales tax credit will offset less of the GST. The sales tax credit would also be targeted further and further below the poverty line, thus leaving more working poor and modest income families with little or no protection from the sales tax. National Council on Welfare also said that within five years 700,000 poor families would be cut off from receiving any refundable tax credits because of the lack of full indexation. Within 10 years over one million Canadian families who need protection would lose their tax credits. Statistics provided by the National Council on Welfare demonstrated how inflation would eat away at the value of the credits over time. Within five years the maximum credit for a couple with two children would fall from $750 to $644 in 1991 dollars, which would take an additional $700 million out of the pockets of poor families within five years.

In response to these concerns, the Minister of Finance has replied that the protection for low income Canadians does not need to be fully indexed to inflation because the government, if necessary, would adjust the credits and the thresholds to protect the poor.

It seems to me that many of these writers you are talking about are the very people who are going to suffer from these inflation-eroded credits, and that, over time, more and more are going to be put in the position where they cannot afford to continue to write. Would you like to make a comment on this?

Senator Hébert: You are quite right. I do not know the statistics for English Canada, but I will give you an idea of the financial situation of writers in Quebec—I exclude from that those who may use their pen to earn money in publicity, writing speeches for government, the Minister of Finance or advertising. I am speaking of those who are writing books, novels, poetry and drama. In Quebec there are possibly four or five who do not have a fat income but who can survive, raise a family and have a decent life. There are only about four or five in French Canada. In English Canada, writers like Pierre Berton must live well, as does Margaret Atwood. How many would you say there are who are making an adequate living from writing?

Senator Kenny: I think there would be 10 or 15.

Senator Cools: Peter Newman does quite well.

Senator Hébert: Let us say there are 20 in English Canada and we could gather six or seven from Quebec. Less than 30 Canadians are earning a living writing books. Imagine what all the others do! They starve or have to work at other jobs at the same time. Some are correcting proofs in newspapers or are salesmen in book stores so they can be near books, which they love, but they have to work at many different jobs to survive. These people will be directly affected by the GST, and some will decide not to write any more. We will lose some good books, perhaps a masterpiece that would have been successful around the world and translated into 25 different languages.

[*Translation*]

I continue:

> In Canada, governments have supported this collective enterprise to an increasing extent in recent years—promoting writers, translators, designers, booksellers and librarians—without political interference in what is written, published or read.

Of course, the Arts Council was admirable because of what the English call the "armslength" approach which this government finds difficult to swallow. As you know, a number of Tory members who felt this armslength approach to the Canada Council difficult to live with made some rather fascinating statements. They wished they could lay their hands on the Canada Council in order to distribute more easily scholarships to the most talented people in their ridings.

> This approach is essential to preserving freedom of thought and expression as it is native to Canadians' view of their government's relationship to culture.

I am referring here to the armslength approach.

> The federal government in particular has provided that support directly to writers and publishers, leaving readers—the largest group—more or less alone.

Of course, the 7 per cent GST on books is the opposite of this notion which stems from the chapter on books in the Report of the Federal Cultural Policy Review Committee chaired by Lou Applebaum and my cousin.

> There have been good reasons for this particular emphasis in cultural policy. Writers and publishers make up the first two links in the literary chain, setting the process into motion; without them, there would be little Canadian literature for readers to read, critics to analyze, booksellers to sell or printers to print. At the same time, writing and publishing are both extremely fragile activities economically in the relatively small English- and French-language markets in Canada. Those Canadians who choose to earn a living by writing or publishing books and magazines, particularly of an artistic or cultural nature, frequently work within economic constraints that necessitate a measure of financial support in addition to what the marketplace yields. But government cultural policies encourage and stimulate the suppliers of our literature essentially because the ultimate beneficiary is the Canadian reading public.

Providing assistance to the publishing industry was often criticized in certain mainly conservative, circles where the attitude was: Why bother to help publishers? Let them take their own risks, let the market decide, let the strongest prevail, and so forth! However, what these people did not understand was that by helping the publisher, we helped the reader because without publishers books would not be widely available for people to read.

> "These policies have borne abundant fruit. As the Canadian Conference of the Arts reminded us, "Over the past 10 years there has been an extraordinary growth in Canadian writing and in the size and enthusiasm of Canadian audiences for new writing of all kinds by Canadians living in all parts of the country." By contrast, the authors of the Massey-Lévesque Report concluded 30 years earlier that "among the various means of artistic expression in Canada, literature has taken a second place, and indeed has fallen far behind painting."

How odd. Thirty years before, in 1950, painting came first.

> They went on to ask, almost plaintively: "Is it true, then, that we are a people without literature?"

That was one of the "plaintive" questions asked by the authors of the Massey-Lévesque report, 30 years before this one.

> "Such a question need scarcely be asked today. In quantity, quality and public interest, both at home and abroad, Canadian literature has attained a state of development unimagined in 1951. The same may be said of the publishing, bookselling, library and critical professions which sustain our literature. These are manifestations of a maturing society for which the credit does not belong to governments or their policies."

They were necessary and even essential, but they were not the only reasons for this development.

> But it is certainly true that government actions . . .

• (2310)

[*English*]

Hon. Anne C. Cools: Senator Hébert, may I ask you a question?

Senator Hébert: Yes.

Senator Cools: As senators know, we are very privileged in this chamber to have a number of men of letters sit with us, for example, yourself. You have authored several books.

Senator Hébert: Do not forget Senator Chaput-Rolland.

Senator Cools: I will come to her in a moment. Another example I see across the way is our colleague Senator Doyle. When I first came to this chamber and joined you as your seatmate, which I still am—

Senator Hébert: Not tonight, because I need your desk.

Senator Cools: Absolutely. I will lend you my desk whenever you speak. However, when I first came here, you presented me with a book that you had written on William Coffin, and, for me, it was a very great treasure. I really have two questions for you. The first deals with the fact that people who own bookstores are generally quite special people, usually lovers of books and invariably got into the business because they were interested in letters *per se*. Although I did not hear all of your speech, my question is: Do you have particular information on the impact of GST bookkeeping and administration on the proprietors of book stores?

Before I get to my second question, I should like to tell you that I personally am a collector. I am especially interested in people who describe themselves as antiquarians; in other words, people who are proprietors of old books. For example, if I wanted to purchase a copy of John Dafoe's book on Sir Wilfred Laurier, since I live in Toronto I could phone up Joseph Patrick Antiquarian Bookstore and ask him if he has one in stock. My question for you in that area is: Do you have any idea or any concept of the impact that the GST will have on antiquarian bookstores and book sellers. If you do not have any information in those two areas, that is quite satisfactory to me.

Senator Hébert: Quite honestly, I do not have any special information on that aspect, but it is quite clear that they will suffer, like others. They are selling old books, but they are books and they are aimed at a public that will continue to love books and want to buy books, but if the price becomes too high, of course, they will buy fewer. Some of these bookstores may not be able to continue and will close their doors. I do not

wish that and I hope it does not happen, but most likely it will happen to them, as it will happen to the ordinary bookstores.

Senator Cools: Yes. As I said before, I am a collector. My particular interest is the antiquarians. They are very interesting people. In addition to being sellers of books to the ordinary person on the street, they are also very special because they are buyers and sellers of books for libraries. As an example, let me tell you of a dealer in Toronto from whom I have bought several books. He also supplies libraries. I think this is an important subject. It is important for the book industry but also for the sustenance and maintenance of the culture of Canada.

One day during the committee phase of this bill we had an antiquarian appear. Mostly he was a seller of other kinds of antiquarian objects, such as furniture and glassware, but he came to us greatly concerned about what the GST will do to the business in general. I think it is quite interesting and I look forward to hearing what you have to say.

[*Translation*]

Senator Hébert: I am sure that we should wish these sellers of old books well, that we should hope they will survive, but it is clear they are going to suffer as much as the others. Seven per cent on a $30 book is one thing, but it is harder to take on an old book worth $300.

> The members of the Massey-Lévesque Commission would have been happily astonished had they been able to foretell the national and international recognition that would be won by Canadian authors in the 1970s and early 1980s: Margaret Laurence, Anne Hébert, Robertson Davies, Yves Thériault, Irving Layton, Antonine Maillet, Margaret Atwood, Marie-Claire Blais, Farley Mowat, André Langevin, W.O. Mitchell, Gaston Miron, Mordecai Richler, Jacques Godbout, Mavis Gallant, Réjean Ducharme and Leonard Cohen are only a few who come to mind, in addition to those singled out for earlier recognition by that commission: Gabrielle Roy, Morley Calaghan, Roger Lemelin, Hugh MacLellan, Gratien Gélinas . . .

who, at 80 years of age, was just snubbed by the government; he was here a few days ago. He came to plead the cause of authors, book store owners and publishers, the cause of books. He was received, as everyone knows—Senator Lefebvre a moment ago read an excerpt from the press report . . .

> . . . Earl Birney. Clearly, the written and published word is flourishing in Canada, signifying that the spirit of artistic and intellectual freedom is alive here as never before.

In our travels across the country and in our own deliberations, however, we have become convinced that there is no room for complacency about these matters, and have detected a number of serious gaps and omissions in the existing federal policy which urgently need to be remedied. In the case of writers, we believe that their financial reward has been woefully inadequate considering the public benefits received.

That's what we said earlier. There are a handful, we said, all in all, less than 30 throughut English Canada and French Canada who live from their books. The others earn only marginal incomes from their writing.

> As for readers, we are persuaded that their interests as consumers of Canadian literature have been neglected (perhaps inadvertently) by federal government policy, a concern that will lead us to suggest ways of improving both public awareness of and public access to Canadian publications. We will also suggest ways in which publishers can be assisted to perform their cultural role.
>
> Productivity and artistic maturity in Canadian writing might reasonably be said to have proceeded hand in hand since the days of the Massey-Lévesque Commission, and indeed to have followed a certain progression through the various literary forms during the past three decades. In earlier years of that period, the most substantial and most interesting body of work probably belonged to our poets. By the mid-1960s, however, fiction had established itself as an equally fertile and variegated form in both our official languages.

● (2320)

During the past decade—say, since the arrival of Michel Tremblay's plays on the Montreal stage and the original performance of George Ryga's *The Ecstasy of Rita Joe* or James Reaney's *Donnelly Trilogy*—Canadian drama has begun to display strengths similar to those found in our poetry, novels and short stories.

> Other equally important branches of literature are also thriving: history, biography, social and political criticism, artistic criticism and children's literature. Popular authors as well as scholars have all made their distinctive contributions. Strength in these fields once seemed more potential than actual, but are now being realized in a steady flow of publications emanating from virtually all parts of the country.

Such a varied and steady flow would not be possible without a diverse network of professional book and periodical publishers. From the small and somewhat unhopeful contingent that visited the Massey-Lévesque Commission public hearings, the Canadian publishing community has grown in several significant ways. Today there are book publishers in every province, some specializing in works by the writers of their particular region. Among the new regional houses are several French-language publishers located in New Brunswick, Nova Scotia, Ontario and Manitoba. And among the English-language houses, several have built on a regional base to develop an enthusiastic national market for their works.

> Another aspect of the evolution in Canadian book publishing has been a degree of editorial specialization unknown in the 1940s or 1950s. In addition to the regional presses, we now have both English- and French-language publishers specializing in history, politics, women's issues, children's literature, art books and how-to books. We have publishers serving the popular tastes of the mass

> market, but we also have literary presses in many parts of the country producing small printings of exciting and often sophisticated new work by poets, playwrights and fiction writers.

These are the small houses which I told you a number of times will no doubt be forced to close their doors as a result of the GST.

> All these types of publishers—some of them large, but many of them small in scale—add a vital creative dimension to the scholarly lists of the university presses, the textbooks of educational publishers and the output of more general "trade" houses.
>
> Although some of the largest book publishing companies are foreign-owned, chiefly in English-speaking Canada, today's industry contains a substantial majority of firms owned in this country. Indeed, Canada possesses a remarkably well-rounded domestic publishing industry. That fact is all the more striking considering the relatively modest size of our two markets, the enormous amount of competition within those markets from books imported from the United States, France and the United Kingdom, and the extremely difficult economic times. Canadian book publishing, then, is a success story—at least in cultural terms, if not often in financial ones.
>
> A similar story may be told about magazines and periodicals. Canadians now have access to an impressive cross-section of periodicals of their own. These range from newsmagazines through broadly based consumer magazines to publications appealing to all manner of specialized interest, whether artistic, scientific or recreational. Some of these are scholarly journals, while others are "little magazines" whose openness to experimental work in art and literature is so essential to a living culture.

I want to stop on this point because the authors are talking about little magazines, which give young authors the opportunity to publish their first works, thus enabling them to publish in more important magazines and, lastly, to publish a book and, perhaps, a major work. It is these little magazines that will die if the GST is implemented. The big ones will survive.

> The emergence of regional voices has also been a recent factor in magazine publishing, and several magazines aimed at the narrower market of a city, a province or a region have experienced success.

What will happen to these regional publications with the GST and the increase in postal rates? God only knows. But one thing is certain: many of them will disappear.

> The periodical industry as a whole, however, resembles the book publishing industry in demonstrating more frequent cultural successes than financial ones. Again, a small population spread across a vast geographical area in two linguistic markets, sometimes overwhelming foreign competition . . .

In the periodical industry, this is even more obvious, or rather, in any case, just as obvious as in the book publishing industry.

> . . . rising costs

● (2330)

and a depressed economy combine to make life precarious financially for magazine ventures, particularly new ones.

Mind you, these remarks are written in a report published in 1982, not so long ago, less than 10 years ago, eight years ago. We were being told at that time that, despite the successes in the industry, the financial situation of the businesses in question was very precarious, particularly that of those starting out, and it is those businesses that will be cut down by the GST.

> In the end, Canadian publishing ventures of all types have been sustained by the creativity of writers and the interest of readers. These forces have converged just at a time when electronic imagery might seem to be diminishing public concern with the written word.

Did we ever hear that a lot when television showed up in our living rooms. We said to ourselves: that's the end of books. People won't read any more. On the contrary, they read more, and successful television programs have even been produced around books, as is the case of Bernard Pivot's program, which has just come to an end.

> Yet there has been renewed interest in exploring and expressing the Canadian reality precisely through books and magazines. Far more Canadians than ever before are becoming writers and publishers, and in the process providing alternative voices to the products of a mass electronic and print culture emanating chiefly from the United States. And Canadians have proved ready for a richer diet of books and magazines of their own in the post-television age, while still keeping their minds and borders opened to publications from other lands.
>
> Government Assistance to Writers and Publishers. In recognition of these trends, the federal government increasingly placed financial resources at the disposal of Canada's writers and publishers from the late 1950s onwards.

The first federal organization to provide this type of support was the Canada Council, which immediately after its establishment in 1957 began making individual grants to creative writers, scholars and a few publishers of books, literary and artistic magazines, and scholarly journals. In the years that followed, the Council's support to writers and scholars expanded, until in 1972 it undertook the major programs of assistance of publishing which continue to this day, administered in part by the Council and in part under the aegis of the Social Sciences and Humanities Research Council. Since then, the Canada Council has received the means to assist the promotion as well as the publication of Canadian books and periodicals; measures to assist the foreign marketing of Canadian books have been taken; a co-publication program has been instituted at the Department of Supply and Services to cooperate with the private sector in publishing books, in both official languages, originating from federal departments; and the Foreign Investment Review Agency has become concerned with

limiting any further expansion of foreign ownership in the Canadian book publishing industry.

That, of course, is an agency which the Conservatives undertook to eliminate upon coming to power in 1984. What is happening as regards foreign ownership of the Canadian book publishing industry? I don't know.

• (2340)

> An attempt to strengthen the periodical press was undertaken in 1976 with the passage of Bill C-58, an amendment to the Income Tax Act to enhance the attractiveness of advertising in Canadian periodicals and broadcasting outlets.

Finally, in 1979, a major new development program for Canadian book publishing was launched within the Arts and Culture Branch of the Department of the Secretary of State. Transferred to the Department of Communications in July 1980, with that department's assumption of responsibility for arts and culture, the program includes substantial support for sales and marketing of Canadian books, as well as for structural and professional improvements within the industry. This branch has been attached to the Department of Communications since 1980.

> Provincial governments, too, provided new forms of direct assistance to literature during the 1970s and early 1980s. Particularly large commitments were made by the governments of Ontario and Quebec, where the greatest concentrations of professional writers and publishers are located, but governments of other provinces also became involved as the literary professions expanded within their jurisdictions.

It is impossible, of course, to quantify the precise relationship between the advent of these forms of government support and the expansion of writing and publishing during the past 25 years. Nevertheless, it is significant that government assistance has remained an encouraging and enabling factor, rather than a directing or controlling one. The degree of government involvement in supporting writing and publishing is considerably greater in Canada than in other nations that share our cultural heritages; citizens of those countries might conceivably ask if the various governments in Canada do not exercise too much influence on what is written and published here. They could be told unequivocally, however, that Canadian governments have not sought to use their programs of support as levers of censorship or propaganda, and that such a policy is consistent with the wishes of the Canadian people.

As I said a moment ago, the Conservatives, particularly when they came to power, had a few hesitations on the subject. They felt that the Canada Council did a little too much on its own and that certain MPs would be in a better position to judge the talents of poets in their ridings. But nothing happened along those lines.

> Writers are an individualistic breed, and it is difficult to generalize about them with accuracy. It is even more difficult in a society like Canada's where there are two official language groups with their own distinctive literatures. Canadian authors writing in French and in English work within different, if intersecting, literary traditions; perhaps even more fundamentally, they write by themselves for different audiences with different sets of experience and expectations. Market conditions facing Canadian writers and their publishers also differ according to language. The French-language market is considerably smaller than the English-language one, but more concentrated geographically and therefore less costly to service. When Canadian writers or publishers look to the international market, those writing in English find their largest foreign audience just over the border, while those writing in French must reach across the Atlantic.

Regardless of language, the briefs we received from writers and their professional associations contained strikingly similar themes and concerns, tending to concentrate on incomes and economic justice. There was little doubt in writers' minds that the federal government should be concerned with these matters.

They definitely did not realize at the time, 10 years ago, that the federal government would in fact concern itself with these matters, but by implementing a tax that would hurt them even more. For them, the question was:

> "Are Canadian writers receiving a fair return for the benefits that the public derives from their labours?" Their answer was a categorical no, and they placed the onus squarely on the federal government to do something about the problem.

Critical attention and media recognition have been coming to Canadian writers as never before, but they are not enough to live on. We have been enriched immeasurably by our storytellers, poets, playwrights, historians and social and political writers, and have gained in self-knowledge from their work. But do we give enough back? do we reward our authors adequately, not only in return for past accomplishments, but so that they will be encouraged and enabled to continue producing in the future? The submissions we received argued that authors continued to be under-remunerated for the physical and spiritual energies they invest in their work, and this Committee agrees with that view.

How many times I remember remitting copyright cheques for several hundreds of dollars at the end of a year to an author who had perhaps spent a year of his life writing a book. I was not too happy about that.

> . . . and this Committee agrees with that view.

Although the problem is partly a result of market conditions and the narrow financial margins in publishing, it is apparent that authors are unfairly treated in certain respects that are in the domain of public policy. Consequently, writers are less adequately rewarded, on average, than the various other professionals whose livelihood they make possible. In spite of the enlarged audiences for their work and the undeniable usefulness of grants to buy time from the duties, authors are scarcely more able now to function as full-time professionals than they were in the time of the Massey-Lévesque Commis-

sion. To illustrate this fact, a study prepared by the federal Department of Communications and based on Statistics Canada data for 1978 (the most recent available) shows that the median income from all writing sources of full-time writers (defined as devoting more than 30 hours a week to their writing) was $7,000: a figure that was less than half the median income for all Canadian wage-earners in that year.

The median income for all Canadian wage earners was $14,000 that year, and $7,000 for writers.

> In the case of those writers earning the majority of their writing income from book royalties, the median income from all sources was a mere $3,000. This situation is not only unfair, but a waste of creative resources. When writers are hindered from realizing their creative potential, Canadians are deprived of the full benefits that their authors can provide.
>
> Not all the problems facing writers are amenable to solution by government.

● (2350)

> Whether an author or book or periodical is critically successful, or widely read, or receives a grant, is not a matter for legislation. But this Committee advocates that insofar as government is able to remedy existing abuses or enhance financial recognition on the basis of equity, it should do so. We endorse the position of the Writers' Union of Canada, stated at one of our hearings, that since writers do not have a fixed income, they need as many sources of income as possible. Financial reinforcement, however, is not the only issue at stake: We would also like to see increased exchange between our two literatures and expanded professional development opportunities for writers. We unreservedly share these concerns.
>
> There are at least two main ways in which the federal government could increase financial rewards for writers: through grants and through payment for public uses of writers' work.

In writing, as in other fields of artistic creativity during the past 25 years, individual grants have been particularly effective in producing completed works that have attracted significant public attention. A Canada Council or provincial government grant has often provided the free time needed by a professional author to finish a work in progress (although it is also true that most published manuscripts are written without the benefit of grants).

The Canada Council provides grant support in two broad categories of literature. "Creative" writers in the fields of poetry, fiction and drama can apply for the Council's Arts Awards, while writers with nonfiction projects may seek assistance from the Council's Exploration program. Our Committee has received no persuasive arguments that substantive changes are needed in the Arts Awards program for creative writers. In the case of assistance for nonfiction writers, however, there is a genuine case for change. The Explorations program has funded hundreds of valuable projects over the years in many disciplines and in all parts of Canada. The problem is that the average level of financial assistance it provides is considerably below the amounts set for awards for "creative" writers; . . . Obviously, the essayists suffer from discrimination while their works are very often as creative as those of the noveliste or the damatists.

> Nevertheless, more and more of them, experienced and very productive, are turning to the Exploration program. This is because the sales projections for their books on the Canadian market do not allow the editor to consent to sufficient advances when long-term works are involved. Unless the author are university graduates or scholars and in this case they address themselves to the Council on Human Science Research, Exploration is the only federal recourse.
>
> Historical and biographical works, such as those which ascribe to children's literature or social, political and artistic critic are essential to all literature worthy of that name. Canadians have proven their know-how in these areas, but those who are involved in them are disadvantaged in relation to fiction authors.

[*English*]

Senator Stollery: I had a question, which I wondered if you had a moment to answer. It is just a small question that has come to my mind, Senator Hébert, and it concerns the numbers of copies, which I know you are familiar with.

It is the publishing industry in Quebec which, of course, is of great concern to all of us. And I know that in the publishing industry, as far as French language literature is concerned, it is very problematical.

I guess the question that has not been clarified is that in terms of the numbers of books that are published in Quebec in a year in French, if you could give us any idea of the numbers of books published in French? And more or less an idea of the average number of copies that are printed?

As I understand it, and I learned this only during this debate on the GST from representatives of the publishing industry in Canada, that even in France the price of books is a problem. It is one of the reasons that we see so few hard-cover books when we go to a bookstore in France. Most of the books are in soft cover. It is because they do not have the print runs that we have for books in the English speaking world. The numbers are limited. And transposing that to Quebec and Montreal, where I would assume that the print runs are even less than they are in France, the adding of another tax on to the cost of those books is going to have a detrimental effect on their sales. And I would like to hear if you could tell us just what is the average number of books printed when a book is published in Quebec.

Senator Kelly: I think you should take the question as notice. It is a tough one, but be fair to the Senator. He has been on his feet.

[*Translation*]

Senator Hébert: He's taking advantage of Senator Murray's absence to have a good laugh. There is no discipline on that side of the Senate.

• (0000)

[*English*]

There is something funny about this question of the soft cover and the hard cover. It is not a question of quantity; it is a question of culture; it is a question of taste. The French people never felt they should spend money on buying a book which is bound. If you don't like the book, why pay $3 more for the hard cover? They would buy a soft cover and, if they really liked it, they would go to a binder and have it bound.

[*Translation*]

In fact, it's a quesiton of culture—it's not a question of markets at all. We don't want to buy hard cover books because you have to pay 3 or 4 dollars more. We don't want to have to pay 3 or 4 dollars more for a book that we might like only a little and that we might want to throw out, whereas if we really like the book we will take it to a bindery and have it bound. In any case, it is strange because a few years ago, in my youth, and even later, up until the 1960s, there was a tradition in France. The pages of books were not cut. And especially, toward the end of that period, when I first started in publishing in the 1960s, it was more expensive to leave the pages uncut than it was to cut them. It is bizarre. It would be complicated to explain it to you, but no, it wouldn't be too hard to explain it if you insist.

Senator Gigantès: Yes, I insist.

Senator Hébert: Well, for a book that is cut on the three sides, the cover is also cut at the same time. That is all. When you don't cut the book, it means that it is all folded and you cannot put a cardboard cover on it like that; you have to have a cover that goes over the edges a little. So, it has to be glued on by hand. In fact, all of this is very complicated, but it is just to tell you that I remember that it was more expensive for me to publish novels, in my collection of novelists at the time, that were not cut than those that were. It's ridiculous, of course, and complicated. You have to have a paper-cutter. But it is a matter of culture, it was the style. It wasn't necessary to cut the pages of a novel.

The Hon. Earl Hastings: I have a question that I would like to ask before your speech this evening is over.

[*English*]

Let me also express the appreciation of all senators present for the excellent and informative exposé you have given the Senate today. It can only be hoped that some of those opposite have listened.

Senator Hébert: No, no, they won't listen.

Senator Hastings: Before you finish, I will pose this question, sir, because of your knowledge of both official languages of Canada.

It has been brought to our attention just recently that, along with all the other problems associated with the GST, we now find that there is the very grave problem of translation. It came to light at a recent conference of the Canadian Tax Foundation where Mr. Claude Desaulniers, the senior tax partner of Stikeman Elliott, indicated that the French-language version of the federal government's proposed GST legislation differs significantly from the English text and could result in years of litigation. That will please the Canadian Bar Association.

Yesterday he told reporters, on the opening day of the major tax conference organized by the non-profit Canadian Tax Foundation, that as far as he was concerned this will certainly give rise to disputes. He stated that the French version of the 330-page Bill C-62 is more of an adaptation than a direct translation of the original English text and that it is quite different. He predicted that, because the GST bill is also very technical, parts of it are bound to be challenged by unhappy taxpayers in the next two or three years and that the courts will have to find out which version conforms more correctly to the intention of the legislation.

My question to you, Senator Hébert, is: In your reading of the French version of this bill, do you agree that the translation is basically at fault and that it is more of an adaptation than a direct translation, and do you agree with Mr. Desaulniers that this is going to lead to considerable litigation in the future?

Along with all the other problems that this Bill C-62 has created, we now have the final one, which is that the translation is in error.

Senator Hébert: I must admit that that did not strike me at first. But I can easily believe this gentleman, because it has happened so often in recent years since I have been in the Senate that we see enormous discrepancies and differences as between the French and the English texts. Such a complex and complicated tax bill, which was supposed to be simple—you will remember that they mentioned that it was a simple tax—it turns out that it is not that simple and that it will be further complicated because the French text is different from the English text.

What can we say? The lawyers will rejoice, and that's it.

[*Translation*]

So it was quite interesting because it was a recommendation that was in fact implemented.

> Another concrete way for the government to increase writers' incomes is to compensate them for the public use of their works. After all, a book is used by the public.

In libraries, for example, a book might be read by 100 or 200 people and the author receives no compensation for that. It might be photocopied 100 or 1,000 times and no copyright fees are received. So the committee's task was to find fair compensation for the use made of their work, especially in the case of library loans and photocopies.

> Ten industrialized countries in the Western world already have compensatory mechanisms for library use—the United Kingdom, Australia, New Zealand, the Federal Republic of Germany, the Netherlands, Sweden, Norway, Denmark, Finland and Iceland. These nations feel that authors are deprived of normal income for services rendered if, after a one-time payment that corresponds to copyright fees for the sale of their book to a

library, they receive no more money, regardless of how often their books are borrowed from the library.

A library may have just one copy of a novel, or two copies if it is more popular, and lend it out a hundred times without the author's receiving any more than the royalties on one, two or three copies.

> There are very great differences between the various formulae, primarily with regard to the nature of the types of compensation paid to authors and methods of calculations done according to the number of copies held or loaned. Generally, the programs are not funded through user fees, but directly by the public authorities in the form of a lump sum. Whatever the case, the intent is always the same—to compensate authors for the benefits to the public from the loan of their work by the library.

There is nothing of the kind—I should say there was nothing of the kind because one of the report recommendations has now been accepted by the government and is currently being implemented, to the great joy of writers.

> There is nothing of the kind in Canada, but the Canada Council which has been studying the issue since 1976 submitted in 1981 a proposal . . .

In this country, issues such as this one are studied during five years.

> . . . to the government which focussed primary on the number of library copies. The proposal was developed with the assistance of an advisory committee made up of writers, librarians and publishers, in concert with libraries and French and English professional associations. The participation of librarians was of particular importance, for they were—like their foreign counterparts—hostile to the idea from the start for two reasons. Firstly, the administration of a complicated system based on loans would be very onerous for the institutions.

Calculating how many times a particular book was lent and so on to provide royalities to the author according to the number of times the book was read is a little complicated.

> Secondly, the concept of compensation led to the idea that libraries were hurting the writers, which they felt was untrue. Finally, when they thought that their reservations had been considered, they agreed to the proposal.

Our Committee congratulated the Canada Council for the scope and the dedication they brought to their work which led to the public use compensation proposal. It felt in particular that the Canada Council was correct in studying the issue without reference to the reform of the Copyright Act, for including it under the heading of related international obligations would have involved exhorbitant payments to foreign writers, which would have cut deeply into the amounts allocated to Canadian writers while at the same time multiplying the administrative procedures and costs. The Council's proposal is a significant contribution and balances the relationship between the Canadian public and Canadian writers. But we would like to go even further and extend the practice to another procedure for which authors are not remunerated but should be—runaway photocopies.

The "reprographic revoution", as some call it, does not cover just the quasi-universal use of photocopiers in offices, schools, universities, libraries and elsewhere, but also includes new technologies for information storage and retrieval, particularly word processing machines and videotext. While this is a real advantage for society and the people, including writers, this transformation has come about to the detriment of creators of information who receive no compensation for the sometimes very frequent use of their works which are totally out of their control. Legally, these practices are banned under the current Copyright Act, but in reality, faced with the lax behaviour of several thousand citizens, who are normally very respectful of the law, it is very difficult to enforce the provisions dealing with illegal reproduction. Under these conditions, how can we find a method that is both practical and acceptable to the public and writers on the use in libraries and the copying of their work?

Of course, you even have university professors who recommend that their students study a particular novel and who have the book photocopied in its entirety—of course, out of the university's budget—and distribute the photocopies to the students. This means that the author who is being studied receives absolutely no benefit from the students' use of his work. So there was some injustice here that had to be rectified.

> The federal government must immediately set up, beyond the system of royalties, a program that covers the use in libraries and the copying of works by living Canadian authors. This should be done in the form of an annual sum that is paid to authors.
>
> While we acknowledge the work of the Canada Council, we are alarmed that the compensation it provides is nothing more than symbolic and is limited to $300 per title. Its own survey of Canadian libraries shows that only 12 per cent of English books and 18 per cent of French books would receive the maximum amount.

That is, the $300, which is not a huge sum.

> Its plans regarding annual compensation also appear to us to be inadequate. Just think of a title that remains on deposit, regardless of the number of times it is lent out, if it is lent out at all, or of the author's reduced production in the meantime to see that this procedure tends to favour past efforts to the detriment of current production. We think this distorts the overall policy in this area.
>
> Like the Canada Council, the committee advocates compensation for Canadian authors, but in a neutral way, without the government passing judgment on literary or other value. However, we would like to make a connection between creation and use . . .
>
> . . . Compared to the publisher's statements on copyright, our position has four advantages:
>
> it is more likely to stimulate creativity, because these are a better indicator than titles held in libraries of whether an author is continuing to produce;

no author with an actively available book would be excluded from the system, which would not be the case for a rate structure based on the number of copies in libraries;

since fees paid give an idea of a work's popularity, it is a valid basis for determining compensation for the public use of works, library loans and reproduction.

This proposal could be adapted for other types of creators who do not receive compensation for the public use of their works either, such as composers.

We know that some authors whose works are out of print would benefit more from the Canada Council plan than from ours. They would receive nothing from our system because they no longer collect royalties. But we do not think that annual government compensation can be justified merely because copies fill up space on library shelves and do not necessarily go out. Works that the public uses fairly regularly tend to be reprinted by publishers and therefore are part of our scheme. We can only repeat what we said: we feel that it is in the general interest to give priority to the creativity/public use ratio. The federal government should seek to compensate active authors instead of correct past mistakes.

We expect another objection. By compensating reproduction, we seem to encourage photocopying and other forms of reproduction, in spite of the Copyright Act. To this we reply that there is no way to directly compensate creators for actual reproduction of their works and that there will be no way to do so in the foreseeable future. Nevertheless, authors suffer every day from this shortcoming in the law and from society's laxness, although they are financially the most vulnerable. Therefore we think that the federal government must intervene on their behalf, even with temporary measures, until a better form of direct compensation is found. That is the spirit behind this recommendation of ours.

Our proposal goes farther than the Canada Council's and therefore requires a much larger budget for the first year of implementation—$1.3 million. We hesitate to give a precise figure, but a reasonable target would be between 50% and 100% of the royalties paid to Canadian writers depending on the category of publication. It would take a multi-million-dollar budget, which is not extravagant, we think, if Canadian taxpayers recognize the intellectual and non-material benefits they derive from their writers and invest in their future productivity.

As I said before, a writer who earns $7,000 could with this formula earn $10,300 or even $14,000, but it has not happened.

We do not intend to go into the details of an administrative structure, but we feel that the following seven basic rules must be respected.

For fifteen years, we have seen a slow steady growth in the number of Canadian titles published in French or English translation. Canada now has many highly skilled professional translators, some of whom specialize in the difficult but creative work of translating literature, poetry, plays and novels. These translations have greatly contributed to enriching the literary and cultural experience of many Canadians. Most of these titles were translated thanks to a Canada Council program.

More use could certainly be made of them to interest Canadians more in the literature and life of the other official-language group. But we must emphasize one point: if the federal government acts in this area, it must not do so to promote national unity or for a political goal, but for non-political cultural exchange. We have two specific recommendations to make about translation.

We know very well that it is a very noble idea or principle, but the GST will hit it particularly hard. Translations that sell are usually those of very eminent writers like Hugh MacLennan, whom Senator Chaput-Rolland knows so well, but in general, translations of a little-known author sell poorly. Therefore, this is the kind of operation that publishers will drop right away, once the effects of the GST start to be felt. As a result, there will be fewer translations from French to English and from English to French. Thus translators who were starting to barely earn a living from their trade will also starve like other writers.

The Canada Council must raise the price per word paid to literary translators because it is the basis used for translation prize, and adjust it to what professional translators are paid in the private and public sectors.

We must say, as I think Senator Gigantès said a little earlier, that there are Canada Council programs to subsidize translations, except that the rate paid is much less than in the private sector, which explains why some of our great translators are sometimes reluctant to accept the Canada Council rate. That is understandable.

It is a matter of fairness. Besides, in practical terms, it is the only way to continue to attract competent translators to this kind of work. Otherwise, there will be fewer translations and Canadian readers will lose as a result.

Federal organizations that assist publishing must give more financial aid to publishers of books and periodicals that include translations in English and French of works produced in either of our two official languages.

In general, these publications are less profitable than those that publish in the original language. Thus, the amount of the grant should be set accordingly.

It is often said that writers are solitary people. Moreover, their relative isolation and the absence until very recently of a dynamic pressure group explain why their interests have been so neglected until now.

In Canada, this isolation takes several forms. Like painters but unlike stage artists, writers work far from their audience. Writers are also often cut off from their peers, with whom they could share the joys and sorrows of their trade. Add to this the geographic isolation of Canadians, whatever their activity.

Recently, efforts have been made to bring authors together with their readers and their colleagues. Writers have formed new professional associations that give them substantial benefits: contacts with colleagues, pooling resources and sharing professional information, stronger position to bargain with publishers and governments.

We saw their position of strength when they came last week to meet the Honourable Mr. Masse. We saw that their position was not as strong as all that, because they were refused and told that the tax on books would go ahead, although 92% of Montrealers are fiercely opposed to it. The government prefers to side with the other 8% who still agree with the GST.

The Canada Council has financed several promotional activities of these associations and has established a program to meet Canadian writers whereby hundreds of meetings of readers and authors are held every year. It also runs a writers-in-residence program on a shared-cost basis with post-secondary institutions. Complemented by a host of provincial programs for primary and secondary school children, this program allows students to work with professional writers, who find it a refreshing experience.

These activities are very rewarding for all concerned. We urge public organizations that fund the arts to continue what they are doing and even expand it by giving it more money. However, there is one related, though distinct, sector where we think a new tactic would be appropriate: professional development for writers.

We want to give writers, even those who are already well known, the opportunity to broaden their professional horizons if they wish and to find out more about the various aspects of their art. This is certainly not meant to encourage uniformity, sameness and orthodoxy in literature or to propose a centralized, centralizing institution like a national writers' school.

Federal aid for workshops and conferences that bring writers together for their mutual benefit must be increased. Emphasis must be put on meetings of writers of different kinds of literature.

We are thinking of events that might last from a few days to a few weeks in various settings throughout the country attended by writers at different stages of their careers but all wishing to share their knowledge and acquire new skills.

A novelist wishing to write for the stage, for example, or a dramatist who wanted to prepare scripts for films or television could register for these sessions to benefit from the experience and talent of their invited colleagues.

For writers, publishers are almost as important as readers. Even before printing was invented, authors were very dependent on intermediaries like clerks and scribes to copy their works and disseminate them.

These days, a publisher can send an author's writings to a thousand or a million people and with videotext systems and computer printouts, new forms of electronic publishing are being used more every day.

But publishers are much more than mere intermediaries or distributors; they can exert great influence on the content of the works they publish and on readers' tastes.

• (0010)

[*English*]

Were you asking a question?

Senator Cools: I was just getting ready to.

Senator Hébert: I was distracted by your beautiful voice.

Senator Phillips: Behave yourself, senator.

[*Translation*]

Senator Hébert: They have a creative role to play with authors by suggesting themes and touching up manuscripts. It is not unusual for publishers and editors to give writers ideas for books or articles that they want written. That is why for several years this profession has held an important place in analysis, decision-making and public funding with respect to culture in Canada.

Senator Molgat: You talk about copyright and you were talking about fees form musicians earlier. I wonder if you were aware of a letter sent by the Canadian League of Composers last August. If not, I may read it to you and you can comment on it as you like. It is to . . .

[*English*]

Rt. Hon. Allan MacEachen,
Senate Liberal Leader,
Senate of Canada,
Ottawa, Ontario,
K1A 0A4

Dear Mr. MacEachen,

I am writing on behalf of the Canadian League of Composers to state our opposition to the proposed Goods and Services Tax. The Canadian League of Composers is the voice of professional composers of concert music in Canada; we endeavour to represent the best interests of composers and to monitor and influence the conditions that affect their livelihood. As such, we see the GST as having a devastating effect on the already marginal financial existence of composers, and artists in general.

The government argument that the GST will have little impact, since it is merely replacing an unwieldy and inconsistently-applied manufacturers' tax with a more general consumption tax, is simply a distortion of the facts in the artistic sector—

[*Translation*]

And I think that is the sector you were talking about.

• (0020)

[*English*]

. . . for the GST will be introducing new taxes—on books, on sheet music, on music lessons, on arts council commissions, on music performance—where none existed before. The Canadian Conference of the Arts has argued eloquently to the Department of Finance that, in a time of

reduced government support for the arts, this new "tax on creativity, on the works of the intellect . . . denies the importance of the role of the arts and the cultural industries to Canadian society." We would like to point out a few particular instances in which this tax will adversely affect Canadian composers, to demonstrate that the formulators of this tax, attuned only to the world of business and high finance, have no idea at all how the arts community operates in Canada.

[*Translation*]

And I think that goes on exactly the same lines you were. I hope that you can comment on it for us. So I continue with the letter.

[*English*]

First, regarding the commissioning of new music: unlike the United States, there is no tradition of private commissioning in Canada; almost all commissions are funded by the Canada Council, the provincial Arts Councils or the CBC, who pay composers to write music for specific performers. Under the GST, these commissions will be taxable, but the tax will be payable, not by the funding bodies, but by the performers. Now, both composers and performers do not fare well financially in this country—most cannot live on their work as artists, but are forced to work at other jobs. Very few generate more than the $30,000.00 cut-off, above which registration for the GST is compulsory. (Indeed, Statistics Canada figures for 1985 (the most recent available) show that Canadian composers are at the bottom of the list of artists in earnings, generating a mere $400.00 per year!). Thus, many will opt out of the system, since their revenues are not high enough to force them to register, and the benefits of Input Tax Credits will not be offset by the bookkeeping problems of registration. Thus, inequities will arise: when the composer is not registered, regardless of whether the performer is registered, no GST need be charged; however, when the composer is registered and the performer is not, the composer will have to charge the GST, but the performer will not be able to claim the credit. In the very real situation in which a performer is unable to bear the cost of the tax ($350.00 on an average $5,000.00 commission), we foresee composers absorbing the GST themselves, in order simply to receive the commission. The same sort of scenario applies to the relationship between music teachers (some of whom may be registered and some who may not) and their students—the new tax will be applied inequitably across the sector and, in the context of long-standing government policy which has exempted artistic endeavours from many taxes, will, in an ill-considered fashion, impose substantial new financial burdens on a portion of society which maintains a marginal financial existence at best. As the CCA points outs, this is ironic in light of the government's recent public acknowledgement and recognition of the "unique circumstances governing the artistic profession."

[Senator Molgat.]

Second, regarding the application of the GST to books and music sales, we would like to add our voice to that of R. Murray Schafer (who wrote to you on July 14 of this year concerning the impact of the GST on his company, Arcana Editions), and those of other small publishers of music in Canada. As Mr. Schafer argues, he, like many other small publishers of new music, must work extremely hard to simply break even in the Canadian market—the market for new music scores is small at best, and it is one in which interest grows very slowly over the years. The dip in sales anticipated by the sudden imposition of a 7 per cent tax, along with added bookkeeping costs to administer the GST, could spell disaster for companies such as Arcana Editions, which barely survive now. The question here is not a simple one of "bottom-line business" for small, marginal companies under the GST—the question is whether Canada cares enough about its own culture to allow small, but significant aspects of its artistic life to continue to exist, and perhaps, with help, to thrive. The music community and Canada as a whole would be much poorer without companies such as Arcana—and the GST will certainly be a major factor in the loss of these companies if it is allowed to pass.

Finally, may we point out that, while the GST will be imposing new taxes on Canadian artists and artistic endeavours, it will be granting a tax-free status to non-residents, thereby encouraging Canadians to "save" by hiring foreign professionals and purchasing lower-cost foreign goods and services. This is strangely at odds with the government's avowed policy of public support for the arts and cultural products, in the face of already stiff competition in the form of foreign artistic products and services—if put into effect, it could have the effect of drowning Canadian culture in an increasingly cost-effective wave of foreign artistic competition.

Thus, we urgently implore you to do all that you can to block the passage of the GST or, at the very least, to force substantial revisions to it that will reconsider the destructive impact it will have on the artistic community in Canada.

Yours sincerely,

Patrick Cardy,
President

[*Translation*]

So I want to ask you, Senator Hébert, in line with what you were saying, do you agree with what the League of Composers suggests here? Is the situation really as serious as they tell us?

• (0030)

[*English*]

Hon. Jerahmiel S. Grafstein: Honourable senators, may I ask a supplementary question? Senator Hébert, because of your experience not only as a publisher but as an author and a public servant before being appointed to the Senate—

Senator Hébert: Public servant?

Senator Grafstein: I recall you were a public official at the CRTC.

Senator Hébert: No, I was only a part-time member.

Senator Grafstein: Then you were a part-time public official. The interesting economic point that you might assist the Senate in considering is the thrust of the submission made by the Arts Council and others. This is the same whether it applies to books, artists, actors or writers. In order to facilitate their existence and fulfill the cultural imperatives of the country, all of them require tax dollars. A composer cannot subsist on the marketplace; he has to go to a grant-giving organization such as the Ontario Council, and I am sure in Quebec there is a parallel arts-granting council. There are also the Canada Council, Telefilm, and a number of government tax-funded organizations and institutions in the country that are dedicated to equalizing the so-called "playing field" between the artistic community and the marketplace. The only manner in which there can be even partial equalization is by tax grants.

Since the establishment of the broadcasting system, and even before, there has been a series of sophisticated grant-giving cultural organizations; these organizations have performed superbly in establishing some type of safety net beneath the artists in this country. It is clear that tax dollars are necessary to every aspect of cultural life. In Quebec we find that it is even more necessary to provide tax dollars to maintain and promote that sector of our society.

I would ask the honourable senator to address his mind to this problem: Do we not find ourselves in an illogical circle, if on the one hand we compel taxpayers to allocate an increasing portion of tax dollars for the cultural sector and then the moment these dollars are transferred to this underprivileged sector of society—underprivileged in the sense that they cannot meet the environment of the marketplace—and they enter the stream, we say, "By the way, we want to tax you", causing the artist, publisher and the various elements of the cultural community to put aside a portion of their time to fulfil their obligation to pay the GST, which is essentially a consumption tax? Are we not putting artists in a terrible downward spiral by offering them on the one hand handouts to maintain their cultural existence, and thereby benefit all of society, and, on the other hand, the moment they are able to provide or produce a cultural product, saying to them, "Thank you very much. We would now like you to spend some of your time, effort and energy to repay us some of that"? The cost to society is the cost of providing that grant in the first place, and we now want to add further to that cost by taking part of that away by taxing a portion of it. Does that not, in effect, make the taxpayer a double victim? Is there any way out of this terrible conundrum?

Senator Hébert: The honourable senator is perfectly right. I do not see any way out, other than by changing the government. It does not want to listen and it is simply not sensitive to the issue. I do not think this government is concerned about artists, writers or poets. Otherwise, why would they not have accepted the same measures as the Quebec government accepted, albeit with some reluctance. Gérard-D. Lévesque was not happy with the proposition. He did not seem to care very much for the poets, composers, artists and so on, but under pressure from the young members of his party, the population of Quebec in general and the organization of writers, publishers and booksellers, he had to change his mind. He was not anxious to do so.

I think that there is a general lack of sensitivity at government levels, but particularly so in the case of this government that is in power. They are insensitive to the needs of artists, writers, poets, publishers, booksellers and so on.

What you have just described and what was mentioned by Senator Molgat with regard to composers of music are typical of the inaction of this government. I am not familiar with the issue, but I agree with some of your questions. They were very informative and I am grateful for them. I shall try to learn more about the matter in the future.

[*Translation*]

Senator Molgat: Before you leave the subject, in the appendix I read from the Canadian League of Composers, one of the points they made was that the GST will encourage using artists and groups of artists from outside Canada who, it seems, will be exempt. I do not know exactly, I repeat to you what they said:

[*English*]

Finally, may we point out that, while the GST will be imposing new taxes on Canadian artists and artistic endeavours, it will be granting a tax-free status to non-residents, thereby encouraging Canadians to "save" by hiring foreign professionals and purchasing lower-cost foreign goods and services.

[*Translation*]

So they say that this is contrary to the government's statement that it is prepared to give support through Canada Council grants. Is it really the case that artists and writers from outside the country will be exempt?

Senator Hébert: I do not think it is true for writers, but you are certainly right about artists. What will happen for writers, along the same lines, is obviously that Canadian books will become more and more expensive . . .

[*English*]

Senator Cools: What did Senator Cogger say?

Senator Hébert: I am sure that he is about to announce something.

Senator Cools: What did he say?

Senator Hébert: He said that I made a gross error. At least he could stand up and tell us what that error is. I do not want to misinform anyone.

Senator Cogger: It would not be the first time.

Senator Hébert: You see, he cannot answer.

Surely, if I have made a gross error, you can tell me what it is.

Senator Cogger: Foreign artists will get the same treatment as local artists as long as they operate in Canada. That is the answer to your question.

Senator Grafstein: I am sorry, I do not follow.

Senator Cogger: Never mind. Keep up your little dialogue. I am sorry I intervened.

Senator Grafstein: Honourable senators, if the letter to which Senator Molgat referred has a gross error in it, it is our position—

Senator Cools: What was the gross error? Could you read it again?

Senator Grafstein: The honourable senator has indicated that there is a gross error in the argumentation presented in the letter read by Senator Molgat.

Obviously, he can speak for himself, but the letter was written to the Leader of the Opposition in the Senate, and it is from the Canadian League of Composers. If there is an underlying premise to that letter that is in error, surely we should bring that to their attention and discount the value of the letter. On the face of it, the letter seems to represent a very potent and important part of the cultural life of our community. Surely, if there is anything in the letter that would mislead the Senate, we have a duty to apprise them of that and to ask them to respond.

Please, give us a moment or two—not to take up too much of your time, but a moment or two—to indicate how they are, in effect, misleading the Senate, and we will undertake to bring it to the attention of the composers.

● (0040)

I know a number of composers. I am sure the senators opposite do as well. I cannot say that some of these composers are my best friends, but I certainly have an acquaintance with some composers. If they are participating indirectly in a document that misleads the Senate, I think it is incumbent upon us to bring that to their attention. So I would welcome just a moment or two of clarification on how they are being mistreated or how this letter is in error.

Senator Cools: If Senator Cogger finds himself a little shy or if he is too frugal with his time, I have a suggestion. I know that he gets a little shy from time to time, so I would propose that Senator Cogger frame a response and send it to the authors of the letter so that the authors of the letter can write to us again and Senator Molgat can again read what they have to say into the record.

I think we should assure Senator Cogger that there is no need to be coy.

Senator Grafstein: The only part of his argumentation that I heard is that foreign composers are treated in the same way as domestic composers, and therefore to infer from this letter that somehow Canadian composers were being unfairly treated would be unreasonable. Now is that the point that Senator Cogger was making?

Senator Cogger: I shall respond in writing.

Senator Grafstein: Senator, this is recent history, but I think you really should.

Senator Molgat: But he withdraws.

Senator Grafstein: Well if he chooses to withdraw, he can. But our problem is that we have been castigated in public for being unfair to the institution of the Senate. So in our new-found feeling for the Senate, trying to maintain the highest standards of the Senate, we should not allow an erroneous submission to be presented without bringing it to the attention of the letter writer, or the petitioner, unless we can justify our grounds on some reasonable basis for the alleged error.

But I leave that to honourable senators, because upon reading the rules all that an honourable senator can do for senators opposite is to bring these matters to the particular senator's attention, and it is then up to him to decide what in his conscience he decides to do.

Senator Hébert: I think you should take the opportunity, Senator Cogger, to say that maybe your words went beyond your thoughts, or that you made a mistake, or something like that. I do not see why you are shy about standing up and speaking up, as you do very often, considering that your boss is not around and will not be able to tell you to shut up as he did a couple of time earlier. He is not there, so take the opportunity to stand up and tell us.

Senator Cogger: Senator Hébert, fine, I shall read the transcript, following the suggestion of Senator Cools. I think you are wrong in the answer. I will verify it and if I am right, as I think I am, I will circulate a letter.

As to my leader being here or not being here, I will speak to you or to anybody in this Chamber whenever I feel like it. And contrary to you, sir, who just admitted an hour ago that, when Allan MacEachen tells you to shut up, you do, well, nobody tells me to shut up.

However, I am sorry I interrupted your little mutual admiration society; please keep on lobbying soft questions at one another. I will not say another word. Thank you.

Senator Hébert: I doubt that he will not say another word.

Senator Cogger: By the way, Senator Hébert, you hade better be careful; you are in the process of stealing Senator Gigantès' record. Now I am about to call Senator Gigantès and say, "Watch it. One of your colleagues is stealing your record away from you."

Senator Cools: What record is that of which you are speaking.

Senator Cogger: Sixteen hours and sixteen minutes.

Senator Hébert: I am sure that Senator Cogger did not get my answer right at a certain point. I said that, if I stood up without any reason—as Senator Cogger often does, you know—and was interrupting somebody on the other side, and

Senator MacEachen gave me a little sign to sit down, I would sit down. Obviously I would. That is what I have said and I repeat it.

Senator Stanbury: It is a matter of courtesy.

Senator Hébert: Yes, of course. I mean he would remind me that I was doing something improper and I would be modest enough to accept that reminder and I would sit down. But Senator Cogger says just the opposite: "Even if Senator Murray, my leader, tells me to sit down I will not. I will stand up and I will say whatever I want." And we were all witnesses—maybe you were not there Senator Graftstein—when Senator Murray on two occasions, maybe three, but certainly two occasions, turned to Senator Cogger, who was standing up, you know, to tell him to shut up. It was quite clear.

Senator Cogger: By the way it is not Cooger, it is Cogger.

Senator Grafstein: Senator Hébert, I can just say that I was not here to witness that. Obviously, I will look at Hansard, I find that I have no reason to disbelieve what you say, but I find this personally astounding because I have always understood Senator Cogger to be a man of great independence and very candid and very vigorous in his views in the past. I know on many occasions he has violently disagreed with his leaders so I find this news simply astounding and quite incredible; this must be a different version of the Senator Cogger that we have all known and loved in the past.

Senator Hébert: He did not like it, I can tell you that. He did not like it at all.

Senator Grafstein: I will check the record, I will have to examine that carefully for myself, for it is not the Senator Cogger that I know.

• (0050)

[*Translation*]

Senator Molgat: I will tell you one thing. I will send Senator Cogger a copy of the letter from the Canadian League of Composers. He can then read it at leisure and prepare an answer because he tells us that he does not agree with what the composers say. All I did was read straight from the letter. So I will send you a copy, Senator Cogger, and you can prepare an answer.

[*English*]

Senator Grafstein: I think Senator Cogger has a valid point, if we could respond to this letter we could then send to the League of Composers not only his response but also Hansard or any amplification that Senator Hébert might want so that the matter can be settled, at least to the satisfaction to the Canadian League of Composers.

Senator Cogger: By the way, this is your filibuster; will you carry it on on your own and leave me alone?

Senator Grafstein: Senator Cogger, the word "filibuster" has a very interesting historical origin.

Senator Phillips: We would much rather hear from Senator Hébert. Would you please let him speak.

Senator Grafstein: But he mentioned the word "filibuster". I would like him, if he could, to give us his version of what "filibuster" means—the origin of the word and how we should take that, because I think we have a view of the word "filibuster" which might be different and distinct from his view, and I think it would be an interesting exercise in semantics to determine what the word "filibuster" means to him and what it means to us. Perhaps in that way we can come to some general agreement as to what the word should mean.

• (0100)

Senator Hébert: In the meantime, I will go on.

[*Translation*]

Besides, I read to you some excerpts from the report of the committee studying cultural affairs.

> Shortly after this report from the committee studying federal cultural policy was tabled, that is before most of its recommendations could be implemented, the 1984 election was called. Naturally, the committee members hoped that the report's recommendations would not be shelved as so many others were before. No doubt we had forgotten that the main recommendation of the Massey-Levesque Commission, our committee's predecessor, took seven years. The recommendation was to create the Canada Council.

It had been proposed by the Massey-Levesque Commission and only came about seven years later.

> Anyway, in 1984, the country had a different government than the one that had created the committee to study federal cultural policy. The new minister responsible was the Hon. Marcel Masse.
>
> A few days after he was sworn in as Minister, I met him by chance on Parliament Hill. I congratulated him on his appointment and he said to me, "It is quite ironical that I am the one to implement your committee's recommendations."

I pretended to be pleased and at that time I still had confidence in this new minister who I thought was more sensitive to cultural issues than most of his cabinet colleagues.

I would even say more educated.

> I even admit that at the beginning of his term, I did not systematically throw all his speeches in the garbage. He had the original idea of always beginning with a quotation from a known author.

You have noticed that the Hon. Marcel Masse's speeches always quote a well-known author.

[*English*]

Senator Cools: May I interrupt, Senator Hébert?

Several weeks ago—or it could even be a couple of years ago—I was reading an article by Allan Fotheringham. He suggested at one point that Marcel Masse had a great knowledge of obscure Sardinian poets. Have you found that to be the case? Apparently, he seems to be quite accomplished in quoting obscure poetry. Is that true?

Senator Hébert: I don't know about that. What I was referring to is the fact that, after the election when I received piles of speeches from ministers—and I must say that quite a few went straight to the waste paper basket—

[*Translation*]

The original thing about the Hon. Marcel Masse's speeches is that they always began with a quote from a well-known author. He still does that as you can see. I note that you are not fond of Marcel Masse's speeches. Anyway, . . .

If the speech was no good, at least we could enjoy a quote from Victor Hugo, or Saint-Exupéry.

There it was at the beginning of his speech.

According to my humble calculations, using Larousse's dictionary of quotations, that book alone has enough for the next 6,721 speeches by the Hon. Marcel Masse.

Do you believe, honourable senators, that I am making fun of this habit of the minister who shows his consideration for writers not only in Canada but througout the world?

On the contrary, I wish all ministers did the same. Then, instead of tearing up Michael Wilson's speeches with rage, we would at least save the epigraph containing an amusing thought from Steven Leacock or some fine verse by Alain Grandbois.

So in 1984, I hoped that the Hon. Marcel Masse was really interested in culture in general and books in particular.

Two years later, the minister made a speech to the provincial conference of ministers responsible for films and books. Allow me to quote a few excerpts from this speech that deal only with books and publishing.

So what did Marcel Masse have to say in 1986, which is not so long ago, four years ago? What did he have to say about books? What did he and his researchers, the people in his department, have to say?

They show beyond any doubt that Marcel Masse and his researchers were well aware of the problems of the book industry in 1986.

They are not just finding out about them today and the coalition against the GST on books has not revealed any great mysteries to him. He was perfectly aware of it.

But first of all—and I know that you are dying to hear the quote chosen by the hon. minister to adorn the first page of this historic speech. I will read to you the quote from Desmond Pacey, author of the *Book of Canadian Stories* published in 1947. It is as follows: Literature is to a nation what memory combined with intelligence is to a person.

Now here is how the minister addressed his provincial colleagues:

He was not speaking to ordinary people; he was speaking to other ministers, the provincial ministers.

[Senator Cools.]

Now, of course, I am very pleased to welcome you here today.

Oh, that is less original than his quote, but anyway.

As you know, we are here to discuss the future of books in Canada. It is no accident that Canadians and the governments of Canada increasingly share concern for the future of books in this country.

You see that? The government minister is telling us about the future of books in Canada while with their tax they will destroy the progress made in the last 30 years. Well, Mr. Masse continues.

For about 15 years, Canadian literature has flourished. He is right. We are no longer surprised to see essays on the work of Margaret Atwood, Robertson Davies or George Woodcock in the *New York Times Book Review*. In Quebec, literature thrives, with new novelists like Réjean Ducharme, Victor-Lévy Beaulieu, Antonine Maillet, Yves Beauchemin and Michel Tremblay, to name only a few. And what about the poets who write prolifically and, despite all the obstacles, are read by Canadians throughout the country?

Literature is alive and takes root in all kinds of soil. Even its most prosaic forms are tied to our identity. Already in 1936, Maurice Hébert—

a distant cousin of mine, by the way—

wrote in *Les lettres au Canada français* that people without art and literature have no history.

Well, Marcel Masse continues:

"Literature is the soul of a people."

That is nice, is it not?

Nevertheless, even the most talented actors cannot use their talent to advantage in a hall that has poor acoustics; similarly, even good literature will languish if not given enough room. Here in Canada, the relationships between books, their production and their reception by the public have often been discussed.

So you see, he is quite well aware.

About 100 years ago, the Hon. Marcel Masse continues, in 1986, Sarah Jeanette Duncan, editor of the Toronto magazine *The Week*, raised the following question: "Why is art so rare in Canada?" She went so far as to reject the idea, saying that through the obscure workings of some natural law, literature is not native to Canada. On the contrary, she believed there was a connection between literature and the social and cultural environment. That idea was far ahead of its time, especially in a era when romantic thinking had it that genius existed by itself, cut off from everything. Nevertheless, we still find that idea today among some critics of our cultural life.

So you see the Hon. Mr. Masse made an effort. Of course, he was talking to other ministers about the problem of books.

Two years after the article by Sara Duncan, a certain Wilfred Chateauclair echoed her concerns. Although his

optimism may seem naive today, Mr. Chateauclair nevertheless approaches the question with a particularly modern outlook. In 1888, he wrote: "A refined, aware and vigorous Canadian literature is starting to grow and develop. Its very nature shows that it is an outcome of Confederation. It is the work of a generation that has grown under the influence of a united country".

So already 100 years ago, Canadians were interested in the conditions required for literature to develop in their country. And we are definitely here today to consider these questions.

2. Scope of our discussions.

Therefore, I intend to look at the question with you by raising the following four points:

a) The importance of the publishing industry for the country's culture and industry;

b) The present situation of the industry;

c) How the government sees the development of the Canadian publishing industry;

d) Opportunities for joint federal-provincial initiatives.

He was talking to his colleagues, the provincial ministers, of course.

The publication and dissemination of written material is at the heart of Canada's cultural identity, partly for reasons inherent in the cultural life of all countries. Writing is a privileged means of communication. In practice, publishers choose the authors to present to Canadian readers. Therefore publishers shape the tastes of the community.

I do not understand why those on the other side do not pay closer attention. I am reading a fine statement written by one of their ministers—one of their best-educated ministers—Marcel Masse.

On many occasions, Canadian publishers have tried to feature Canadian writers. To them we owe some key works that shaped public debates in Canada in all fields, from cultural sovereignty to social policy. We would have difficulty correctly appreciating Canadian discourse in the last 20 years without mentioning the work of George Grant or some ideas of Marshall McLuhan that Harold Innis took up, without thinking of the work of a whole generation of literary critics who connect the principles developed by Northrop Frye and the novels of Margaret Atwood, not to mention the valuable insights into our heritage that we owe to works like *L'influence de Voltair au Canada* by the great Laval historian Marcel Trudel. We cannot overemphasize the contribution of publishing to the creative and intellectual life of the country. Yes, we have every reason to be pleased with the work done.

So, as you see, Minister Masse is quite well aware. Now the economic and industrial importance of publishing.

The publishing industry is equally important economically. In 1983, its sales in Canada totalled $1.2 billion.

You see that we have come some way since the period from 1960 to 1970 which I described to you a little earlier.

In that same year, sales abroad totalled $80 million.

These statistics would lead us to believe in a remarkably healthy industry with great growth potential. But if we look more closely we see it is not exactly the case.

You can see how well the minister understands the situation. Despite tremendous progress, it is still an extremely vulnerable industry that anything can threaten. And the GST is not just anything.

Paradoxically books are part of both our cultural and industrial life.

We write, publish and read a large number of books. Of all books sold in Canada in 1983, 25% had been published in this country. Some observers found it strange that governments were concerned about the health of the book industry, but there is no doubt that this concern about the Canadian publishing industry is justified.

It is not only the publishers who have been making a lot of noise in the last few weeks. The Minister himself understands the situation and has been warning other ministers interested in books.

On this subject let me tell you an interesting story. At the beginning of his writing career Hugh MacLennan—

You know this very good friend of Senator Solange Chaput-Rolland—

came to the conclusion that, if he was going to be a writer, he should be a Canadian one because, in the late 1930s, one of his novels had been just rejected by the 22nd publisher in a row. To his manuscript was attached a note to his agent: "We do not know your writer at all. He does not quite write like an American or an Englishman. There is something strange about this manuscript." In fact it was written by a true Canadian writer.

Last week, in the ongoing consultation process with the cultural community, I was hosting in Ottawa a symposium attended by representatives of the publishing industry. This symposium was attended by French- and English-language publishers, by small, medium and big publishers, by general literature and textbook publishers, by Canadian and foreign publishers.

This meeting gave me the opportunity to confirm the findings of the publishing study I asked my Department to conduct.

You see that Mr. Masse had taken the trouble to ask his department to conduct publishing surveys. I am not quoting Marcel Masse just for the sake of it. He is one of those who best know the issue I have been talking about for the last few hours.

These findings show that, in spite of a $1 billion volume of business, publishers of internationally recognized Canadian books experience chronic difficulties.

This is due to several factors. On the one hand, the publishing industry suffers from a chronic lack of capital.

> On the other hand Canadian publishers are at a disadvantage compared with their international competitiors who can benefit from economies of scale. Finally, they lose $600 million a year to foreign businesses. This reduces by half the $1.2 billion in potential business Canadian and foreign publishers and agents stand to make in Canada.

I must say that Marcel Masse perfectly understands—at least he did in 1986—the problems of the publishing industry both in French and in English Canada.

> Allow me to elaborate on each of these aspects so you can better understand how they are related to each other.

Yes, we will allow him to elaborate. It is interesting and exciting to realize that a Cabinet minister who had the crazy idea to tax books for the first time since Confederation is perfectly aware of the situation, as Mr. Masse obviously is. In Item 6, he points out the lack of capital available to the Canadian publishing industry. He knows about this.

> Make no mistake about this. Canadian publishing houses suffer from a chronic and severe lack of capital. Given the assets these publishers can offer as guarantee, that is boxes of unsold books, banking institutions are extremely reluctant to give them loans. These are short-term assets such as stocks and bonds. The publishing industry is very risky, sales estimates are uncertain, and investors are wary. Under these circumstances, publishers are forced to incur short-term debts to finance their long-term investments.

● (0110)

Every Canadian publisher could have said exactly the same thing as Mr. Masse. As you can see, I make no bones about recognizing his competence or at least the validity of the study conducted by his department which resulted in that speech given before other ministers who were also interested in the problems of the publishing industry and who wanted to find common solutions. Since the beginning I have often talked about the problem of American, British and French competition in Quebec.

> In Canada, book publishers enjoy no protection whatsoever against their foreign competitors.

There is no customs duties, for example, on French books coming into Canada as I explained earlier. That is the last thing Quebec and Canadian publishers, writers, and, curiously, booksellers want to do. They have never asked for this kind of protection which would make books from France, Great Britain and elsewhere more expensive. I think it is to their credit that they have always defended the free circulation of books in Canada wherever they come from.

> The Canadian book market remains one of the most open in the industrialized world.

This is something the Minister understands.

> Imported products account for 75% of book sales and 71% of magazine sales.

My English language colleagues are well aware of the fierce competition generated by magazines such as *Time* and *Newsweek*. We also have a lot of French competition with magazines such as *l'Express* that I have here, *Figaro*, etc.

> Foreign publishers account for 70% of total sales in the English-language Canadian market.
>
> Foreign companies dominate the paperback market. There are hardly any Canadian hardcover-book publishers—

Senator Stollery was worried about this

> . . . who also publish paperbacks. That is why Canadian publishers cannot compete on the paperback market. The vertical integration of hardcover book and paperback publishers give foreign companies an intrinsic structural advantage over Canadian businesses. Foreign companies can thus offer attractive contracts to Canadian bestselling authors.
>
> That is why Canadian publishers cannot benefit from potential sales generated by the most profitable Canadian authors.
>
> The amounts assigned to marketing and advertising illustrate the situation. In 1983 foreign subsidiaries spent nearly $52 million on such activities compared with only some $16 million for the Canadian industry.
>
> Textbook agencies and markets.

All Canadian publishers make profits from the sale of imported books they distribute.

It is especially true in English Canada because a lot of French Canadian publishers do not sell books.

> They do not represent foreign publishers. In fact, agencies are the engine of the whole industry. Canadian publishers who distribute imported bestsellers can invest their profits into Canadian books and authors. In other words, there is a link between the agencies and the research and development done on original Canadian works.
>
> However, even though Canadian publishing houses were officially designated as import agents for foreign titles, American distributors tend to rely on mail-order service across Canada. This service, combined with rebate offers, free shipping and toll-free numbers, is at the heart of the Canadian agencies' problem.

But, as you can imagine, this refers to English-language publishing.

> As I mentioned earlier, some $600 million leave the country every year because libraries, governments and various teaching institutions buy their books directly from foreign companies. Also, 60% of agencies are foreign-owned. The proportion of Canadian-owned agencies in this very profitable industry is getting smaller all the time.
>
> When we look at the textbook industry, which is rightly considered to be the most profitable, we see that the situation is the same. Canadian publishing houses are also excluded from the textbook market. In English Canada the problem is even worse as 65% of the primary-and

secondary-level textbook market is controlled by foreign interests.

While it was true in the past, it is not the case anymore in Quebec.

To restore the industry to a more normal state, we should consider whether a larger proportion of our textbooks should be produced by Canadian publishers.

Across Canada some five million children attend primary and secondary schools. If the needs of the students were met by Canadian publishers, the industry would become more stable. Improving access to this market would ensure the cross-subsidization necessary to develop publishing companies facing higher risks. Because they have access to only 35% of the market, Canadian publishing houses cannot plan ahead.

It is worth noting that Quebec gave us a striking example of what can be accomplished in this regard. Mostly due to existing regulations in Quebec, the general situation in that province is much better than elsewhere. (Quebec publishers control 60% of the market.)

Principles underlying the government publishing policy.

The Minister expands on his views and he has been quite right so far.

Let me explain why our government is concerned about this sector of our industy.

It is interesting to know why, according to Mr. Masse, the federal government is interested in books. The same thing could not be said about Mr. Wilson unfortunately.

This analysis suggests that the industry's profile could be improved through government action. However, any government action should assume that the industry can and must be more self-sufficient. The Canadian government is convinced that it is possible as long as the industry succeeds in asserting itself on its own market.

And that the GST is not imposed on it. It is me and not Mr. Masse who say this but it is quite apropos.

In other words, our outlook is essentially market-oriented. We want to ensure that Canadian regulations and market structure allow fairer competition between Canadian- and foreign-owned publishers.

Let us go back for a moment to the vulnerability revealed by the practices of the Canadian publishing industry.

For the third time the Minister talks about the vulnerability emerging from the practices of the Canadian publishing industry. The Hon. Marcel Masse knows very well the book situation in Canada and in Quebec in particular. It is him who says this not me. He goes on to say:

"I would like to see this vulnerability replaced by a normal situation."

He would like the book market to become normal again but he admits that it is the case, that the industry is vulnerable.

Foreign books will always be welcome in Canada.

I agree with him. All publishers and booksellers in Quebec and Canada agree. We support the free flow of ideas.

One only has to look at the data on book import to realize it. Foreign-owned companies will also continue to be welcome in Canada. But a certain balance must be maintained.

Now that the federal budget has been tabled . . .

I remind you that Mr. Masse is talking about the 1986 budget . . .

I am happy to inform you that the Minister of Finance . . .

Mr. Wilson obviously . . .

. . . has allocated $65 million over the next five years to the Book Publishing Industry Development Program.

So, on the one hand, he allocates millions of dollars (over five years so the annual amount is not that great but still) to a Book Publishing Industry Development Program. He wants to help publishing.

This represents a considerable increase from the assistance already given by the Canadian government as well as a commitment by my Cabinet colleagues to this component of the Canadian economy.

In reality, this initiative will only work if every province adopts complimentary measures.

I have not kept track of what happened. I do not know if Mr. Masse's promises were kept because they were linked to complimentary measures from each of the 10 provinces, not to mention the Yukon and the Northwest Territories. So I do not know what happened. But Mr. Masse told us about the need for money. He even invited provincial governments. He had ministers around him during this conference and he was telling them: "We must help publishing as it is an important sector more vulnerable than others."

Both government levels are extremely concerned with budget restrictions. It is very hard to find other funding and impossible to continue justifying extra expenditures in the absence of concrete results. All this means is that the publishing industry must become self-sufficient through financial and structural changes that will happen if it gets better access to its own Canadian market.

My Cabinet colleagues . . .

that includes Mr. Wilson, Mr. Murray and all the others;

. . . know how the future growth of the industry is important to us . . . .

He was talking about the book industry.

I wanted cultural sovereignty to be considered a priority across the country. If I succeed, it will be due to a large extent to the wide consultations held with the industries and the provinces. The process initiated in Vancouver, the commitment we made in Halifax, the meetings held with industry representatives in Ottawa, and now this historic meeting in Montreal . . .

We can see that the Hon. Marcel Masse was not stingy with his time or his trips. He travelled across the country—he went to Vancouver, Halifax, Ottawa and Montreal—to meet with publishers and with his provincial counterparts dealing with the same issue. He worked very hard and he called the Montreal meeting with other ministers an historic one.

> All these events have convinced me that the same deep and ongoing concern is shared by all of us who have responsibilities in this area.
>
> I therefore suggest that we examine some of the measures that could be taken by the Canadian goverment in co-operation with the provinces.
>
> Possible joint measures.

This is what he proposed.

> The major concerns that came to light during the Ottawa forum are the following:
>
> 1. Access to funding sources;
> 2. Off-shore procurement;
> 3. Textbook development and purchasing policies;
> 4. Access to domestic markets;
> 5. Direct financial assistance.
>
> I would like to deal with the last item on the list. Obviously, in the case of important cultural works, the Canadian government must continue to give subsidies. It is our current policy and we have no intention of changing it.

He is of course referring to the Canada Council.

> The proposal to take joint initiatives . . . .

● (0120)

[*English*]

Senator Grafstein: I have listened carefully to the minister's analysis of the structural problems relating to book publishing in Canada. Senator Hébert, you are now touching on his four-point analysis, which includes access to the marketplace, access to foreign suppliers, and a number of other principles.

Based on your travels and experience, have you analyzed the comparative prices of books in the United States, France, England and Canada? On a general basis, at this moment is the cost of books in those countries higher or lower?

The reason I ask you to address that issue is because I understand the laudable desire of the Canadian government is to increase the percentage of Canadian books sold in the domestic marketplace. I assume the lower the price, the higher the number of books sold in the Canadian marketplace, because not only is there competition within Canada but also with people who travel back and forth across the border. We have a huge annual migration of Canadians, particularly to the United States. Senators are voracious readers of books. Tonight I notice at least six or seven senators opposite who instead are not only concentrating on your persuasive speech, Senator Hébert, but who instead are also reading books. Therefore, we are here not only as senators but as consumers.

[Senator Hébert.]

I assume the books senators opposite are reading are Canadian books or books published in Canada. So is price sensitivity an important issue on a comparative basis. Will the GST assist in selling more books in Canada? Or, on the other hand, will it allow more foreign books to be marketed here so that the Canadian share of the Canadian marketplace, after making positive progress in the past few years, will be eroded, thereby starting us on a different downward cycle? I ask that question because a considerable amount of institutional grants have been established for books, book publishers and book fairs. Certain grants and certain tax advantages in terms of mailing, and so on, are provided to book publishing companies, and that money, again, comes out of the same general tax coffers.

So, on the one hand we are using tax dollars to assist the book publisher to achieve a greater penetration of the Canadian marketplace and, on the other hand, if we find the cost base for Canadian books higher than the cost base for American books sold in Canada, we may end up in a situation where we are eroding the ability of Canadian books to access the Canadian marketplace.

I know that I have asked you a very convoluted question. In summary, the question is about price sensitivity: Do you sell more books at lower prices or is the book consumer not concerned about prices? How do Canadian prices compare to prices in other jurisdictions, particularly in the United States? I think it would be useful to have the advantage of your experience.

Senator Hébert: I am sure that I mentioned this fact earlier. I know that I intend to mention it again. If the honourable senator will bear with me a little longer, I shall be coming to some documents that will answer that very question; that is, the sensitivity of the buyer to any kind of increase in the price of books. It is a serious question, and it has been one of the main arguments put forth by publishers, authors and booksellers. I thank you for the question, and I am sure that I can give you a better answer if you will wait until I get to the document that is here somewhere in my pile.

In the meantime, allow me to read an extract from a speech made by the Hon. Marcel Masse to a group of ministers, all of whom are concerned with the book industry.

[*Translation*]

The Minister goes on to say:

> The proposal to take joint initiatives is based on the fact that past provincial initiatives in this area have been beneficial to the publishing industry. I referred earlier to the situation in Quebec where the publishing industry was protected by Bill 51 which ordered libraries to buy their books through approved bookstores.
>
> The industry also benefited from Memo No. 14 in Ontario, the Maritex projects in the Maritimes and the initiatives taken in British Columbia.
>
> It would be a good idea for the provinces to encourage Canadian publishers to produce textbooks.

In addition, provinces could approve textbooks before they are published, so that smaller Canadian businesses can get the money they need before the final printing stage.

With regard to off-shore procurement, the Canadian government has already taken positive measures by trying to consolidate the Canadian book distributing network through approved investments into the Canadian Telebook Agency. Foreign procurement threatens all Canadian publishers. As long as federal and provincial libraries and institutions continue to buy from foreign sources, it will be difficult to make progress. Each one of us must do his or her part and deal with Canadian distributors whenever possible.

It is incredible to see a minister with a very good understanding of a rather complex situation.

There is an increasing tendency to negotiate separate Canadian marketing rights for foreign books. It is already an established practice in other industrialized countries. One of the most flagrant inconsistencies of our market is that Canadian rights are still considered part of territorial rights for North America and are sold as such to foreign publishers.

It is not enough to establish Canadian territorial rights, we must also find ways to defend these rights. That is why we must change the way we buy publishing rights.

• (0130)

Finally, if the Canadian publishing industry could increase its share of the textbook market, it could improve its financial position. Given the responsibilities of the provincial education ministers in this area, how can we integrate them with our larger cultural responsibilities?

The solution I am suggesting today is the creation of a consulting group with a double mandate. Firstly, to participate in the development of a publishing policy, especially by giving me your ideas on the review of the Book Publishing Industry Development Program and, secondly, to study the issues of interest to our respective government.

I would like you to give me your suggestions on how to initiate other productive measures to revitalize the publishing industry.

He sees the need for revitalization.

The consulting group could review the possibility of creating and managing a textbook development fund for Canadian publishing houses as well as changes to the related procurement policy. Provincial education department representatives should play a major role in these talks.

The committee should also explore the possibility of making federal and provincial institutions change some of their procurement practices in order to discourage buying from foreign sources.

Conclusion and summary of this brilliant statement by the Hon. Marcel Masse and I quote:

The policy we announced in Baie Comeau . . .

What a coincidence!

. . . is designed to introduce a gradual change in the publishing industry. It must be completed by complimentary measures. Our wide consultations with industry representatives and provincial colleagues showed that a gradual implementation of any change in policy was better for the industry. We will continue consulting with the industry in the same way to ensure that our policies meet its needs. We also need your advice.

This is the speech of a model minister who wants to consult, who did consult and who promises that he will continue to consult. The Minister did his homework in the sense that he really studied the subject, and he talks about publishing with a lot of authority and common sense.

What I have just quoted you, honourable senators, is Marcel Masse when he was at his best in 1986. A lot has happened since then and the Marcel Masse of 1990 seems to have forgotten how important it is to protect the vulnerable book industry. To justify the GST he tries to find compromise solutions such as new subsidies to publishers, a crutch that the book industry rejected right away. But like his boss, the wavering Brian Mulroney, and his colleagues such as Messrs. Wilson, Loiselle and Andre, the Hon. Marcel Masse is talking tough. "There is no way books can be exempted from the GST."

His message has come across loud and clear.

However, in its November 3 issue, *Le Devoir* reported that a source close to the Minister had told its reporter Paule Larivière, and I quote:

We hope the Quebec Government will exempt books from the tax. It would be the right decision.

It was people in Mr. Masse's department who hoped that the Quebec Government would exempt books from the tax. It would obviously be the right decision. It would certainly be easier if it was done by the Quebec Government rather than themselves.

You need a lot of nerve to ask the Quebec Government to do exactly what the federal government refuses to do.

• (0140)

[*English*]

Senator Grafstein: Could I ask another question dealing with this?

Senator Phillips: Give the guy a chance.

Senator Grafstein: I am trying to give him a chance. The honourable senator raised the question of the minister from Quebec's participation in the last election, or he eluded to that. I am interested, since I did not follow the election promises made by Quebec ministers in Quebec during the last election, whether or not Mr. Masse advised the electorate that he intended to tax cultural products, particularly books? I would like to know whether he made a promise that he now intends

to keep. Did the Prime Minister or the Minister of Finance in the Province of Quebec deal with the question of the impact of the GST on cultural products? I would like to know what the nature of the public discussion was that took place during the election, because it has been said, I think quite fairly, that as a general principle it is not our duty in this chamber to change the public mandate of the government.

I guess the issue for the Senate, as a precondition for making its ultimate decision on this bill, is whether or not the government indeed had a mandate and entered into a social contract with the electorate to provide the goods and services tax.

Now, just to recall, we have had an exchange a number of times in the Senate, I think Senator Comeau raised this. He at one time indicated that this was part of the government's mandate insofar as it applies to New Brunswick. We have heard from other senators from New Brunswick that Senator Comeau may have been incorrect, because they did not hear any of the government's ministers in New Brunswick dealing with the GST. When you turn to Alberta, we have heard Senator Waters and we have heard two former members of the Conservative Caucus, Mr. Kilgour and Mr. Kindy. Mr. Kindy has made the comment to the press that this matter was not raised in Alberta. I can tell you from direct exchange with Mr. Kilgour that he said there was absolute silence on this issue during the last federal campaign in Alberta.

When it comes to the province of Ontario, all that I recall is that the minister said there would be a tax, and it was mentioned almost as a throwaway line, not to worry because it was tax neutral. Now, of course, we have the minister's statement given to Senator Everett. I heard it read in the Senate just a few days ago, and the minister has now said that indeed the GST, as proposed, is not revenue neutral but he undertakes that any surplus will be dedicated to reducing the deficit. This is a material change, a significant change from the government's mandate. Now we have had word from British Columbia, and we will have Senator Austin speaking later tonight about this. I hope he will be able to give us the record as best he can recall on the government's mandate to deal with the GST in and for the province of British Columbia.

However, I have not heard, Senator Hébert, what if anything was the mandate given to the electorate in and for the province of Quebec. The only thing that we do know now is that the provincial government has clearly indicated it is going to exempt books as best as it can from the tax regime in that province. So I presume that the provincial ministers at least were called to account in this extraordinary meeting that you have alluded to, and they backed off, as unhappy as they are. So obviously they were called to account on their mandate. There are a number of senators in the chamber tonight who represent la Belle Province, and if they could give us their recollection of what was said by any of these public figures, then perhaps senators opposite could tell us whether they agree or not.

Senator Hébert: Well, you know very well that this government, in spite of what they have mentioned a few times, had no mandate whatsoever to impose the GST. I know that a few of my colleagues asked the Leader of the Government, if the GST was clearly mentioned during the election campaign, to give them the text of what was said. They asked for any quotations on the subject from the Prime Minister or Mr. Wilson or any important minister who might have clearly stated the intention of the government to impose such a tax. All they said in Quebec, as in the rest of the country, was some vague thing about tax reform. We all agree on the need for tax reform. I am sure you could find that the same promise was in the program of the other parties. Everybody wants to reform the tax system in Canada.

[Senator Grafstein.]

• (0200)

Certainly, in Quebec—and I am sure of this—there was no mention of a tax that would look a bit like the GST. Certainly, Mr. Masse was not naive enough to mention at any time that his government would dare to tax books. The reaction of the population of Quebec comes not only from the common front which came here, headed by publishers, booksellers, authors, librarians, et cetera, but from the whole population of Quebec, which is angry about this tax. It is everybody—the man in the street—who is angry about this tax on books, more than in any other province.

To answer your question, if Mr. Masse had given even a hint that his government would some day contemplate taxing books in Quebec, he would have lost his deposit, you can be sure. The answer is: He did not mention it, and nobody in his party mentioned anything about the GST in Quebec, certainly not the GST on books.

Senator Grafstein: Perhaps I could ask another question, because this is, indeed, a serious matter vis-à-vis the province of Ontario.

Last Thursday or Friday night on CBC's All News channel—and it may have been on CBC's regular channel as well—there was a series of interviews with small business people who indicated that, even if the GST were passed, they would refuse to collect the tax or to remit the tax. They felt it would put small business people in a situation where they would not be able to afford to collect the tax or to remit the tax, because they can't deal with the existing paper work now to conduct their business.

There was a whole series of small business people who employed one or two people, and maybe more, who felt they would disobey—call it civil disobedience, if you will—the GST if it were passed.

I am concerned about this issue. I think all honourable senators should be concerned that we not pass a tax measure or, indeed any legal measure, which has the probability of creating a massive tax revolt, in the same way that we would not pass a criminal law which we know would not be enforced. What it ultimately does, based on any theory of government, is erode the observance of law. By threatening to erode the observance of law, you erode civility and orderly conduct in society.

I have heard about people in the past being very upset with a new tax. I know there was a tremendous outcry when the capital gains tax was first enacted. There was a tremendous outcry when a number of the Carter Commission's recommendations vis-à-vis tax reform were brought in, because nobody likes to pay taxes.

I believe there is a different level of dissatisfaction with the GST, and thus civil disobedience might be lurking in the public mind in parts of Ontario. This is very serious. I know that there is that same attitude in Alberta, for good and historic reasons. They have chosen not to pay a sales tax because they are fundamentally against it. They have a surplus in their government's bank account now, so they can, with some justification, say, "We don't need the money; we don't want the money and, in fact, we don't want to collect the money."

Ontario has never adopted that attitude toward sales taxes or, indeed, provincial taxes. There has always been an amazing public acceptance of even unpopular tax measures. However, I detect a different attitude toward this GST, based on petitions we have received and now these interviews. Some municipalities are even considering passing resolutions such as the tax-free zone that we hear British Columbia intends to establish. Essentially, municipal governments, not individuals, are suggesting they will, in effect, advise their taxpayers not to pay this tax. There are governments, not individuals. It is not Henry Thoreau refusing to pay a poll tax in the last century in the United States, one individual against the state; it is municipal governments against other levels of government, admonishing their citizens not to pay the tax.

That is of concern to me. I am sure it is of concern to honourable senators on both sides of the chamber. I am wondering whether this very dangerous attitude is obvious to you in the province of Quebec.

[*Translation*]

Senator Hébert: I am absolutely convinced that it is the case in Quebec. I do not know about the other aspects of the GST. There might be certain aspects that would be easier for Quebecers to swallow than for people in Albertans or Ontarians. But I focussed on one aspect of the GST, i.e. its application to books. In Quebec, this could really cause the kind of reaction that any democrat would fear, a kind of rebellion against this tax.

For example, when close to 95 per cent of the people surveyed in Montreal, which represents a major part of Quebec, are fiercely opposed to the GST on books, you can infer that people are sufficiently angry to find ways to let the gouvernment know that they reject this tax and that they will not pay it. So, you can expect, in Montreal at least, and maybe somewhere else in Quebec, a kind of rebellion which has not materialized yet but whose potential exists.

I think that opposition to taxing books may be stronger in Montreal than anywhere else in Canada. Again I bet you that neither Mr. Masse nor anyone else said a word about such a tax on books during the last election. Consequently, we were right when we said that this government has no mandate to introduce this tax.

[*English*]

Senator Lucier: Senator Hébert, I understand what you are saying about the anger over the tax on books in the province of Quebec. Beyond that, the Minister of Revenue has already resigned over Quebec's new GST.

Are the people of Quebec really aware of what is going to happen to them within the next couple of years? I do not think they are tuned into what is taking place with the melding of the Quebec sales tax and the GST. Quebec is now going to drop the sales tax but put a GST of their own on a whole range of new items. It seems to me that within two or three years the people of Quebec are going to come to the realization that they have been conned into an 18 per cent GST on virtually everything they touch. Is that a fair assessment of the situation in Quebec and do the people of Quebec really understand that?

I know the people of Quebec are very angry when it comes to a goods and services tax on books and reading materials, but that is because the people involved have access to the media and have made a strong case on that particular issue. At some point the people of Quebec are going to realize what is going to happen to them with this GST, when they find that they have not one GST but two GSTs on everything they touch. Is my assessment accurate?

[*Translation*]

Senator Hébert: I believe you are in fact right in saying that the people of Quebec are not concerned solely by the book issue. We have received thousands of petitions from all the regions of Quebec. I have thousands more in my office. Average Quebeckers definitely feel that something bad is about to befall them. That's why they are calling their Liberal senators and saying: continue the fight; we're counting on you; you are our last resort, our last hope.

What we must say clearly, however—I don't want the senator to miss my answer because I'm making an effort for him—is that the media, the editorialists and the journalists have definitely not fought against the GST in all areas, and they have not done so for all kinds of reasons which I could explain to you at another time. It is only on books that there is some sort of unanimity in the newspapers, in the media and among the editorialists because, on that issue, they felt that pressure was too great and that an editorialist who dared say we need to have the GST on books would perhaps have been virtually banished from the profession. That would have been incomprehensible; he couldn't have afforded that luxury.

However, you feel there is some sort of agreement in journalistic circles in favour of the GST. They have sided with the rich; they have sided with the employers; they have sided with the Manufacturers' Association. They have also often sided with the Conservatives; that cannot be denied. As for Liberal editorialists, there are not that many of them right now. So that may explain why, in reading the newspapers, you ultimately don't get the impression that the Quebec public is

just as opposed to the GST as the population of other provinces. But I'm not sure we are not being tricked by the media in this area, just as we are in others. We have received just as many petitions from Quebec as from elsewhere, if not more so. I have received more from Quebec because I'm a senator from Quebec. I have received petitions from all the provinces including Quebec. Not one is missing. A little earlier, I read some of the letters we received; some of them came from Quebec and some came from elsewhere; they all said the same thing. I have already read them and passed them on. But they were letters from Quebec as well as from elsewhere. I was saying that *Le Devoir* recently reported that someone in Mr. Marcel Masse's entourage had had the gall to say that it would be a good thing for the provincial government to exempt books from the tax before Quebec changes its mind. That would be the best decision, someone near the minister said. That's quite surprising. It takes a lot of gall to ask a provincial government to do precisely what you yourself refuse to do.

> At least after long saying no, the Government of Quebec ultimately yielded to the pressure of public opinion,

represented by the Coalition against all taxes on books.

> After that victory, the Coalition, as you all know, turned to Ottawa where it believed it would be well received at least by the Honourable Marcel Masse because everyone in the profession knew that Mr. Masse was receptive to writers and artists and that he had studied the book issue and had taken certain measures which showed he was aware of the delicate situation in which this cultural industry found itself in Quebec. So they naturally went to see him, but I can assure you they were not received particularly warmly, and I am going to give you a few details that were reported in *La Presse* on October 29 last concerning this meeting. First of all, they arrived after their victory the day before in Quebec City.
>
> . . . The Coalition against all taxes on books met with a bitter defeat yesterday in Ottawa.

That's what the journalist called it: a bitter defeat.

> There is no way the federal government will exempt books from the GST, the Minister of Communications, Mr. Marcel Masse, stated bluntly.

This is the very minister whose beautiful speech, which I just read to you, was so full of kind thoughts and compassion for publishers, the book publishing industry and so on. That didn't last for long. He received his marching orders: an exemption ws out of the question. The Minister of Revenue, Otto Jelinek, for his part, suggested that Ottawa could withdraw the GST on books, but not before the act was passed.

Let's give them a blank cheque and they'll give us some sort of refund later on. Do you believe that, senator? They definitely did not want to change a thing. That's the way it is: we can't change a thing before the bill is passed; if we change even a comma, the whole thing will crumble and the GST will come tumbling down.

[Senator Hébert.]

> Encouraged by the Quebec government's decision to cancel the effects of the 8% sales tax on books, a large Coalition delegation of some 200 writers, publishers and book store owners appeared on Parliament Hill during the morning.
>
> "Quebec's decision will make it possible to save half of the some 30% of book stores that were about to disappear."

They conducted a very thorough study of the situation, and they admitted that, if Quebec withdraws, or rather does not tax books, probably half of the 30% of book stores that were expected to disappear will be saved.

> "Let us hope that Ottawa will also show some understanding of the French-language industry," said the President of the Association of Book Store Owners, Mr. Gérald Caza, shortly before the meeting with Mr. Masse.
>
> But the Coalition quickly lost all hope of seeing the federal government reverse its decision before the planned January 1 effective date of the GST.

You know what we think of their prediction.

> It's always the same old story. Mr. Masse was satisfied to propose compensatory measures for the publishing industry, something that showed a lack of understanding of the issue.

A lack of understanding that was not too obvious in the minister's speech which I read you, but he then did an about face because he, too, received his marching orders from on high. So what did Mr. Masse tell them? Well, look, we can't remove the GST because that would be too complicated. The cash registers and so on; all that would be too complicated. We can't do that. However, we are going to offer compensatory measures, we are going to give the publishing industry money to offset the effect of the tax. He tried to buy them off as a way of calming them down. Well, the answer of the book publishing industry was a unanimous no. No one hesitated and said: Well, we'll take the money all the same in case the GST is passed. They said: No, keep it; that's not what we want. We want the GST to be removed because it affects readers; it affects the average person who will no longer be able to buy books. So it was a no from the President of the Publishers Association, Mr. Hervé Foulon, following the meeting with the Minister of Communications.

> "We were expecting the government would take account of the Francophone reality, but that was not the case."

I'm not saying that the situation of the book publishing industry in Toronto is any better, but, in this instance, the delegation came to explain a particular reality which they know very well, that of Quebec. They discussed the matter with Marcel Masse, who is a Quebecker. They expected some sort of understanding, a reasonably warm reception, a certain amount of sympathy. I quote Mr. Hervé Foulon, President of the Publishers Association:

• (0210)

"We expected the government to take account of the Francophone reality, but that was not the case." Mr. Caza added, "It's not by subsidizing a few publishing houses that they'll solve the problem of access to books.

Because that's the problem. Books must be accessible to the largest possible number of people.

Later that afternoon, the Coalition was able to try its luck with Prime Minister Brian Mulroney,

but it was not because they had been invited. The opportunity arose following remarks during Question Period by Bloc québécois house leader, Mr. Jean Lapierre. He agreed to meet with writer Gratien Gélinas for a few minutes. The Prime Minister was stuck then, what can I tell you? Gratien Gélinas is a true historical monument in Quebec, a "holy monster", as they say in the business; yes, it's true, a national monument. So it was pretty difficult for Mr. Mulroney, who saw him in the gallery, to tell him he couldn't receive him for two minutes. The thing is he refused to receive the delegation as such, but faced with the personage of Gratien Gélinas he decided to take a few minutes. He was caught in an awkward position.

But Mr. Mulroney's reply was the same: the 7% federal tax will apply to books as planned. That nevertheless contradicted the promise he made to Senator Solange Chaput-Rolland, which Senator Solange Chaput-Rolland reported to us. She explained, almost in tears, that she was torn by this bill. I understand her, obviously, because I can imagine the number of people who must have telephoned her from the writers' community, from the publishing community and her publisher, her publishers, and the book stores she regularly goes to. I can tell you that she admitted she was shaken by everything she had been told about the potential threat to the book publishing industry.

She said, however, that the Prime Minister had made a promise: he said he would change, that he would transform . . . I don't remember how it was qualified. What I don't understand is that the Prime Minister did not seem to remember that promise when he met with Mr. Gélinas. He told him, no, the tax would apply to books as planned. No mention of the promise to Mrs. Solange Chaput-Rolland, no brief hesitation such as the one he had before the students in Burnaby when the students told him it was incredible that he was taxing the Bible. Then he said, yes, we're taxing the Bible. He didn't know because he was not aware of that particular aspect. In any case, the secondary students reminded him that the Bible, among other books, was to be taxed. People sensed there that he back-pedalled slightly. He said: I didn't know, I'm going to look into that and examine the matter. Then he said: No, we can't soften our stance; we'll tax the Bible like all goods and services, and tax books like all goods and services. He was just as categorical with Mr. Gélinas.

The debate on imposing the tax on books quickly took a constitutional turn. Obviously, by frustrating Quebeckers even further, Mr. Mulroney will ultimately push them to the limit, with the results that we can all imagine.

"If Canada is to continue to exist, it must one day accommodate the particular characteristics of the Francophone world. Otherwise, we will have to shoulder our own responsibilities and take our own decisions in these areas," said Mr. Caza.

He's a book store owner.

For Gratien Gélinas: "The struggle for Quebec to retain its rights has gone on for as long as Canada has existed. And at a time when Quebec is considering its own future, it is very important that Quebec not be held back in a sector as delicate as culture."

In other words, Quebec's writers, publishers, readers and librarians feel the federal government is directly stifling their culture, their most valuable asset. And I think that it was poor timing indeed on the government's behalf to give such a categorical no to people who are all slightly tempted by the pervasive separatism stirred up, as we know, by Meech Lake and the sorcerer's apprentices in government.

Marcel Masse answered that Ottawa is aware of the Quebec reality in the publishing world.

He repeated that sentiment which was apparent in his 1986 speech.

He cited the federal publishing program, which allocates 40% of its grants—

he's always coming back to the money he gives out

—to Francophone publishers and a new program that will go into effect in April and will be managed by the Federal Development Bank, which will set aside 30% of its budget for the Francophone sector.

He's trying, he's taking all possible steps, but he still says no to the main question put to him. He doesn't want to hear about exempting books from the GST because he has clearly received his marching orders. It's the same as for Meech Lake; the affair is quite similar by the way. The seamless web: you can't change it, you can't change a thing. You change a comma and the whole thing falls apart.

Incidentally, the Coalition rejected the argument that Ottawa cannot amend the sales tax without endangering the bill's timely passage by the Senate.

But what kind of argument is that? It seems to me that a reasonable amendment such as the amendment concerning books would easily have passed through the House of Commons, without any shadow of a doubt. It would have had the time to go through the House and return here. But they don't want it and are simply offering pretexts. Furthermore, the government could have used the Quebec method; it seems to me that's what they were told here.

"It is possible to introduce a consumer tax credit to offset the effect of the tax on books without amending the bill. That's what Quebec has done," Mr. Caza said.

We are not obliged to delay the legislative process; the government could have done something, as in Quebec. But they clearly do not want to!

> Despite Ottawa's refusal to meet its request, the Coalition felt its trip was not in vain. "Mr. Mulroney indicated to us that his main concern was to pass the bill in the Senate and that he could subsequently review it."

That's a promise I wouldn't trust. I don't know if they are going to trust it. I'll come back to that later. Give me a blank cheque and we'll consider the matter later.

> "He promised nothing, but we feel his remarks were not unambiguous. We're going to keep up the pressure," said the President of the French-language Distributors Assocation, Mr. Gérard Lefebvre.

Yes, they had better keep up the pressure because they are not dealing with people who feel like yielding on this issue.

Since the GST debate began in the Senate, I have, as I have often said, received hundreds of telephone calls and letters from citizens enjoining me to fight with all my strength, and all the other Liberal senators as well, against the implementation of the goods and services tax, and that's not counting the tens of thousands of petitions that so annoyed Senator Simard and the other senators on the other side, the petitions and other documents that I received and which I continue to receive.

I need not tell you that I have also received many reports and briefs from various cultural organizations expressing their views on the issue of the GST and books. All these people have asked me to make their voices heard. I can't read all these documents; I have too many of them. I have piles of them in front of me and others in my office. It would take several days to read them all, but I should at least read a few of the more important excerpts.

There was one, in particular, that I wanted at least to quote for you—it is very brief—that of Mrs. Carole Levert, who is President of the Publishers Association, and of Mr, Raymond Vézina, President of the Quebec Schoolbook Publishers Society. It's very short, but entirely to the point. These two authors write:

> Publishing is a high risk business: it entails high production costs that must be recovered from modest printings. The more complex the production (school books, illustrated children's stories, general and special interest literature requiring illustrations, such as books on history, geography, architecture, "coffee table" books, books on visual arts and so on), the higher the production costs and the harder it is for national producers to offer consumers high quality books at competitive prices.
>
> Unfortunately, Quebec consumers cannot benefit from the economies of a scale enjoyed by most foreign producers, which operate in countries where the cultural industry is strong enough to be self-sufficient.

In short, the right size population is needed for publishing to be profitable. In France, publishing is not a problem; publishing is not subsidized and can support a modest GST, which is not high, and which is in fact lower on books than on other items. But the industry can survive because there is a large population: France and the entire international Francophone community which French publishers of course can tap into.

> However, domestic books are those that speak of our reality and enable us to expand it.
>
> The child who grows up reading *Émilie* or *Mafalda* will expect to go mountain climbing in the Alps, to go to school on Saturdays and to eat croissants for breakfast.
>
> The example is exaggerated, of course, but nevertheless real and palpable. Successful Quebec books in the field of children's literature are extremely recent. And for them to succeed, original production solutions had to be invented for the problem of manufacturing costs.
>
> The GST will increase the price of books and limit the number of potential purchasers . . .

That's the key to this issue, which the government does not seem to understand. The tax will limit the number of potential purchasers because book price increases will have a direct effect on sales, on purchases, if you wish.

> . . . And let us not simply put our heads in the sand: foreign firms will continue to take the lion's share of this market (domestic output in Quebec currently represents approximately 30% of general consumption, whereas it scarcely constituted 20% 10 years ago) because the GST will affect them very little since they already enjoy economies of scale so great that, for them, we represent only a secondary market.

If a French publisher produces a 50,000-copy printing of a book, let us say in a large printing, it knows it will be able to sell 40,000 copies in France, 6,000 in the rest of the Francophone world and that 4,000 will be sold in Quebec. The cost price of the 4,000 copies that arrive in Quebec is obviously infinitely less than that of the 4,000 copies which a Canadian publisher will produce in the first printing of a work. And even at that, 4,000 copies is a risky proposition. First novels of Canadian writers are often published in printings of 3,000 or 2,000 copies.

> The proof is that dumping is on the increase and cut-rate book stores are proliferating. The Quebec market is the ideal market for unsold books and for surplus printings which always follow peak sales.

You see a lot of these books stores in Montreal. I know of several of them that sell books at a discount and that in fact dump French books, books unsold by French publishers and which are of course sold dirt cheap, and compete very strongly in the Canadian book market.

> Those who stand to lose the most under the GST are consumers and domestic producers, that is to say the weakest, because it is they who have the least resources.

It is obviously readers who stand to lose the most. The GST isn't going to trouble Hachette or Flammarion or the other major French publishers all that much. Nor should you believe that Quebec books are widely exported.

> The export market for French-language Canadian books is in its infancy.

I have already told you about our misadventures with Hachette in I don't know what year, when they deigned to take a certain number of our books and returned some of them to us four years later without even opening the cases. The books were certainly not bad because they were books of poetry from France. They had been selected by Gaston Miron himself from the best volumes of poetry. I remember that like it was only yesterday.

> The export market for French-language Canadian books is in its infancy.

It has been in its infancy for 30 years now.

> Although there exists no statistics in this area, publishers' efforts to export to international Francophone markets clearly represent only a fraction of the percentage of the industry's revenues.
>
> In foreign markets, Quebec books face very well organized competitors with more than 100 years of experience in the field. This gives them an enormous advantage. The true challenge in exports will arise in the coming decade, and publishers are working hard to meet it.
>
> Increasing risk in the Quebec publishing industry will lead to tougher production choices. Houses will choose surer products, potential best-sellers.

That's how publishers are going to react. They will publish less and will choose their products, the manuscripts that are the surest thing. They won't always be the best, I should note in passing. But the risky propositions will be left alone. That's what will happen.

> Stop publishing new or as yet unknown authors. Stop, or at the very least, appreciably decrease the output of more specialized books with limited target markets
>
> (humanities, essays, specialized topics, science) . . .

Books with limited printings will be abandoned. Publishers will continue to produce good books, novels by Beauchemin and books that sell well by known authors. It's the new books that will be hit, new books by new authors. But these are the major authors of tomorrow.

> Stop all attempts to fight the competition in certain basic sectors . . . Most Francophone university students in administration, science and many other fields currently study using books written in English.

So you see, in administration . . . I said that that was the case of the Hautes études commerciales in the 1940s. Students there had to study accounting from American textbooks. I thought that had changed, but, no, it's still the case.

> . . . because translating and producing them in French would be unthinkable.

It would cost too much. And with the GST it will become completely unthinkable.

It will be even more expensive and so will be put off indefinitely.

> Preserving and improving the quality of the French language spoken and written in Canada is already a sizeable challenge. And the most invaluable tool to the development and maintenance of that linguistic quality is the book.

We have problems with the French language in Quebec; we don't speak it as well as we should, and that may be explained by all types of factors, historical, first, but also because we are a small linguistic group surrounded by Anglophones and are subject to the cultural influence, not so much of English-Canadians, but of the Americans, as well as the English-Canadians, through television, magazines, paperback books and in other ways.

So obviously, by reducing the distribution, sale and publication of French-language books in Quebec, one also undermines the quality of the language spoken by Quebeckers.

> If taxing books and reading in Canada is catastrophic, taxing French books will be truly dramatic. If access to French-Canadian books is governed by discrimination, it is our French-language reality, the quality of our language, which will be the object of that discrimination, and no books imported from France or other Francophone countries will do justice to the French language spoken in Quebec by the people of Quebec.
>
> The first amendment presented by the Liberal senators was not a chance affair. I certainly hope not; it was deliberate. It was the amendment that called for a GST exemption not only for books, but also, you remember, for periodicals and newspapers.

I focused my efforts on the mortal danger that a tax such as the GST on books represents because this is a more familiar field to me than others since I worked in it for 15 years. However, I would not want to give you the impression that I more readily agree to a GST on periodicals and newspapers.

I would like to advance some of the arguments submitted by the Canadian Magazine Publishers Association. In this case, I have chosen the arguments from the Anglophone rather than the Quebec side because, in the case of magazines, one can say there is considerable similarity between the problems of both sides.

[*English*]

This submission was prepared by the Canadian Magazine Publishers Association, representing the Canadian-owned consumer magazine industry. They go on to say:

> Members of the CMPA publish over 290 magazines in Canada, ranging from the smallest to the largest consumer magazines.

● (0220)

[*Translation*]

So I do not know how many of these 290 Canadian magazines will be left after a few years of the GST.

[*English*]

> Canadian magazine publishers face a threat to their very existence if the proposed goods and services tax (GST) were to be made applicable to periodicals.
>
> Our analysis of the impact of the proposed GST on the Canadian periodicals industry demonstrates the necessity

of zero-rating for magazines if our publications are to survive in the future.

[*Translation*]

It is a question of survival for both books and magazines, and for both English and French periodicals.

[*English*]

We have developed models of the effect of the tax on representative samples of publications, using assumptions that have been reviewed and accepted by representatives of the industry. The results are devastating. Without zero-rating, the industry as we know it will not survive.

[*Translation*]

Those are terms which are certainly as strong as any we have heard from Quebec. It is always said that Quebecers have a tendency to exaggerate among themselves, because of their Latin blood and so forth. The people who wrote that didn't have Latin blood, they were from Toronto.

[*English*]

The imposition of the GST on periodicals would reverse a public policy stance that the Canadian Government has held since Confederation. It has been federal policy to encourage the interchange of ideas and the development and spread of a unique Canadian cultural identity. Magazines are a vital medium in the definition and dissemination of the essence of what makes Canada. Their importance and need for public policy support has been recognized time and again by royal commissions and special studies. The federal government has recognized this in the past, providing postal subsidies,—

That they want to take away.

—that protects the industry from unfair competition from foreign publications and exemptions from tax.

[*Translation*]

Since Confederation, not one cent on sale or production.

[*English*]

The Canadian magazine industry has had to face two other economic problems in the same time period that the GST has been under consideration. First, it has to grapple with the potentially severe implications of significant reductions in the postal subsidy.

[*Translation*]

Of course, that's all to the good, taken as a whole.

[*English*]

Second, it is a simple fact that a number of magazines have had to absorb significant reductions in revenue because of the ban on tobacco advertising, whatever benefits may accrue to others.

[*Translation*]

Well, we won't shed any tears over that, but it's a fact.

[*English*]

As a result the industry is already in a perilous condition. The environment, previously designed to be so carefully benign for periodicals, has turned hostile.

[Senator Hébert.]

Requiring magazines to bear the full burden of the GST will expose them to competition from foreign publications who will largely escape the tax, force the closure of many currently viable businesses and signal Parliament's willingness to turn its back on an essential part of the country's cultural activity. It would be a uniquely perverse public policy decision: to harm an important domestic industry and simultaneously give a significant advantage to its foreign competitors.

[*Translation*]

It is unbelievable to think that the government is doing that with books and periodicals. But is it possible, when they sleep at night, do they sleep peacefully? When they look at themselves in the mirror in the morning, aren't they a little embarassed by the decisions they made that are going to be so devastating for something so important? I thank God every day that I am on this side.

[*English*]

The Canadian Magazine Publishers Association, formerly the Canadian Periodical Publishers' Association, is Canada's national association of consumer magazine publishers. CMPA members publish more than 290 magazines. They vary in size from *Maclean's*, with an annual circulation of almost 35 million, over 600,000 copies weekly, to *Dandelion*, with an annual circulation of 1,400 copies, 700 copies twice each year.

[*Translation*]

I think that we can say good-bye to *Dandelion*. With the GST, it's 'bye, 'bye, *Dandelion*.

[*English*]

Senator Cools: What was that?

Senator Hébert: *Dandelion*. It is a magazine that publishes 700 copies twice each year. I do not know what it is about, but I was just saying that it will be destroyed by the GST because, being that type of circulation, it cannot survive. The submission goes on:

This submission is divided into three parts. The first focuses on the general reason why magazines, along with other published works should not be taxed on cultural/literacy grounds.

In the second part, we represent the results of a detailed analysis of the economic impact of the imposition of the GST on the operations of a representative sample of Canadian consumer magazines. Details of the assumptions underlying the analysis are provided in a separate annex to this submission.

I will provide this information to Senator Cogger, but only if he asks for it. The submission goes on:

In the third part, we focus on a particular problem for Canadian magazines: the administrative obstacles inherent in attempting to achieve a level playing field with U.S. periodicals that are circulated in Canada by mail.

By the way, they tell us that the Canadian Magazine Publishers Association fully supports the brief submitted to the standing committee by the Don't Tax Reading Coalition.

[*Translation*]

. . . which is the conterpart to the group which came to see us with Gratien Gélinas and the others, but it is the English counterpart.

> While we do not propose to restate the coalition's arguments in detail, the following are the main points they raise.
>
> The application of the GST would raise the cost of reading and limit the communication of knowledge.

Senator Lucier: Senator Hébert, I wonder if I might ask you a short question. I suppose the effect of the 7 per cent GST on reading material will be somewhat the same as it is on many other items. I have just read recently where the *Toronto Sun*, which is not one of my favourite papers, is looking to raising the price to fifty cents. I think they said there was not much point in raising the price by ten cents or whatever, but because of the GST they have decided they might as well raise the price to fifty cents. I can't imagine publishers of books or periodicals adding just 7 per cent to reading material. The increase will be 25 per cent or some other figure.

● (0230)

Senator Hébert: You are absolutely right. They will not sell a magazine for $1.07; they will sell it for $1.25 or something like that.

Senator Grafstein: Excuse me Senator Hébert, the question of cost-push is of vital importance. I have just had an opportunity to read a response to a question that I asked the government on November 13, which I think is relevant. I asked about wage settlements and government policy, and I said it appeared that the motivating influence of the Bank of Canada's policy with respect to high interest rates was inflation. I then asked the Leader of the Government to give us an indication, based on recent statistics, as to whether or not there had been a softening of wage settlements that could lead Canadians to believe interest rates would be, in the short term, subject to a reduction.

The full response I got was quite interesting and instructive. It relates to the economic conditions of the business of cultural products. It doesn't matter if we are talking about music or books or whatever. With respect to the question of consumption, because I never quite understood it the first time around, after a period of absence I am re-reading a very interesting book that was written on December 13, 1935, a book that is relevant to both the GST and the question of the government's answer.

The book is entitled, *The General Theory of Employment, Interest, and Money*, and was written by John Maynard Keynes. What Keynes in effect said is that the key to employment and real wages is the propensity of the public to consume. The economic laws he attached to the propensity to consume was a key element in driving the economy in a proper fashion. I will get back to that in a moment because I want to deal with the government's answer to my question of November 13. The government responded to my question, as follows:

> I know that the government's concern with inflationary pressures—and our monetary response—has been a source of controversy and criticism.

This is, I assume, the Minister of Finance, responding to my question. He then goes on to say,

> However, throughout our mandate, the long-term anchor of our monetary policy has been, and remains, price stability.

You have just talked about price instability, and if in fact the *Toronto Sun* is increasing its price from 35 cents to 50 cents it triggers price instability, and clearly that is beyond the rate of inflation. So the test is keeping wage settlements below the rate of inflation and at the same time not propelling price instability.

Then he goes on to say:

> As the Governor of the Bank of Canada recently stated, "what we are seeing are gradual but progressive reductions in inflation that will ensure there is no doubt about the commitment of monetary policy to contribute price stability to Canada's economic well-being".

Maynard Keynes, Michael Wilson and, hopefully, the newspaper business. We have got a concern there. They obviously have a concern there. They have to deal with this tax. But let's go on.

> To this end, this government set out and has followed a clear path of responsible fiscal and economic policies aimed at achieving a better balance between demand and the economy's capacity, with fewer inflationary pressures. This will set the stage for reduced interest rates and a return to a balanced sustained expansion.

Coming back to Mr. Masse's point, one of the problems in the book publishing business is high interest rates and failure to get access to capital. So lower interest rates, more available capital, and better allocation of capital investment stimulates the economy, stimulates cultural products, produces jobs and makes everybody smile. But we do not see this here; we see price instability.

The government's answer to my question goes on:

> The recent weakness in the economy has resulted in the easing in monetary conditions that we have seen lately. The bank rate has fallen—

This is good news.

> —180 basis points from its peak in May.

Now, this answer is being given in November.

> Continued easing in underlying price and cost pressures will create scope for further declines in interest rates.

Argument: if you can reduce the price, reduce the cost pressures, the interest rates come down. But the *Toronto Sun*, a good sometimes conservative paper, is going the other way, not on its own behest but obviously propelled by the GST. But Mr. Wilson, or government spokesman goes on.

However—

And this is a danger point.

> —recent data show no sign of an easing in wage settlement rates. Indeed, quite the opposite has occurred: Negotiated wage increases have risen from less than 5 per cent early in 1989 to about 6 1/2 per cent in the third quarter of this year.

Referring to the third quarter of 1990.

> This has occured in both the private and public sectors.

Bad news!

> The federal government, though, has set a good example of restraint in its wage negotiations. Indeed, we have held the average settlement rates below that of the private sector for each of the last three years.

Good job! Economic experts opposite have said, "Look at what a great job we have done. We have kept wages below the rate of inflation." They patted themselves on the back. I agree, good job; no quarrel there. Then there is a little caveat;

> Except for a few higher settlements imposed by arbitration in recent months, federal settlement rates have been held to less than the rate of inflation in the past two years.

Very, very, good news. So, again, except where wage settlements that were beyond the control of the government through arbitrations, they kept them below the rate of inflation—price stability, wage stability, excellent!

• (0240)

The government goes on to state:

> However, of considerable concern is the recent acceleration in non-federal wage settlements. These high settlements reflect strong underlying inflation pressures which, if they persist, will push the inflation rate higher.

I am coming to the end here, and I think it is important that you respond to this, Senator Hébert.

> It is critical that all participants—

This is the government speaking.

> —in our economy recognize that the government's scope to alter monetary conditions depends directly on the continued reduction of inflationary pressures.

So the government is not excluding itself when it admonishes us and the private sector and the public sector to recognize that inflationary pressures must be reduced. No argument with that, Senator Hébert. Do you have any argument with that?

Senator Hébert: No.

Senator Grafstein: Senator Hébert has no argument with that. Then the government goes on to state:

> If not dealt with, these pressures threaten to become entrenched in the economy—

I repeat, "entrenched in the economy".

> —making their elimination that much more difficult and costly later on.

[Senator Grafstein.]

Now for the summation of this wonderful little tract, consistent with, I believe, John Maynard Keynes. This is what the government states:

> Let it be clear: this government is not prepared to validate uneconomic wage settlements by either loose monetary or fiscal policies. The much slower pace of growth that is emerging in 1990 is necessary to wring inflation pressures out of the Canadian economy. It is also creating the conditions for permanently lower interest rates and balanced, sustained growth. The sooner the inflation pressures ease, the smoother will be the transition period.

Senator Hébert, I detect in your speech that, rather than price stability triggered by the GST, we have price instability; rather than deflationary trends, we have an inflationary trend; rather than triggering greater consumption, we have a government policy which will be a disincentive to consumption. As prices go up, consumption goes down, particularly in the cultural products area.

I am not, nor do I pretend to be, an economic expert. All I am trying to do is to listen as carefully as I can to the economic experts on the other side. Then I listen to you on this vital sector of culture, where we are trying to suggest, as the minister has so brilliantly outlined in some of his speeches, a stable environment for the cultural products industry to flourish. Then, somehow from left field we have instability, inflationary pressures and an unstable context, triggering, if you will, the other killer, high interest rates.

So we have the *Toronto Sun* falling into the trap. The only way it can keep itself out and, I assume, generate positive cash flow is to increase its prices, not just equal to the rate of inflation but beyond. If we take the 35 cents and move it to 50 cents, that is 15 cents over 35 cents. What percentage is that? It is 50 per cent.

Here the government is arguing that 6.5 per cent is keeping interest rates higher.

Can you, Senator Hébert, clarify for me what appears to be inconsistency, at its highest level or a negligent disregard for good economic principles? By the way, I am not suggesting in any way, shape or form that I am properly laying out the principles of the government, because I find them difficult to follow. All I am trying to do is read the answer.

By the way, honourable senators, I asked one other little question, which has not been answered by the government. It was related to what I understood was the source of, the root of, the basis of, the foundation of the architectonic of this principle, which is that we have to remove the MST. Did it not all start by saying that we had to set up a tax structure that was going to be fair and equitable so that we could absorb the manufacturers' sales tax and redistribute that tax on a neutral basis over the entire base?

I asked this question, and the government has responded with silence. It is a simple question, not difficult. I asked this:

> After consulting with the government economists, could you provide the Senate with an indication of what reduc-

tion in interest rates would be necessary to be equal to the revenues accruing to the government by the MST?

I thought it was a fair question. If we have, as we have been told over and over and over again, this hellish burden of debt accumulated because of compound interest rates, because of a little debt that was started back in 1984 and grew and grew and grew, without any explanation of the government's fiscal or monetary or interest rate policies since that time, then, with all due respect, Senator Hébert, you must certainly bear some responsibility because you are and were a friend of the former Prime Minister, Mr. Trudeau. So you have to somehow bear responsibility for the friends you keep.

The question I have is this: Is it possible that, if you took one or two points from the interest rate on the accumulated debt of the country, you might be able to absorb and dissipate the MST? What does it need? What is necessary? If that were to remove itself, we would not be here today, would we?

Tell me if there is some flaw in this argument and tell me how this applies, Senator Hébert, to the consumption of cultural products which we have been told by Mr. Masse is a benefit to all of Canada.

Senator Hébert: That is a very interesting question.

Senator Cools: It is such a good question that perhaps you could answer it yourself.

Senator Grafstein: I don't have the expert's answer to that, but we do have the advice of a number of economists, and I haven't had anybody tell me it is not correct. This is what John Maynard Keynes has said—and we have been told by Mr. Crow that he is a Keynesian: Passing a GST which implodes inflation at a time of recession is not exactly good economic policy. It does not seem to be logical. Keynes said that the test of good economic policy is counter-cyclical measures.

That is not a complete answer to the senators who have raised this issue. It would be interesting to hear from the other side. I await the other side's economic expertise on this question. We have been told over and over again that we, as Liberals, have been ruinous when it comes to economic philosophy and theory. I would like an opportunity for senators opposite to give us their version.

Senator Hébert: Unfortunately, Senator Simard is not with us.

Senator Grafstein: Senator Simard has not the economic experience to justify this tax.

• (0250)

Senator Hébert: I am not an expert either.

Senator Grafstein: I am interested in your view as to the price of the *Toronto Star* going from 35 cents to 50 cents. Will the basis for that increase apply to other publications?

Senator Hébert: I will come to that in a moment. I was talking about the submission from the Canadian Magazine Publishers Association. I will repeat two lines because they provide us with a complete picture.

> The application of the GST would raise the cost of reading and limit the communication of knowledge.

That is clear, serious and important for society.

> Besides providing certain financial support to publishers and authors, Canada has historically chosen not to tax their products.

That tradition of ours was established even before Confederation. We never touched books, periodicals and newspapers.

The submission continues:

> There is widespread public support for continuation of this exemption.

Everyone in the country agrees with this.

> Since reading materials are discretionary expenditures previously exempt from tax, the GST would substantially reduce the amount of such material purchased by Canadians. The impact will be most severe for small, or literary, or regionally based companies.
>
> The application of the tax to reading material will fail to achieve the stated objectives of "fairness, simplicity, and compliance . . ."

That is all Wilson's stuff.

> . . . balance and stability," "international competitiveness," and "economic growth".

Mr. Wilson promised that the GST would bring all those things to us.

The submission says that the Canadian Magazine Publishers Association subscribes to these views, and urges that, as a matter of principle, the tax should not apply to reading materials.

The submission continues:

> We also stress the unique contribution that magazines make to Canadian culture. Our publications are a major source of support for writers and illustrators. Indeed, many of the nation's best-known writers were first published and polished their talents in Canadian periodicals. A full 93 per cent of the writing and illustrations in our magazines are created by Canadians. We are a major outlet for creative talent. To jeopardize this industry would deal a severe blow to Canadian culture.
>
> Economic Impact of the GST on Canadian Magazines:
>
> In this part we present the results of a detailed analysis of the impact of the imposition of the goods and services tax on the operations of Canadian magazines. In order to have a clear understanding of the actual financial impact the tax would have, we chose a representative sample of five Canadian periodicals. A study of these magazines was commissioned to determine what the effect of the tax would be.
>
> The study was carried out with the assistance of: Lighthouse Communications (Canada) Incorporated, a consulting firm specializing in the economics of magazine publishing; Clarkson Gordon, one of Canada's best-known audit and management consulting firms; and McCarthy

> of McCarthy, Canada's largest law firm, with particular expertise in the application of tax and trade laws to the cultural industries.

We must admit that they have chosen important companies. Then they chose five publications: *Canadian Art*, an example of a special interest publication supported in part by grants; *Canadian Business*, one of Canada's best-known general interest business magazines; *Coup de Pouce*, a large circulation advertiser-driven, French language women's magazine; *Eastern Woods and Waters*, a regionally based special interest magazine; *Owl Magazine*, Canada's largest circulation children's magazine, with negligible advertising revenue. It is an interesting sample.

The submission says:

> A detailed description of the assumption used in the analysis is provided in Annex A.

I will provide that to Senator Cogger the moment he asks for it!

> The analysis shows that the overall impact of the GST on the magazine industry will be devastating.

"Devastating" is the word that is always used.

> The overall profitability of U.S. magazines, 12.44 per cent profit as a percentage of revenue, is already far higher than the comparable overall figure for Canadian magazines, 2 to 4 per cent profit as a percentage of revenue.

That is quite a difference.

> In the particular cases examined, however, the existing profit dramatically declines with the introduction of the GST.

I will read the actual results for each of the five publications. *Canadian Art* is now minus 5.65 per cent, which means they need grants. With the GST it will be minus 12.07 per cent, a difference of minus 6.40 per cent. *Canadian Business* is making a small profit of 6.59 per cent of revenue. With GST it falls to 0.07 per cent, a difference of 6.52 per cent. *Coup de Pouce*, which is a French magazine for women, is 7.66 per cent profit of revenue. With the GST it will decrease to 1.10 per cent, which means a loss or difference of 6.56 per cent. *Eastern Woods and Waters* had a tiny profit, 0.20 per cent profit as a percentage of revenue, but with the GST it will fall to below minus 3.16 per cent. *Owl Magazine* is making a small profit of 2.09 per cent of revenue. It is a beautiful magazine for children. With the GST its profit will fall to minus 1.36 per cent.

The submission continues:

> There are a number of reasons why the particular circumstances under which magazines operate in Canada will result in these dramatic effects. One of the most important factors to bear in mind is that consumer magazine subscription sales are notoriously price-sensitive.

I don't know if those on the other side have ever heard that word.

[Senator Hébert.]

> Repeated testing by one large publication shows a 16 per cent drop in sales for a 7 per cent increase in price. According to a 1986 study by Coopers & Lybrand, the industry can expect up to a 3.7 per cent drop in subscriptions from a 1 per cent increase in price.

Just imagine, a 7 per cent increase!

> In addition, most magazines are currently priced just below an important price barrier that each has found by testing and experience. In most cases, therefore, to increase prices beyond this barrier to include the tax would result in a disproportionately greater decrease in subscription sales.
>
> This is just one of many factors that needs to be taken into account. All of the assumptions that must be modelled are set forth in Annex A.

Again, I will provide this to Senator Cogger after this speech!

• (0300)

[*English*]

> What is the result of this analysis?
>
> First, magazines with "healthy" profits (up to 7%), that are advertising-driven, and have a paid circulation, experience an average decline in profitability of 6.5%, pushing them into a slight loss position or, at best, break-even.

Is that what we want for our Canadian magazines? To be in a loss position or just to break even?

> Second, magazines with marginal profitability experience an average 3.4% drop to show significant losses. Even the example of a grant-funded magazine. (which should benefit under GST since grant funding is to be tax-exempt) experiences a serious negative effect to its overall operation.

We have seen that *Canadian Art* which receives the grants but which is now in the red, will make a loss of 12 per cent of revenue.

> Third, while the very few Canadian publishers with a significant portion of foreign sales (either circulation or advertising) benefit somewhat from GST zero-rating on these sales, their Canadian sales deteriorate to the extent that the net effect on their overall operation is still negative.
>
> In summary, therefore, the impact of the imposition of the GST on Canadian magazines would be devastating.

I will not deal with the unfair advantage to U.S. periodicals under the GST system—that would please Mr. Bush.

> It is the Finance Minister's stated intent to ensure that the tax will increase the international competitiveness of Canadian business.

That is what Mr. Wilson said.

> The GST may have this effect for some domestic manufacturing companies. It will have quite the opposite effect for Canadian magazine publishers.

The reason for this is that the GST can be readily collected from Canadian publishers, but involves considerable administrative difficulties when the GST is sought to be collected from U.S. publishers distributing their periodicals by mail in Canada.

These administrative difficulties put in question not only the workability of the system, but more importantly, whether a level playing field could exist for Canadian periodicals.

To understand this problem, which is unique to periodicals, the Committee must understand the system by which foreign publications reach Canadian hands. A large number of foreign periodicals—estimated between 5 and 10 million copies per year—are simply mailed to Canadian homes, using the U.S. and Canadian postal services.

It would be easy to collect the GST on that.

At present, these magazines are not stopped at customs, but are permitted to be delivered directly to the home by the postal service, by virtue of the *Postal Import Remission Order*.

That Order exempts imported goods from the requirement to pay customs duties, sales and excise taxes if the goods are imported by mail and if either (a) the value for duty does not exceed $40, or (b) the aggregate of the customs duties, sales and excise taxes paid or payable does not exceed $5.

Magazines and newspapers qualified under item (a), so that even if duties or taxes were applicable (which they are not at present) mailed subscription copies would not be stopped at the border.

When goods exceed the $40 limit, the practice of the Post Office is to mail a postcard to the addressee to notify that the goods have been received and to request the recipient to attend at the Post Office within a prescribed time period to pay the duties and/or taxes and claim the goods.

The GST Technical Paper—

And this is from the mouth of Mr. Wilson—

—states at page 71:

These orders [the remission orders referred to above] will be amended upon introduction of the GST to exclude books and periodicals in order to allow for the application of GST to imported book and periodical subscriptions. This will ensure that imports are placed on an equal GST footing with domestic books and periodicals.

Foreign publishers will account for the GST on their subscription sales in Canada.

That is the comforting words of Mr. Wilson.

Now, the facts:

If the remission order is amended as indicated, an administrative nightmare would immediately be created. Starting on January 1, 1991, millions of individually addressed U.S. magazines would begin arriving at Canada Post and would have to be dealt with. If the government were serious about collecting the GST, it would literally have to require Canada Post to stop the magazines at that point. According to the present procedure, it would then forward a postcard to each of the millions of Canadian addressees.

Senator LeBlanc: Then they could talk to their mailboxes.

Senator Austin: I wonder, is that postage paid or postage due?

Senator Hébert:

The postcard would notify the subscriber that the magazine had been received and would seek the subscriber's attendance in order to pay the GST for that copy so that it could be released.

Millions and millions of copies, honourable senators.

Hon Roméo LeBlanc: Would Senator Hebert allow a question? I am very much interested in this matter. Imagine living in Cocagne, where I live, 30 kilometres from Moncton. The only thing I can talk to at the end of my driveway is a series of cubicles with locks of different descriptions. I can not go there and claim my magazine. I am just talking to a pile of boxes. So I say to myself, "In that event, I will go to the major post office," which is in Shediac. I get there, and there I get someone to talk to, but that is not the customs office. The customs office is in Moncton. So I imagine that, in order for me to get *Time* magazine, I have to drive to Moncton.

Of course, the office hours of Canada Customs are fairly restricted. They are not open on Saturdays. I hope that the government, in fact, stops these magazines at the border, because it will prove the point that we have been trying to make here, which is that this tax has not been thought through very carefully.

Would Senator Hebert like to describe the procedure he would have to follow, if he is living in St. Hubert or Beloeil in the province of Quebec, in order to receive a magazine from France? How will they charge GST on that?

Senator Hebert: According to what I understand of the system, I am living in Montreal right now and I will receive a post card—not the magazine but a post card—that will tell me to go to a little post office in some drugstore located about six blocks from my home. So I would have to go there to this little post office, bookstore or drugstore. Sometimes you arrive there and the lady has gone for lunch and has put up a little card, telling you to come back an hour later with your card to get your *Time* magazine. That is the way it could be.

The postcard would notify the subscriber that the magazine had been received and would seek the subscriber's attendance in order to pay the GST for that copy so that it could be released.

● (0310)

It is incredible.

Senator Lucier: You pay the GST to the post office?

Senator Hébert: Yes.

The GST might range anywhere from five cents to fifteen cents per copy depending on the subscription rate. In other words, the cost of preparing and forwarding the postcard would vastly exceed the amount of the tax.

They will do it; they like that type of thing.

Needless to say, if this was actually carried out, there would be huge protests from at least two major groups of complainants. First, the Canadian subscribers would protest the whole procedure as being excessive and uneconomic. Why should they be forced to attend at customs, they will argue, to retrieve their copies of a U.S. magazine?

Secondly, foreign publishers will undoubtedly complain that such a procedure or even the threat of its imposition would be an unfair non-tariff barrier contrary to Canada's GATT obligations. They would also argue that no tax should be payable anyway, because all of the copies are pre-paid subscriptions.

This last point deserves underlining, because it contributes to the difficulty in assessing the level of the GST for magazines. The GST technical paper sets up special rules for "prepaid supplies," so that the GST can be collected in regard to payments made before December 31, 1990, for goods or services supplied after that date. At page 156, however, the paper specifically stipulates that the rule "will not apply in the case of prepaid newspaper and periodical subscriptions."

Thus, for a period of up to three years, foreign publishers will be able to argue that virtually all their mailed-in copies were prepaid subscriptions upon which no GST should be levied.

As a practical matter, how can the government or the Post Office determine which import copies are prepaid and which are not?

That is a tricky thing. They will ask Mr. Wilson, I suppose.

It is hard enough to audit this matter when the publisher is located in Canada. It is impossible to tell in the case of a foreign publisher mailing from the United States.

Absolutely impossible.

So how would the government collect the tax? It is unlikely that U.S. publishers will collect tax from Canadian subscribers. Typically, they do not even collect sales taxes for states outside the one in which they publish. Unless they cannot avoid it, they will not, as the government seems to expect, meekly submit tax to Ottawa. The only person from whom a payment can be compelled is the individual subscriber, using the system described above. But even the threat of adopting that system would raise administrative nightmares and the prospect of horrendous costs for the Post Office (asked to be self-sufficient) or for Revenue Canada (asked to help reduce the federal deficit.)

If for this reason the Post Office decides not to hold up any magazines at the border but to forward them routinely to their recipients, where is the leverage to compel any payments from foreign publishers?

In the end, it becomes clear that the government will have no effective way to compel foreign publishers to make GST payments. The only way to compel such cooperation would be to introduce an enormously intrusive, uneconomic and unpoliceable administrative system that would create more problems than it would resolve.

Honourable senators, they will be tempted, and perhaps will choose that way if it creates more problems than it resolves.

Senator Lucier: They would be consistent if they chose that.

Senator Hébert: Yes, they would be tempted to choose that way.

Where does that leave Canadian magazine publishers? All of them will be required to collect the 9% GST—

or the 7 per cent now.

—on their subscription copies. Unfortunately their U.S. competitors will escape without any effective payment whatever in regard to subscription copies mailed from the United States.

The result? U.S. publications will have a new 7% advantage over their Canadian competitors on top of the economies of scale that they presently enjoy.

When copies of *Time* magazine arrive here, they are just left over from their first printing.

This unfair advantage is bound to have an adverse effect on Canadian magazine publishers and makes our 4.5% estimate of subscription loss even more optimistic.

There is no level playing field here, and no equity in the operation of the tax.

The effect of the tax on our magazines' advertising sales will also be harmful. American advertisers will make increasing use of U.S. periodicals with Canadian spillover in preference to their Canadian competitors. Similarly, there will be an inducement for Canadian corporations to use U.S. media in preference to Canadian magazines. To compensate, domestic publishers will have to reduce rates—to bear the burden of the tax themselves. Such action may overcome the cost-competitiveness disadvantage, but puts them in a much less satisfactory financial position. Again, the playing field is tilted.

It is ironic that in only the least rewarding of the major areas of revenue— that of newsstand sales which typically account for only 15% of Canadian magazine circulation and less than 10% of total revenues— our publications will compete on an equal basis with foreign competitors. For the rest, the areas where it really counts, the GST will be the single most unfair measure possible, putting our industry at a significant disadvantage to competitors who already enjoy enormously greater benefits of economics of scale.

Conclusion: There are a number of matters of principle that dictate that no tax should be levied on reading

material. Providing such an exemption has been a keystone of federal policy since Confederation.

Until this government arrived.

The industry is already seriously jeopardized by the ban on tobacco advertising and the effect of the reduction of the historic postal subsidy. This is no time to apply the coup de grace to a vital part of our economy and culture.

Magazine publishing is a risky business at any time. Even with the incentives the government has provided, there are still a number of publications that just cannot become viable. Titles come and go. This is natural, unavoidable, and probably healthy. The industry overall has a very low profitability, and a high portion of publications inevitably show losses. Nevertheless, they manage to provide an invaluable service in the dissemination of ideas, of intellectual discussion, of cultural expression in the widest sense of the team.

I do not know if senators opposite are interested in all of these things.

As a country, we need more magazines, not fewer.

Senator Lucier: They will get to read it all later.

Senator Austin: Senator Hébert, I think they are interested, because I notice that senators opposite prefer *MacLean's* magazine four times more than any other magazine and certainly this evening, although Senator Hatfield seems to have preferred *National Geographic* for a period of time.

• (0320)

Senator Hébert:

The imposition of the GST on our magazines will, as we have demonstrated using the most conservative of assumptions, ensure the death of a substantial proportion of them.

The death, honourable senators.

Many publishers who now are showing a modest profit will be forced to leave the field. While compelling the collapse of many Canadian publications, the tax will simultaneously give an unfair advantage to foreign competitors, particularly those from the U.S.A.

However, we like the Americans. President Bush will be happy about this news.

Senator Lucier: Standard procedure.

Senator Hébert: Yes.

This is not the intent of the tax. This is not consistent with government policy. This is not what Canadians want.

It is something that Parliament should not allow.

Honourable senators, we are the last part of Parliament that can stop this tax.

We urge you—-

He is talking to us, the Senate.

—to consider this brief with care. We urge you to act on its conclusions.

Then there follow all the annexes, which contain some interesting material. We have plenty of time, in any case.

In this Annex, we present a detailed analysis of the impact of the imposition of the Goods and Services Tax on the operations of Canadian magazines.

In order to have a clear understanding of the actual financial impact the tax would have, we chose a representative sample of Canadian periodicals.

We read that, indicating the other four magazines that they chose. Moving now to "Assumptions and Reasoning:"

Consumer magazine subscription sales are notoriously price-sensitive. Repeated testing by one large publication shows a 16% drop in sales for a 7% increase in price. According to a 1986 study by Coopers & Lybrand, industry can expect up to a 3.7% drop in subscriptions from a 1% increase in price. In addition, most magazines are currently priced just below an important price barrier . . .

I have the impression that I read that. I will deal instead with *Newsstand sales.*

Magazines are typically sent to distributors on consignment.

I am sure honourable senators know that. You do not sell magazines to newsstands. You merely lend them and the newsstands try to sell them, and whatever they do not sell they give back.

We assume that no tax is payable at that time—

Meaning when you take the magazines to the newsstands. If you bring 50 copies of *MacLean's* to a newsstand, I do not suppose that you have to pay right away.

Senator Lucier: I don't know.

Senator Hébert:

—nor when subsequent consignments are made to the wholesaler and retailer. Tax should only be payable by the publisher when the actual copies are sold at the newsstand. Even this means a financial drain on publishers, since they usually do not get paid by distributors for four or five months. A similar negative cash flow will result from remitting tax when bills are sent for direct single copy sales, because accounts are often not settled for several months.

The current practice of distributors is to invoice the wholesalers and retailers, which means they will have to pay tax on the gross allocation at the time of billing. Distributors already experience a poor cash position. We expect distributors to react to this further threat to their cash position by getting publishers to decrease the number of copies allotted by 7%, which would reduce newsstand sales by a similar amount. Once more to be conservative—

Why should they be conservative?

—however, we assume that increased efficiency in distribution of copies will cut this effect in half, to 3.5%. There

would, however, be some savings in distribution costs and print bills.

It has been common practice for publishers to pay 10% of the cover price to retailers as a retail display allowance in return for having their magazines prominently placed on the newsstands. Collecting and accounting for GST on these sums will be so cumbersome that we anticipate that it will accelerate the present trend to replace this payment with an increase of the discount on the cover price. Currently, publishers sell at a 50% discount off the cover price and grant a 10% RDA—

In return for displaying their magazine, the publishers pay the newsstand operators what they call a retail display allowance.

—to approximately half all retail accounts. Once more to be conservative—

I like to be conservative.

—we have assumed in our model that the same number of retailers will continue to claim the allowance and will pay tax on that. Accordingly, the model shows an average of 55% discount of the cover price, on which the publishers pays GST.

Consumers will be faced with a tax on their newsstand purchases of magazines which formerly carried no federal tax burden. Only in Ontario and the Atlantic provinces are magazines subject to retail sales tax. Consumers cannot pass the tax along, and magazines are quite discretionary purchases. We would expect a decline in newsstand sales equivalent to the tax: 7%. To be certain that we have not overstated the case, however, we use half that decrease, 3.5%, in our model. This is in addition to the similar drop resulting from a smaller total distribution to newsstands.

Assumption about circulation

Publishers will experience an unavoidable 3.5% decrease in subscription sales and revenue.

No tax is payable on pre-sold subscriptions.

That is an assumption about circulation.

For cash flow purposes, we assume that tax is payable immediately on long-term orders, including 100% of open credit orders, on invoicing. Experience has shown that up to half of these "Bill-me" orders turn into bad debts.

I never suspected that half of these "Bill-me" orders might turn into bad debts.

We assume that bad debts will be claimed and credited an average of three months after billing. We also assume that all publishers will have to remit monthly and will receive monthly rebates, although smaller publishers will probably qualify for quarterly payment of tax.

There will be a 7% decrease in newsstand sales, and revenue.

The retail display allowance will drop 7% because of the decline in newsstand sales.

Advertising.

[Senator Hébert.]

Magazines are in competition with other Canadian and American media—not just with other publications—for advertising revenue, as well as for readership. (It is recognized that francophone publications are less affected by U.S. publications and more by those from Europe.)

However, at the end it is practically the same because, more and more, the European magazines are coming by plane and they can also be on the newsstand.

The effect of the tax on advertising revenue will, of course, depend largely on the reaction of the advertisers to the GST.

Reaction of advertisers

If all advertisers expand their ad budgets to cover the GST, and if no other considerations are at play, publishers could expect to sell the same number of pages, to increase rates in accord with inflation, and to pass the entire tax to the advertisers. Advertisers, in turn, get an input tax credit for the same amount.

● (0330)

If no advertisers recognize that they can claim input credits for the tax, or if they all have other reasons for not expanding their budgets, advertising spending will be reduced by 7 per cent. A reduction of 7 per cent in pages sold would result.

Such a decline, however, would not likely be spread evenly among publications. Advertisers typically distinguish between primary and secondary buys and would probably make the severest cuts among the secondary buys. This means that magazines falling into this category (such as smaller and regionally based ones) would suffer disproportionately. It is reasonable to expect that those most in jeopardy could experience a two or three-fold decrease in pages sold: that's an 18-27 per cent decrease in ad revenue. Established magazines would probably maintain their current advertising levels and substantially increase their market share at the expense of new, smaller and regional magazines.

Other considerations affecting advertising

We think it is unrealistic to assume that advertisers will react to the tax in as simplistic a way as outlined above. Other considerations must be taken into account.

For most corporations, advertising is a quintessentially discretionary expenditure. Even advertisers who know they can pass on the full tax will not automatically add 7 per cent to the ad budgets (plus inflationary increases) to hold even. The addition of the tax presents a chance to reassess ad budgets with a view to reducing the cost of this activity.

Because it is a common practice for corporations to set their advertising budgets as a percentage of sales, it is important to understand the effect that the removal of the FST will have on different types of advertisers. We assume that the advertisers using our sample publications fall into the following categories:

25% manufacturers, whose goods are now subject to FST

25% wholesalers, whose goods are now subject to FST

25% retailers, whose goods are now subject to FST

25% sellers of services and goods not now subject to FST.

For manufacturers, ad budgets are normally based on a fixed percentage of sales *net* of the tax. Accordingly, these should not change (ignoring the effect of the removal of the indirect FST costs) if sales stay constant. For the wholesalers and retailers, however, their sales include a portion of FST. For wholesalers, we have assumed that on average the amount is 10 per cent, and for retailers it is 6 per cent. When FST is removed, their sales—and hence their advertising budgets—will drop by a similar amount if, as the government expects, they pass the savings on to their customers. Sales and ad budgets for service companies and companies selling currently exempt goods would not be affected by the removal of the FST (once again ignoring the effect of the removal of the indirect FST).

On average we assume, therefore, that the elimination of the FST will have the result of a 4 per cent overall decrease in advertising spending.

The GST will make advertising in foreign magazines appear cheaper—by 7 per cent. Although such advertising will still not be tax-deductible expense for Canadian advertisers in certain circumstances, the 7 per cent apparent surcharge on Canadian magazine rates is bound to undermine the effectiveness of Bill C-58, which is intended to discourage advertising aimed at the Canadian market in foreign media. There is already a concern in the industry that some companies are ignoring the provisions of Bill C-58 and claiming full tax deductions for advertising in U.S. publications, confident that enforcement is so lax that they will not be caught. The added 7 per cent may provide further enticement to the unscrupulous.

The Free Trade Agreement has encouraged some U.S. companies with Canadian operations to handle their marketing from the U.S. Such companies are, of course, more familiar with the American marketing scene and less familiar with Canadian media. We expect that many such advertisers will balk at paying the additional 7 per cent to advertise in Canadian publications. Our publishers will not tolerate losing this business for the sake of 7 per cent. They will have to reduce rates and absorb the entire tax themselves. In addition, free trade may encourage U.S. magazines to pay more attention to the Canadian market in the hope of attracting advertisers now using Canadian media, and this could further reduce the advertising revenue available to Canadian publications.

Advertisers are very sensitive to the cost of reaching individual potential customers. This is expressed as cost per thousand (CPM). With decreased circulation (explained in the previous section), advertisers will not tolerate constant costs per page. Publishers who experience a loss in circulation will have to reduce their page rates to keep competitive with U.S. publications and to hold their CPM constant.

Assumptions about advertising

It is clear from the preceding that, if everything works in the same direction, there may be a severe reduction in advertising revenue for Canadian magazine publishers. Nevertheless, to be very conservative, we have assumed that there will be an overall decline of only 4 per cent in advertising sales. We also assume that the reduction in rates occasioned by the losses in circulation will result in a further loss of 4.5 per cent in advertising revenue.

For purposes of modelling, we assume that the chosen magazines will all be affected equally (each are primary and secondary buys for different categories of advertisers) at the industry average of an 8.5 per cent drop.

Advertising in foreign editions or copies directed to a non-domestic audience are zero-rated as exports. Although copies sent to foreign subscribers are not taxed, we assume that publishers can still claim 100 per cent tax credit on all expenses.

• (0340)

Other Revenue

Most magazines receive certain incidental revenue from renting their subscription lists—

To political parties, for example:

and from the sale of ancillary products. Some receive grants—

such as literay magazines or heart magazines. The models reflect certain assumptions in these areas.

Assumptions about other revenue

We assume that all list rentals go through brokers, who pay GST on their 20% commissions. Publishers will pay tax on the 80% net fee only. This revenue will decrease by 4.5%, reflecting the smaller number of names on subscription lists.

Ancilliary products, which presently bear the FST, will benefit from the removal of that tax—

If, of course, it is removed;

—and we estimate that sales will increase by 2.25%. Offsetting this is a 4.5% decrease resulting from the drop in circulation and readership. The net effect is a drop of 2.25%.

All grant revenues are assumed to be tax-free, but publishers receiving them will still be able to claim credits for all taxes on expenses.

Expenditures.

The tax will have a direct effect on certain expenditures. Preparation for the tax will involve certain one-time costs. It can be anticipated, for example, that about $3,000 will be required for changing the artwork on

forms. A further $5,000 to $10,000 will be needed to modify systems for accounting, advertising tracking, and circulation fulfillment, and $500 for software updates. Their costs are not reflected in the modelling. In addition, its impact on sales will change some present costs. These one-time costs will be onerous, particularly for small publications, and it would be appropriate to allow rapid write-off of these expenses. The assumptions used in the models are outlined below.

The GST will cause an average increase of 5% in bookkeeping and accounting costs . . .

[*Translation*]

Senator Molgat: Could I interrupt you for a moment? Have you finished with the book question for good, or are you going to come back?

Senator Hébert: No, I'm going to come back to it in a moment.

Senator Molgat: I had a question to ask you about libraries. You spoke earlier about authors and companies that publish books, but it seems to me you did not touch on the question of libraries. I have here a letter that was sent to me by the Port Moody Public Library. They have a number of questions to ask. I wonder whether you have looked at the effect of the GST on libraries. Here's what the people of the library in Port Moody, British Columbia, have to say. It's a letter dated May 9 and addressed to me:

Dear Sir:

We request that the Federal Government adopt a tax free approach to books and magazines with a view to combating illiteracy, safeguarding the free flow of information and ensuring our natural cultures.

We have the following concerns about the impact that the proposed Goods and Services Tax could have on the effectiveness of our Library:

(1) Our Library will not be able to purchase, on behalf of our clientale, as much reading material as we were able to before the application of the tax. Books and magazines have been free of Federal Sales Tax since Confederation for a number of important educational and cultural reasons. We would be asked to pay more for these essential materials without a correspondent increase from our funders— the citizens of Port Moody and the Province of British Columbia. As the price escalates we can anticipate that more people who have been buying their reading materials will rely on our Library to provide them; we will be under pressure to provide an increased level of service. Without the hope of increased funding to cover these additional costs, we will be forced to buy fewer materials and the public will suffer from the reduction.

(*Translation*]

That seems to me to be an entirely reasonable and logical proposal on their part.

They then go on to the second point.

(2) There would likely be, as a result of this tax, less variety and selection of works for us to choose for the Library because the book sellers will restrict their offering to potential "best sellers" with less risk. In our opinion, the public is ill served if such a scenario occurs.

(3) The result of (1) and (2) above is in conflict with our commitment to promote literacy in our community and it also undermines the Federal Government's $110 million pledge to fight illiteracy announced in 1988.

This appears to be a regressive measure at a time when our goal should be to work towards a more literate society; illiteracy carries social and economic costs and the ability to read is absolutely essential for full and productive participation in our democratic society.

Yours truly,

Brian Pulham,
Secretary, Board of Trustees

This seems to me to be a very logical approach on the part of the Library. I was wondering if you have any information from other libraries who have written to you, or have there been any studies made as to the effect on the library system in total. If you have any information in that regard, I would appreciate it now.

I realize that you are dealing mainly with magazines at the moment, and if you want to return to books at a later time, that is fine. I do not want to interfere with your trend of thought. However, I was afraid that perhaps you did not intend to deal with books and I did not want you to cease your very interesting speech without dealing with this matter.

[*Translation*]

I definitely touched on the problem of libraries earlier on, no doubt when you were not in the house. I'm going to return to it in any case. I'm going to finish with magazines because it was important to talk about the problem of magazines. I concentrated a great deal on books, but I didn't want to give you the impression I was indifferent to the question of periodicals. Far from it because it is very much related to books. Book publishing, incidently, relies a great deal on the preliminary work done by literary magazines, for example, which enable young authors to publish their first works before going on to a more important work in the form of a book. I spoke about the problem of the libraries that will be directly affected. It is very clear, on the one hand, that our libraries, on the whole, particularly in Quebec, but probably in the rest of Canada as well, have increasingly limited budgets. With those budgets, they must purchase increasingly expensive books. If you add the GST to the price of books, the result is that librarians are going to purchase fewer books for their libraries. Libraries are often the only way for certain communities that do not have book stores to obtain books. The same is true of that class of citizens who cannot afford the luxury of buying books which today sell for $30 or $40. However, these people would read those books at the library if they could find them. The problem

is they will find fewer and fewer of them. This means that, once again, but this time in the library sector, those who will be deprived of books will ultimately be the least well-off. The tax isn't going to bother the rich. Most of the bills we have seen and debated here in the Senate in the past six years have not been bills that trouble the rich. They were generally bills that troubled the poor and added to the problems of the less well-off. The case of libraries is another example of this.

I'll continue talking about the problem of magazines.

• (0350)

[*English*]

> Second-class postage rates are assumed to hold at 1989 levels, although no allowance has been made for any extraordinary increases resulting from the dramatic reduction in postal subsidies. The cost of postage for mailing subscription copies is decreased by 4.5 % because of fewer subscriptions. GST has been applied to all classes of postage.
>
> A 4% increase in editorial material is needed to maintain the same size of magazine after the 4 % loss of advertising pages. This results in increased editorial costs of 4%.

You have to fill the page with something.

> In-book promotion costs are assumed to decrease by 3 to 4 %, commensurate with the reduction in the print order. This is because the cost of printing these is half their cost, and there will be at least a 4.5 % decrease in the numbers printed. The cost-per-unit could increase with the shorter print run. A 2.25 % reduction is assigned to fulfillment costs since fixed costs prevent a full 4.5 % decline to parallel the loss of circulation.
>
> Promotional costs at newsstands, in the media and through special events are assumed to be reduced by 4.5 % in response to the reduction in allocations and sales.
>
> Newsstand RDA is assumed to decrease by the 9 % decline in newsstand sales. Freight costs will experience a similar decline.
>
> Although there is a shortening of the print run because of the decrease in volume, we assume that because of substantial fixed costs for set-up and higher per-unit cost, production expenses will decline by 3 to 4 %.
>
> We assume no change in circulation promotion costs (postage, lists, lettershop and computer costs), since most magazines are already at maximum market saturation.
>
> All expenses, except for salaries and employee benefits, are considered taxable under the GST. Certain items used by magazines, such as promotional and administrative materials, are currently subject to the FST at 13.5 %. We assume that suppliers will pass any savings on these materials along to the publishers.

They assume. Let us hope that they assume right.

> All services purchased from foreign suppliers are tax-free, but do not give rise to input credits. All goods purchased from foreign suppliers are subject to 9% GST upon importation.
>
> The government's estimate of a 2.25% increase in inflation as a result of the tax, which is thought much too low by many, has been applied in the model as of January 1991.

So, as you see, they are really Conservatives.

> All expense items are affected, as are revenues from advertising and list rentals. Because of their price sensitivity, the 2.25% cannot be added to subscription and newsstand prices or to ancillary product prices: the publishers will absorb this inflation.

They then discuss the effect on sample magazines.

> We have obtained detailed information of five Canadian magazines that are broadly representive of the industry as a whole. Using the assumptions detailed above, we ran the data through a computer model to determine what the financial impact of the application of the GST would be.
>
> For each of these publications we give a description of its general nature, give examples of what other Canadian publications have similar editorial content and which have similar circulations, and identify its main U.S. or foreign competitors.

The first example is *Canadian Art*, with which many of you are, of course, familiar. The circulation is 18,000.

> *Description*:
>
> *Canadian Art* is a national publication with a specialized editorial content. It is generally considered to be irreplaceable in the service it provides to the cultural community. It is representative of small, special-interest publications with low advertising revenues and less than monthly frequency.

Magazines with similar editorial content: *Artsatlantic*, *Applied Arts*, *Border Crossing*.

Magazines with similar circulation but in other domains: *Canadian Yachting*, *Rotunda*, *Discovery*, *Wine Tidings*, *Century Home*.

U.S. competition: *American Artist*, *Art & Antiques*, *Art in America*, *Art News*.

Effect of GST: The profit level declines from a current loss position of minus 5.7 per cent to a loss position of minus 12 per cent. That is what will happen to this irreplaceable *Canadian Art*. Will it survive? Maybe not, or in order to survive, they will have to get more and bigger grants from the Canada Council.

The next example is *Canadian Business* with a circulation of 87,000.

> *Description*:
>
> This is a national publication dealing with a broad range of business matters. Although facing stiff American competition, the U.S. magazines do not provide a similar

coverage of Canadian business news and analysis. It is representative of viable, general interest business publications with relatively large paid circulations.

Magazines with similar editorial content: *Vista*, *Financial Times*, *Equity*, *Revue Commerce*.

Magazines with similar circulation: *Toronto Life*, *Canadian House & Home*, *Les Affaires*.

U.S. competition: *Business Week*, *Forbes*, *Fortune*.

Effect of GST: Current level of 6.59 per cent declines to a barely break-even level of 0.07 per cent.

Will it survive?

Senator Cochrane: Never!

Senator Hébert: I do not think so.

Coup de Pouce, which is a French magazine aimed at women, has a circulation of 140,000.

Description:

This is a profitable French-language women's magazine that helps fund less profitable sister publications.

Because it is profitable, it permits the publication of others.

It is representative of large circulation, profitable, regional publications, advertising-driven by mass-market advertisers.

Magazines with similar editorial content: *Chatelaine*, *Femme Plus*.

Magazines with similar circulation: French *Chatelaine*, *Femme Plus*, *TL Fashion*.

Foreign competition: European women's magazines.

Effect of GST: Current profit position of 7.11% declines to a barely break-even position of 1.10%.

Will it survive? We do not know.

Eastern Woods and Waters: circulation 15,000.

Description:

This special interest monthly magazine faces regional competition from U.S. publications. It is represenative of regional, special interest magazines with little potential for circulation growth.

Magazines with similar editorial content: *Western Sportsman*, *Alberta Hunting and Fishing*.

Magazines with similar circulation: *Alberta Hunting and Fishing*, *Pacific Yachting*.

U.S. competition: *Field & Stream*, *Outdoor Life*, *Arizona Hunter and Angler*.

Effect of GST: Current break-even position declines to a loss position of minus 3.16%.

Will it survive the GST? We doubt it. Since it is a business, I do not think they will keep a loss position of minus 3.16 per cent. It will probably disappear.

● (0400)

Hon Jack Austin: Senator Hebert, if I correctly understand what you are saying, the news you are giving us about the Canadian magazine industry is quite alarming. Most of the information that you have given us indicates that our Canadian magazine industry, particularly the specialized circulation part of it, is quite marginal in economic terms but is kept alive by virtue of the particular interest of small groups of Canadians within the sector, for example, the *Canadian Art* magazine to which I subscribe. That is a fine magazine and there is none other like it in Canada. If it disappeared there would be nothing to replace it. No foreign magazine would take an interest in Canadian art, particularly the promotion of emerging Canadian artists.

It appears to me that the situation is particularly alarming because, not only is the GST coming onto this scene, we are also in an economy that is experiencing a recession with diminishing buying powers on the part of subscribers and diminishing economic capacity from those who have fostered the continuation of this magazine activity.

I wonder, Senator Hebert, what you believe is the purpose of the government in applying the GST to the Canadian magazine industry and adding to its burden? I mean, is it the "cold shower" that the Prime Minister said Canadian businesses should take in order to be competitive in the real world? Is it the application of the Darwinian test: In other words, those that deserve to survive will do so, and those that cannot survive in economic terms obviously offer no merit to Canadians and therefore should not be continued? I wonder whether the government is mean, or whether the government has just missed the point here, or has indicated any kind of interest in amelioration of the problems that you have outlined?

Senator Marchand: Not a "cold shower"; down the drain.

Senator Hébert: It is difficult to answer your question, senator. What is the reason? I do not think, frankly, that the Conservative government wants to kill the *Canadian Art* magazine. I do not think that that is their purpose. Perhaps they do not care. Perhaps they are stupid. Perhaps they are just not aware of these facts. Perhaps they do not believe the facts and figures produced, not by me but by the three big firms that came together and studied four typical magazines.

On top of that, the magazine, *Canadian Art*, which you read, one of the reasons why it barely survived is, first of all, because its publishers have a grant from the Canada Council. However, its survival is most likely because the contributors are paid very small salaries, because they believe in and love what they are doing, and they would write for that magazine at a price that would be ridiculous in the United States, for example. That is one of the reasons why these magazines are always on the verge of collapse.

Why is the government following this course? Frankly, I do not know. Stupidity? Ignorance? Certainly not maliciousness. I cannot imagine the government willingly wanting to see a good magazine like *Canadian Art* disappear, or for that matter *Canadian Business*, although with a 0.07 per cent profit, maybe it will survive.

Senator Austin: The difficulty, Senator Hebert, with *Canadian Business*, to which I am also a subscriber, is that recently the *Globe and Mail*'s *Report on Business* magazine

has become a competitor in the same business market. I am not at all sure what the financial resources of the *Canadian Business* group are, whether they are comparable to that of the *Globe and Mail* and the Thompson organization. Probably they are not. In the Darwinian struggle, probably *Canadian Business* will be threatened and could go under. I wonder whether *Canadian Business* has been a supporter of the GST in its editorial policy? If it has, it may want to reconsider.

Senator Hébert: You realize, senator, in a short while, if the GST becomes law, you will be deprived of at least two of your magazines, and probably more. So you have to reconcile yourself, right now, to the fact that you will have to read American magazines from now on because there will be very few Canadian magazines left.

The final example was a very successful magazine which is called *Owl*. This is a magazine for children. The circulation is fairly high for Canada, being 98,000 copies. It is a high-circulation magazine published by a non-profit organization, which may explain why it exists. With its sister publications, it is able to achieve good economies of scale. It is subject to competition from a U.S. magazine that has similar editorial content. Since it has almost no advertising revenue, it is representative of all magazines relying almost exclusively on subscription income and some grant revenue.

Magazines with similar editorial content: Chickadee, *Hibou*,

which is the French equivalent—

and *Wow* Magazines with similar circulations: with sister publications, compares to *Equinox*, *Harrowsmith*,

U.S. competition: *Highlights*, *Ranger Rick*.

The effect of the GST on these fine Canadian children's magazines will be to take their current profit position of 2.09 per cent, which is not much, to a loss position of −1.36 per cent. Will they survive? I do not know.

[*Translation*]

Talking about magazines, I wonder how many of the senators opposite are familiar with *Mast Head*, The Magazine About Magazines. In any case, the senators will no doubt permit me to give them an idea of the feelings of periodical publishers by citing a brief text by Bill Caluski, written in play form. Of course, I'am not as talented as Senator Royce Frith, who is a great actor, but I get by. The play is printed on a single page of the magazine. Its title is:

• (0410)

[*English*]

The GST In Four Acts or "Exit Weeping" by Bill Kaluski. Starring:

Gucci the Loafer—The Prime Minister

Diva—His Adorning Wife

The Advisor

Mikey Welchon—The Finance Minister

The Consultant Guy

The Policy Lady

The Blank One—Chairman of the Finance Committee

SCENE 1: Take It to The People

A recently redecorated room in a recently renovated building.

GUCCI: I'm getting tired of always screwing the people.

DIVA: You shouldn't have to do it all. Let Mikey do it.

ADVISOR: Don't worry, Boss. Another 2 1/2 years or so and every Conservative will get the rest they deserve.

Loud cheer from 93% of the audience. The other 7% had to send their cheers in before the box office opened. Had the play not opened they could have deducted this cheer from a future play.

GUCCI: *Chin dropping.* What the hell was that? *Chin still dropping.*

ADVISOR: Only working people and there won't be many of those as time goes by.

DIVA: I was reading about them in a magazine last night.

GUCCI: *Chin resting in the basement.* Don't worry. There won't be as many magazines, either. Well, Mikey, Diva says it's your turn to "take it to the people."

MIKEY: Well, Boss, I've been working on this great new tax plan. It will increase the strength and number of small businesses.

GUCCI: How's that?

MIKEY: By closing down marginal small businesses and turning successful large ones into relatively successful small ones. It's especially effective on magazines.

GUCCI: How do we implement it?

MIKEY: First we tell people that it's 9% and how great it will be for everybody. Then we say, "If you have any ideas on how to make it better you can talk to Blank One's Finance Committee." We, of course, ignore any suggestions and move the rate down to 7%. People will think they're getting a break and start worrying about how to comply with the tax legislation. So we tell them we're going to help them. We print up three or four different versions of the legislation. We hire consultants and policy people and institute information lines . . . ahhh, it'll be grand, Boss.

SCENE 11: Pin Ball Wizards

Another planet.

GUCCI: Well, Mikey, do our "follow Canadians" understand how the Get Screwed Tax is going to help them yet?

MIKEY: Well, Boss, The Blank One has met with some representatives of the publishing industry and they don't seem to get the point.

ADVISOR: Tell them it's on the end of the shaft they're getting. GUCCI: Don't they realize that everyone watches TV anyway? Oh well, Mikey, I think it's time to set up Operation Pin Ball for these publishing people.

MIKEY: Do you think it'll work?

GUCCI: Are you kidding? Here's a group of people who give sales agents a 90% commission while they keep 10%. They ship 25% of the product to 50% of their client list without a hope of getting paid. They continue to ship thousands of copies every month to retailers hoping to get paid 50% of 30% six months later. They spend $50 to get an order worth $20 and give refunds to anyone who asks for one. Then they pay consultants $1,200 a day to find out why they're losing money.

MIKEY: Operation Pin Ball it is.

SCENE 111: The Huddle

A level playing field

MIKEY: All right, team, here's the play: Pin Ball. Consultant Guy, you run over as if you're going to help. Then, whenever anybody asks you anything about the legislation you send them to The Policy Lady. If they want clarification you send them to Hot Line Roulette. Now Hot Line, it's crucial that you never give the same answer twice to the same question. If you think things are getting too clear, send them back to the Consultant Guy. Policy Lady, you fake like you're doing something. Then, when these publishing people are totally frustrated, read the legislation back to them. If they still have any life left in them, send them back to The Blank One. Blank One, you know your job. On 7% . . . BREAK!

SCENE IV: Lights Out

Behind closed doors (thanks, Pierre!).

DIVA: What's wrong, Gucci? I'm saving money by only shopping when we go to the States. I even save 7% by ordering my magazine subscriptions from the U.S. You're getting tax money from people who haven't been taxed since Confederation. Every man, woman and child who buys anything, uses anything or plans anything get taxed. You haven't had a Cabinet minister arrested or under investigation in at least a month. What could be bothering you?

GUCCI: It's those publishing bastards. Despite how hard we've worked, I think they'll find some way to survive.

DIVA: Now, now. Why don't you put on your cowboy suit and we'll play "Ronnie and Nancy." You always feel much better after that.

Curtain. Fade to red ink.

● (0420)

[*Translation*]

Now let us come back to the main topic of my remarks, that is to books (after that lengthy aside on the problems of magazines). Let us come back to books and the danger the GST represents for books.

This time I am going to give the floor to the writers, without whom there would of course be no books. Here, for example, are recent remarks by Mr. Bruno Roy, who is President of the Quebec Writers' Union:

[The Hon. the Speaker.]

> There is great consternation and desolation in literary circles.

I mentioned that the Montreal Book Fair, not last week-end, but the week-end before, was a success such as no one has ever seen. More than 100,000 persons attended it, yet there was still a gloomy atmosphere because people at the fair—writers, readers, book store owners, publishers—realized perfectly well that they were celebrating the end of an era. It wasn't the great annual book fair, but rather the end of an era.

So, here is a writer who speaks on behalf of other writers and says . . . He begins by speaking about the consternation and desolation prevailing in literary circles.

> The intention to impose a tax on books proves the government's lack of coherence, discernment and responsibility with respect to culture, not to mention the fact that actual collection of the new GST will result in what outgoing Quebec Minister Yves Séguin has called "administrative chaos" . . .

It should not be forgotten that this did not happen in the other Canadian provinces. A Minister of Revenue resigned because he was opposed to the GST and was unable to agree with his provincial government, which accepted the tax and even wants to double it by creating a provicial GST. The provincial minister, Yves Séguin predicted a shock, administrative chaos.

> The measure is backward because many expenditures will be unproductive. As for the idea of taxing books, its underlying premises are dubious and contradictory.

The appendix to the minister's statement reads as follows, and I am quoting Mr. Wilson:

> By not taxing a number of major goods and services, the current consumption system is discriminatory with respect to the goods taxed.

That's on page 44.

> The premise here is that books are like soap, a commercial good. Out of a concern for equity, they must therefore be taxed in the same way as pure consumer items. Not to tax books . . .

He is obviously parodying Mr. Wilson:

> . . . is obviously a discriminatory factor for the government.

● (0430)

What an abberation! That's what is preventing the government from not taxing books: to exempt books would be to discriminate against soap manufacturers.

The same appendix reads:

> The GST system includes specific rules for recognizing the specific role of charities in society.

That's a quotation from page 73.

I'm quoting the French text, of course. That's not at all what they say in English. The English is apparently totally different so as to complicate matters even further.

In a "distinct society", particularly that of Quebec after Meech Lake, culture obviously plays no specific role. No. A future tax on books will be there to remind us of that fact. But what kind of fantasy world are we living in? It must be understood that we are faced with the logic of the cultural industries that impose on culture, and thus on books, its own definition. Culture is a good. It is also a service. In this way, books are submerged in a market economy that makes the laws. But whom do I need to convince? Books cannot be considered exclusively as a commercial good. That would be ridiculous. The value of a book does not lie in the density of its ink or thickness of its paper. Aren't books said to be food for the mind? The analogy presupposes that books fulfill a basic need, just as food does for the body. To doubt that fact is to take the short view. Free access to books in libraries clearly proves that books are not goods like any other. That's true. No other good is offered free of charge to the public in the same way as books are in libraries. There must be something particular about those goods.

We also know that the new tax will exclude certain essential goods such as food, health services and educational services. The question arises: Can we seriously exempt educational services from the GST without exempting books, which are its primary vehicle? There is some incoherence here. The government is not taxing education, but is taxing the primary instrument of education, books.

The Quebec Writers' Union believes that access to knowledge cannot be considered a luxury. Books are the ultimate democratic means to developing human beings. Taxing them means making them elitist. But elitism is not something that troubles the people opposite us. That is their philosophy.

Taxing books means taxing this access to power, to development, to skill, to information, because what is being taxed is everyone's access to education. The imposition of a tax on books constitutes a denial of this fundamental democratic tenet bequeathed to us by the Quiet Revolution.

What responsible government can ignore the fact that a people's intellectual and cultural vitality are made possible by books? Particularly since the imposition of a tax on books is a discriminatory factor in access to books. Students and teachers, readers and authors must pay this new tax. They will not receive any of the rebates designed to offset the increase in cost as a result of the tax. Furthermore, we will witness the impoverishment of libraries as a result of declining book purchases.

That is by way of an answer to Senator Molgat, who, a few moments ago, asked me a question about libraries. And it's all very clear; it's all common sense. The tax will impoverish the libraries; fewer books will be purchased, and fewer opportunities will thus be available to readers. An additional paradox is that books may be more expensive in Hull, Quebec, than in Ottawa, Ontario. That would be a perfect example of discriminatory access to books. And that of course was calculated when the Quebec GST was still in the news.

The Quebec Writers' Union finds it wholly irresponsible and ridiculous that books are to be subject to the federal GST. In actual fact, raising the price of books means reducing the earnings of writers.

The government says it wants to protect low-income workers from losing purchasing power and thus to reduce unfairness in the system. In the book industry, writers will be the hardest hit, and doubly so, both as workers, through reduced income, and as consumers, as a result of increased book prices. One of the components of the writer's economic condition is the price of books. It is quite clear that the imposition of a tax on books will place downward pressure on a writer's earnings and become a structural factor in that reduction.

In 1985, 28% of authors in all fields of writing wrote full time, and nearly 73% earned less than $5,000. With very few exceptions, writers are low-income individuals. Very few writers who write full-time escape poverty.

Ultimately, the application of a tax on books, whether federal or provincial, will deny the importance of the writer's trade and make the social and economic remuneration of the writer's work even more unfair. And all because the trend toward "commercialization" in the book industry appears to be incapable of improving the economic situation of writers as a whole.

This new tax will deal a mortal blow to the function of books in the development of culture. To what and at what price are we saying goodbye? Writers in this country have kept Quebec literature alive. Today, these solitary workers may well see their day-to-day efforts come to nothing.

A government that taxes books taxes all of society. That means that every dollar of tax on books is a further blow to our culture. The government pretends to be unaware of what makes our society distinct, but it is less its economy than its culture. That means that its language is the most direct path to the attainment of knowledge. Limiting access to books means limiting access to Quebec literature.

This twofold restriction on access pave the way to the impoverishment of our language, our literature and our culture. For that reason, the Quebec Writers' Union believes that the tax on books attacks the very basis of the distinct society. Such a tax means there is no sense of the role culture plays in a society. As the writer Robert Baillie has said: Books must be protected from the damage caused by a tax that would be both a death sentence for Quebec culture and the instrument of that culture's execution in the very short term.

Taxing books removes all real meaning from those efforts that have built and now sustain our vital literature and culture: the development of reading habits, the establishment of a network of libraries across Quebec, instruction in literature, passage of bills 90 and 78 on the status of the artist and thus of the writer, copyright review in Ottawa, the many book fairs throughout Quebec, the present literacy campaign, development courses, publishing grants, the next policy statement on libraries, etc. Taxing books—and this is why it is wrong—will seriously impede Quebec's cultural development.

Consequently, an exemption, which may be seen as a privilege, must be considered in this case as a necessity. Cultural protection is a major reason not to tax books. The geocultural situation indicates the logic of this exemption. If it is clear that, in the activity of economic exchange, books, as part of the cultural industries, have been unable to escape the production-consumption cycle, it is also clear that reducing books to a type of commercial exchange will lead political decision-makers into social and cultural irresponsibility. These days, however, this seems to have become our fate.

And it's signed by Bruno Roy, President of the Quebec Writers' Union.

• (0440)

[*English*]

Senator Austin: Senator Hébert, could you explain to me the situation in the province of Quebec in terms of the agreement to collect GST as it applies to books, which was arrived at between the province of Quebec and the federal government? We have talked about the apparent harmonization of the tax policy. As you know, Quebec is the only province which has entered into an arrangement with the federal government. Suddenly—and to me, at least, surprisingly—the Quebec government departed from the idea of harmonization and withdrew its own GST from the sale of books. I wonder what was said by the appropriate ministers of the Quebec government with respect to the reason for this decision, and why there is disharmony between that government and the federal government over this question.

In addition, I would like to ask you whether anything has been said publicly about negotiations which might take place between the federal government and the Quebec government with respect to this question of the taxation of books sold in the province of Quebec. You have mentioned the important questions for Quebec concerning its culture and the development thereof. Here is a government which seems to be loading the people of Quebec with an additional burden as it affects the development of their culture and of their education. Coming from the Pacific coast, Senator Hébert, I am interested to know what lines of thought have developed differently in Quebec, why there is such disharmony in the tax policy and whether any member of the Quebec government or the federal government has indicated that this matter might be negotiated again.

Senator Hébert: I think, first, that the Minister of Cultural Affairs in the province of Quebec was dedicated to the book industry and put up quite a fight. Second, there was this important weekend meeting of all of the youth of the provincial Liberal party. The young people of the party made quite a case for the book industry. Even the Minister of Finance, Gérard Lévesque, was present, because Mr. Bourassa was sick and could not attend. Gérard Lévesque is one of the important ministers of the cabinet. When he heard this motion coming from a young Liberal requesting that the provincial government not apply the GST to books, the Minister of Finance responded. I saw him on TV. He was categorical in saying to these young people that they did not understand how serious the matter was, that all of these cash registers that had been geared for the GST could not be changed and that the tax had to apply to books.

Then a young Liberal stood up and said: "Thank you very much, Minister, but the survival of our culture must be more important than your cash registers. Please fix them, because we are going to vote to abolish the GST on books." And so they did.

Things like that happened in Quebec. There was also a very strong front, a coalition of authors and publishers, that placed pressure upon the provincial government.

I must admit that, most probably, the Quebec government has listened a little closer to the people of that province than the federal government has listened to Canadians in general on this matter. That is, I think, the reason why this has happened in Quebec and has not happened in the rest of the country.

Senator Cools: I wonder if I could put a question to Senator Hébert. It is a little more than a question; it is a probe, so to speak, as to whether he has considered a few things.

I have been reading the debates in the House of Commons on Bill C-40. After the speech made by the critic, Mrs. Finestone, many other speakers followed. As I perused some of the speeches, I noticed that the preoccupation therein was essentially the relinquishing of the national unity public role of the CBC.

We are living in interesting times. We are living in an era in which telecommunications from the electronic systems are bombarding us literally minute by minute. We are living in an era, for example, in which large numbers of children, I am told, are not learning how to use knives and forks because what they do is eat fast foods with their fingers. This sounds a little absurd, but I am told this is already the case—there are large numbers of children growing up who do not eat with knives and forks but with their hands, quickly and readily. One can understand that, because there are great cultural incursions from south of the border bombarding our young people.

Coming to the subject matter troubling me, it is essentially this, that if the government is bringing in a measure that will have a result such as the one respecting books, it seems to me that the government is assisting the already rampant tendency in our young people not, perhaps, towards illiteracy, but towards a state less than leteracy. I am told that, increasingly large numbers of high schools and colleges in this country are faced with the problem of young people who have difficulty reading.

• (0450)

I know there are large numbers of people who describe this phenomena with a variety of names. Some of them have tried to convince me that we are living in a visual society and learning will not occur without audio/visual aids. You and I know, because we have had the privilege of a certain kind of education, that that is a lot of rubbish. In the long run, learning comes from study and study comes from reading.

Essentially, my question is whether you have any view on the cause and effect relationship of a poor literary policy regarding books on an increasingly audio/visual society?

[*Translation*]

Senator Hébert: I have the feeling, Senator Cools, that all that is logical. It is clear that, since books will be harder to obtain because they will be more expensive, young people who have to go without them will watch more television because it is less expensive. What is in watching television? It means opening the mind and heart to values that are not Canadian 80 per cent of the time. That is about our level of consumption of American programs.

I have the feeling that this will be a catastrophe from a cultural point of view. This is one of the consequences of this abominable tax.

I have before me a document that I found for Senator David who asked me questions about the attitude of European countries, and so forth. The Commission of the European Communities did a study not long ago on the issue of taxing books. It is dated January 1987.

I think it is a shame that Senator David did not want to stay up with me tonight so that I could have given him this document. We will get it to him some other way.

[*English*]

> This submission to the Commission of the European Communities is made on behalf on all those concerned with books in the European Community . . .

[*Translation*]

So here, we step outside of Canada for a moment. Let us take a look at what is happening in the rest of the world in this field. There are European governments which have conservative governments; some of them have more liberal governments. There are all kinds of things in Europe. We know these countries; we are quite familiar with Europe. This is what they have to say:

[*English*]

> . . . and it is an urgent plea that zero rating should be applied to books and learned journals in the forthcoming Community legislation to harmonize the VAT system.

[*Translation*]

They have made a great deal of the fact that in some countries there was no tax on books and that in other countries the rate was much lower than that applied to other products. Now, they themselves recognize that this situation is unsatisfactory and that they would have what is known as a "zero rating" for books throughout the EC.

[*English*]

> Those concerned with books in the European Community have been making representations to this effect for the past ten years at least. In advance of the new legislation, we wish to emphasize how important it is to the future prosperity of the European Community that the principle of not taxing knowledge, and particularly books and reading, already accepted in so many countries, should be accepted throughout the Community.

[*Translation*]

This is what the Europeans are headed for. As far as we are concerned, we are always 20 years behind, for some unexplained reason.

[*English*]

> GELC Book Publishers Group of the E.E.C. and GALS Group of Booksellers Associations in the E.E.C. represent their industries in all member states. But in writing, we know we also have the strong support of all other groups concerned with books—authors, printers, librarians, and readers—and have widespread support from all sections of the community, including in Parliament, Government, the education system, the churches, the professions, comemrce, and the public at large.
>
> In 1984-85, the UK National Book Committee, (which represents all those concerned with books in the UK—authors, publishers, printers, booksellers, librarians and readers undertook a major—and successful—campaign in the United Kingdom to persuade the British Government to retain zero—rating for books and learned journals, and won enormous support.

[*Translation*]

Of course, this was the Conservative government which we headed until just recently by the "Iron Lady". Despite this, the representations made to the government of the United Kingdom were successful.

[*English*]

> The representations made to the British Government, and a sample of the letters, articles and speeches in support, are set out in the enclosed book, "Don't Tax Reading: The case against VAT on knowledge." We hope that the Commission will study this book as it makes a powerful case. We will also be pleased to supply copies of the British research on the consequences of VAT on books, undertaken by two distinguished Oxford economists, which makes disturbing reading. We apologise that, as a result of this campaign and research, many of the examples given in this submission are taken from British experience, but other similar materials are available from other member states.
>
> It should be emphasized that the submissions made in respect of books apply also to learned journals, often produced by the same publishers or by the learned societies, and which are vital for the transfer of learning and the results of research.
>
> Exemption not the answer
>
> We must stress that the so-called "alternative" to zero-rating of exemption is not a beneficial or acceptable solution. We appreciate that there are plans to permit exemption for small and medium-sized undertakings, for cultural workers, and for some second-hand goods, in each case for good reasons. Thus, for cultural workers, the willingness to permit (or require) exemption no doubt stems from the recognition that the output of cultural workers should be available to the public as cheaply as possible, to encourage cultural output, help cultural workers to obtain adequate earnings, and stimulate the wide availability of cultural works. All of these valuable objectives apply to books, but, while exemptions may help keep prices low (and avoid complications) in a simple transaction between, say, an artist and a buyer, the same is not true of a cultural industry with an inevitably complex structure.
>
> Exemption requires each undertaking to pay tax at the appropriate rate on its inputs, but as the tax paid cannot be recovered on outputs, it has to be recovered through the price. So the price of a book must be increased at each exempt transaction by at least the tax on inputs. Many of these inputs will (in a two or three band system) be taxed at the standard rate.
>
> In a complex industry with a long production and distribution chain, which is likely to be part-exempt and part-taxed, the resulting higher prices for outputs, and the tax charged on those higher prices by non-exempt suppliers, may actually result in a higher final price than if tax were paid at a low positive rate throughout the chain. Even if exemption is only accorded at the first stage (authors) and the last stage (bookselling), the fact that some inputs will be exempt, and some taxed at the standard rate and some at a low rate is likely to result in a final price higher than if a low rate were charged throughout. Further customers entitled to reclaim VAT, or entitled to rebates, would not be able to recover the tax element in the price.
>
> We suggest that imposition of VAT on books at any rate is wrong in principle, but exemption would be at least as bad as a low rate and probably even worse.

[*Translation*]

He is still talking against exemptions.

[*English*]

> Further, zero-rating involves fewer problems than would exemption in trade between member states, in that it brings transactions within the normal system, while exemption inevitably leads to problems between exempt and non-exempt suppliers in different countries . . .

I speak now on the case for zero-rating of books.

> Exemption is not therefore a viable or beneficial solution. The arguments for a zero-rate are, however, very strong.
>
> Within a VAT system, zero is in fact a tax-rate—a rate to be applied to those products that the tax authorities agree are essential commodities or are deserving of the highest

encouragement. A zero-rate permits the supplier of the product to recover tax on inputs and to sell that product with a zero tax addition, thereby giving the greatest benefit to the consumer and to those who have contributed to making the product available. Once the logic of differential rates for different ranges of product, based on their social value, is accepted, there is no logical reason why a rate should not be set at zero, to provide the maximum benefit. Indeed, except for the simplest transactions, this is the simplest solution, as such products are then treated administratively in the same way as other products.

[*Translation*]

It is of childlike simplicity, isn't it, perhaps it is too simple for Mr. Wilson! He likes things complicated.

Senator LeBlanc (Beauséjour): He has experts.

Senator Hébert: Yes, his officials too think complicated things are fun.

[*English*]

The social, educational, and cultural value of books is hardly likely to be disputed.

[*Translation*]

Well, that is "disputed", isn't it, on the other side? They don't seem to be taking it very seriously.

[*English*]

Books are the bedrock of European civilization and technology, and they are a significant part of Europe's place in the world. They provide important, indeed vital, services in the community:

[Senator Hébert.]

(a) they are a major means by which individuals acquire education, both specialist and general, formal and informal;

(b) they build and transmit the culture, history and science of our society;

(c) they are essential to the development of ideas in a democratic society;

(d) they provide essential and varied information; and

(e) they provide entertainment and stimulation.

The particular importance of books in all the principal book markets can be readily accepted: in schools and colleges, universities, libraries, business, the professions, and in the home. The special value of books to society is further evidenced by the public funding of libraries to lend books to individuals free of charge.

[*Translation*]

No other product is given out free of charge. They know that reading is important for the development of the citizens.

[*English*]

Discrimination between popular and quality books is not possible. Although it is clear that not all books are of equivalent social or educational value, it is impossible to conceive of a tax system which distinguishes between "good" and "bad" or "popular" and "quality" books. Indeed, "popular" books have great value in society at large: comic books, for example, are vital for teaching reading and for learning to comprehend ideas. It would be wrong therefore to seek to limit the benefits of zero-rating to "good" books, even if such could be identified by objective standards. The educational system does not exist just to produce highly educated people; it exists to give the entire population the best opportunity to get the most out of life and to cope with its problems.

For that, you need books.

> Indeed, the U.K. research revealed that no less than 75 per cent of all books sold were of demonstrable educational or cultural value. Thus, schools, universities, reference and specialist books amount to some 45 per cent total sales. Children's books of all kinds (a further 10 per cent) are undoubtedly of educational value. If only 25 per cent of fiction sales, and 75 per cent of general sales, are also accepted as being educational or cultural, it is clear that the great majority of books sold are important for education and cultural development.

> Further, research surveys show that no less than three-quarters of all books bought by the general public are bought by the socio-economic classes C, D, E, rather than by the wealthier sections of the population.

Senator Cools: Excuse me, senator, I am not too sure I understand your reference.

Senator Hebert: I though it was really quite clear.

Senator Cools: C, D, E; I am just wondering what "D, D, E" stands for. Is that an acronym?

Senator Hebert: I am sure you know that. Not "C, D, E", but "CEC", which is the Commission of the European Communities.

> The member-states of the European Community spend many billions of ECUs annually on their formal education systems—the UK, for example spends over 18 billion pounds. By contrast, the potential yield from VAT on books is minute. It would be absurd to spend such vast sums on universal education, and then to discourage, by taxing them, the availability and purchase of the books that are its basis.

> Zero-rating is an efficient and justifiable means of encouraging the availability of books, and so encouraging education, both formal and informal. Indeed, the tax foregone by governments through a zero-rate is an inexpensive way of promoting education and culture by encouraging individuals to pursue those activities.

[*Translation*]

It seems simple to me. These are simple, obvious ideas that the government should understand.

[*English*]

> While there are obvious advantages in simplicity and neutrality in indirect taxation, these are not over-riding considerations. Clear grounds exist for favourable treatment of books, which are consistent with the general principles of indirect taxation and with European Community policy. In fact, absolutely neutrality in taxation policy is undesirable—and no doubt, unachievable—when faced with such issues as the need for education, literacy, and an informal society.

• (0500)

Particular arguments for zero-rating of books

Apart from the overall importance of the availability of a wide range of books at the lowest possible prices, free of all taxation, there are a number of special factors affecting the economic environment in which books are marketed which justify the special treatment of zero rating.

(i) While books and journals are perhaps the most fundamental and significant means of making information and ideas available, they are marketed in intense competition with other information media, which are often made available through a very different financial structure. In particular, television (and the growing use of video tape recorders) is increasing its hold on leisure time, and is generally financed through the public sector or by advertising, at low or no direct cost to the consumer. Neither of those options is open to books.

(ii) The value of books to the community is such that the authorities very properly devote considerable funds to making them available through libraries, including public libraries. This has a major effect on the market, affecting particularly the market for new books and those by new authors, making it unusually difficult for an author to become established through high sales to the public.

(iii) There is a substantial second-hand market for books, affecting particular school books and university student texts, which is important to the widespread availability of books and which not only has a considerable economic importance in itself, but also affects the economics of book provision generally.

(iv) The book market is essentially an international business, and significant customers such as libraries (particularly in English-language countries) are likely, if a tax is

imposed in the European Community, to select books from no-tax countries.

Like the United States.

(v) Books are also exports on a large scale from the European Community to other countries, and contribute not only to the balance of payments but to diplomatic and cultural influence and to the growth of trade generally. France, Germany, Greece, the Netherlands, Portugal, Spain and the UK are all substantial book exporters. Higher domestic prices and a restricted choice as a result of a positive rate of tax would damage this business and influence.

(vi) In the UK a recent study showed that between 6 and 10 per cent of adults are functionally illiterate-

The figure is much higher in Canada, as we mentioned earlier.

—and so unable to play their full part in society. The habit of reading requires constant practice, which means that books must be cheaply available, an objective deserving of full public support.

(vii) In an age in which available knowledge is expanding very rigidly, and in which individuals have to acquire fundamental new skills several times in their lifetime, it is vital that books are easily and cheaply available. Indeed, the need for well-trained people in a wide range of skills is increasingly acute.

(viii) Education and training are acquired at least as much—perhaps more—through reading, as through the formal education and training system.

(ix) It is worth noting that the information industries are themselves major creators of employment, and need particular encouragement in Europe. It is estimated that of the 19 million new jobs created in the USA during the 1970s, 72 per cent were in the information sector.

Consequences of a positive rate of tax

The economists who studied the consequences of imposing a positive rate in the UK concluded that price elasticity of demand for books was unit (-1), i.e. that sales volume would decline in proportion to any price increase (over and above general inflation).

However, it is generally accepted that the increase in retail prices would be considerably higher than the rate of tax, where a positive rate replaced a zero-rate, because of costs of collection, et cetera, particularly in small bookselling shops without specialist staff.

Hon Roméo LeBlanc: Would the honourable senator permit another question? I have listened with great interest to his lengthy and very informative exposé on books.

Senator Hébert: Did you say lengthy?

Senator LeBlanc: Lengthy in the proper sense of the word. Adequate coverage of the subject.

Senator Austin: You mean complete.

Senator LeBlanc: There is one thing that strikes me. In the discussion about the taxing of books, there are always a series of other items dragged into the discussion. For example, if you exempt books, should you exempt magazines? If you exempt magazines, should you exempt records and audio tapes? And if you exempt those, do you exempt theatre tickets, et cetera?

Senator Cools: Concert tickets.

Senator LeBlanc: Since the discussion took place in the British context, where even in the less wealthy areas of the British Isles, I found it very interesting that of all the public institutions, the library is most important. I remember travelling way up north in Scotland to the Isle of Skye or to Portree, and the library was a visible major institution.

In a library, books are free to read and borrow. It is interesting that the British should have maintained and develop this tradition with great pride. In fact, as the honourable senator said, a very small "c" Conservative government like Mrs. Thatcher's did, in fact, concede that books should be an exception. Not one of a hundred exceptions, but that exception.

It is interesting that the British Broadcasting Corporation was, for many, many years, the only purveyor of music and

sound; through radio at first, and also eventually on television. Although the BBC was recognized as a very important instrument, it was still accepted by the public that there be an annual fee on licences to cover the expenses of the BBC. The BBC was not allowed commercial broadcasting for many, many years; in fact, I was about to say generations.

Some of us who are a little bit long in the tooth also remember that in Canada you could not have a "steam" radio, which is what I term it in my broadcast language. That was the old style radio, starting with a crystal set and possibly a battery. If the household had one electric bulb, there might be a wire connected to a radio, but that was not so in every household.

In those days, above the radio you had to have the framed licence. Again, although we tend to think that radio is free, radio was not free; there was a charge.

On books, however, there was never a charge. Not only was there never a charge but you can borrow a book, and if you bring it back before the expiry of the number of days which you have been allocated, you can have the book renewed for free. This is so unless the book is on a reserve list for which there are a lot of requests.

I find librarians to be some of the most healthy people because they are the only people in our society who want us to take more books, who want us to come back and who want to give us something. Not too many other people in this society have that attitude.

So I suspect that this exception for books is so non-contested, is so accepted by the general public that, in fact, if this government had conceded nothing else, if it had conceded not one iota except to exclude books, I think we could have accepted it. I even think that we could have accepted a tax on magazines although I accept a lot of the argument that Senator Hébert made. In fact, if this government had wanted to develop some goodwill about the GST, if they had exempted books, they might, in fact, have avoided a lot of the flack and a lot of the opposition that this most unpopular tax is facing. I wonder if Senator Hébert shares my view that you could really exempt books because of their almost sacred character. I suspect that there would have been an extraordinary broad support in the country for such an exemption, and does he understand why this government did not accept our amendment?

[Senator Hebert.]

• (0510)

Senator Hébert: I think you are quite right. It would have been a very simple thing to do. Surely, it is the least costly of the demands that were made for exemption, involving very small amounts of money that the government would have been deprived of. Yes, and it would have created much goodwill in the country. I think you are right. They could have succeeded just by this concession to reconcile, maybe not everybody, but some people in this country. But they did not do it. They are stubborn people. They do not listen. They do not realize that this thing could have happened to them.

> However, it is generally accepted that the increase in retail prices would be considerably higher than the rate of tax, where a positive rate replaced a zero-rate,because of costs of collection, etc, particularly in small bookselling shops without specialist staff.
>
> This is aggravated by the economics of book production, in which very substantial "first-copy" costs have to be spread over the copies likely to be sold. So a reduced sale inevitably results in higher unit costs and hence higher unit prices, with spiralling consequences. Thus, the actual price increases would be substantially higher than the rate of tax, and the decline in sales would also be greater.

These are the same arguments that we heard from the people from Quebec or from Toronto, the same argument. It is true here, it is true in Europe, in Great Britain, in France, in Spain, in Portugal, in Germany.

> With a positive rate of tax of, say, 5 per cent, it is estimated that sales would decline (or are lost) by at least 10 per cent.

We are talking of 7 per cent in our case.

> Profound damage to cultural enterprises.
>
> The effect is most severe for small print-run titles, which include literary fiction, new authors, works of minority and specialist interest, translations, poetry, academic monographs, and the like, on which the richness of our culture depends.

[*Translation*]

Things that are difficult to sell but which are the basis for culture.

[*English*]

> Such works typically generate a nil or low return, so that an increased price and reduced sale can make their publishing, already marginal, impossible. In consequence, a tax hurts particularly those works that society most desires to encourage.

[*Translation*]

Very popular novels will manage, even with the GST.

[*English*]

Hon. Jerahmiel S. Grafstein: Will Senator allow a question?

Senator Hébert: Yes.

Senator Grafstein: Your response about government seeking to encourage creativity brings to mind your own experience, Senator Hébert, when you were a part-time commissioner of the CRTC, and, if I recall correctly, you were one of the advocates, as was the CRTC of the day, of greater Canadian drama on television, and that there is a greater insistence by the government for the laudable aim of increasing Canadian drama on Canadian television, both CBC and private networks. This was a goal, and I am not sure whether or not that proposition or that principle still animates the current CRTC, but I know that it was very much alive and well when you were a part-time commissioner of the CRTC. I assume, therefore, that if there was a small impulse on the part of the CRTC of the day to encourage greater Canadian content and greater Canadian drama on television so that Canadians could be unified by seeing on television a mirror of their own existence, as opposed to seeing on television a mirror of American experience, the key to the impulse was the author, the Canadian author. How can you have stories projected on the screen without somebody writing those stories? If I recall correctly, that impulse to increase, not just the quantum of the Canadian drama, but the quality of Canadian drama was very much dependent upon establishing an atmosphere where Canadian authors could flourish. That meant that Canadian authors had to be employed. The only way it is possible to create a new school of Canadian authors—who have not only to write for television and for the cinema but for magazines and books—is to give them as many work options as possible. To this day, then, we hear the laudable objectives enunciated by Minister Masse and others to the effect that we should expand the base of Canadian drama.

• (0520)

I would ask Senator Hébert whether this tax does not appear to him, based on his experience and knowledge of government goals, to be counterproductive of those goals. Rather than encouraging authors to flourish, we hear the price sensitivity argument, which says, in effect, that the higher the price, the fewer the books; the fewer the books, the lower the revenue; the lower the revenue, the fewer the authors. The end result of the sequence of those events has the effect of driving Canadian authors away from Canada, if they truly want to be creators. And if I recall correctly, the word "author" comes from the Latin word "auctor", which means "creator" or "originator".

The result is that the creators, as they did in the late sixties and seventies, say to themselves that the only way they can survive as creators is to go south or to go east to Europe. Those were the two options. One could not make it in Canada as an author.

Senators on this side have all spoken about the examples of the European experience, where, notwithstanding the general consumption tax, those communities, believing as we do that the creative endeavour is different, apply to it measures that are different from those applied to other commercial sectors. If we really wanted national unity or national identity, would that not be the course to follow? Does this not drive a wedge into the government's proposition of creating greater Canadian content, greater Canadian awareness and a greater sense of patriotism? Does it not drive a terrible wedge into the laudable concept that senators on all sides cherish, which is that of national unity? Is not this GST, in a strange way, by striking at authors, the writers of our society, ultimately attacking the roots of unity?

Senator Hébert: The honourable senator is absolutely cor-

rect. The reason for that is that it attacks our soul. From there, it attacks our unity, our values—it attacks everything. And, as he mentioned in his question, the increase in prices has an immediate effect.

I will continue reading this interesting study issued by the Europeans, who are aiming at convincing all members of the European Economic Community to drop this tax completely from books, as has been done already in Great Britain and in quite a few other countries. The argument is aimed at convincing the few who would resist. No country, except Denmark, taxes books at the same rate as that applied to other goods.

The report continues:

> An increase in prices resulting from a positive rate of tax, however low, would therefore do profound damage to the availability of books. It would also do great damage to all those responsible for making books available. Thus, authors, particularly literary, academic and new authors (on whom the future of our culture depends), would suffer diminished earnings, and the already difficult prospects of being published would become even more remote.
>
> For publishers—again, particularly literary and academic publishers—similar consequences would apply. Literary publishing is at best a marginal activity, but it is the source of much other cultural activity, including television.

And this ties in with what Senator Grafstein mentioned a moment ago. Where will we find the authors for our television dramas or our National Film Board or the private sector of cinema if we do not have creators, if we do not have authors of books?

> A positive rate of tax would prevent the publication of many titles, reduce the print orders of many others, and kill many successful small companies and enterprises.

[*Translation*]

As we can see, the disappearance of these small publishing houses, bookstores and writers who will never be published that the representatives of Canadian organizations mentioned to us, they all bring forward the same arguments, but are they really the same? To what extent is this kind of respect—that we should have for books and these creators or writers—really universal?

[*English*]

> Printers, who depend substantially on book printing work, would also suffer severely from loss of trade, with damaging consequences for employment.
>
> Booksellers would suffer to at least the same extent. Inevitably, the distribution system for books is highly vulnerable.

[*Translation*]

This is the same message we heard from other representatives, whether they were from Quebec or Ontario or somewhere else in Canada.

[*English*]

> To serve their public, booksellers need to carry a wide range of often slow-moving stock, a fact of life which cannot be altered by the greatest efficiency, marketing zeal, or use of new technology. Typically, a small- or medium-sized quality bookseller providing good, services (special ordering, for example, at nil margin) makes only a 3 per cent net profit on turnover. A fall in sales would drive many such bookshops out of business, and seriously damage the distribution and the wide availability of books.
>
> In a recent speech, the chairman of the British Arts Council—

[*Translation*]

The British Art Council is the equivalent of the Canada Council.

[*English*]

> —described the vulnerability of the book distribution system as one of the major barriers to the spread of literary culture.

Libraries and the education system would suffer from higher prices and from the reduced range of books available. (To the extent that this is compensated by exemptions or rebates, the net yield of the tax would decline.)

Readers—consumers—many of whom (as has been stated above) are from less wealthy parts of society—would have to pay higher prices, without possibility of rebate, and be offered less choice, particularly of minority titles, to the detriment of their education and advancement, their awareness of new ideas, the stimulation of their intellects, their use of increasing leisure time and their enjoyment.

• (0530)

When I read things like that I try to imagine myself sitting on the other side for a moment and feeling that I will, by my vote, be partly responsible for such a result in my society. I do not know how they can live with it. They sleep, most of them. Maybe that is the best way to live through that. To continue:

Low yield from tax on books and journals

While we appreciate that the Community's own budget is not (under the present system) affected by whether or not particular products enjoy a zero-rate, it should be noted that the yield from a positive rate of tax on books and journals is insignificant, especially compared with the benefit to be achieved and with other forms of expenditure, (for example,on education) to achieve those objectives.

[*Translation*]

It's really stupid, the more I read this argument, the more I realize there is no explanation. It's sheer stupidity in every sense of the word.

[*English*]

In the UK, the Treasury estimated in 1984 that the gross yield of a positive rate of VAT at the UK standard rate of 15 per cent would be 85 million pounds, before taking account of reduced sales, reduced profitability of the book industry (and so reduced corporation or profits tax), the need to give rebates to library and education systems, and to increase student grants to compensate for higher prices. The economic research suggested a net yield of only 30 million pounds.

At a low rate of 5 per cent, the gross yield would be under 30 million pounds, a net yield of perhaps 10-15 million pounds. Throughout the Community, the net yield would scarcely exceed 100 million ECUs.

Such a minor contribution to the Governmental budgets of a Community of 320 million people is not justified against the enormous benefits of a zero-rate. The Community could, indeed, give a positive encouragement to achieving these benefits by excluding book and journal sales from the tax base of its budget.

Consequences in countries with positive rates of tax

Although the UK, Ireland, and Portugal have zero-rates for books, and Italy, and now Greece and Spain, have rates of 2 or 3 per cent, other member states currently have low rates of between 5 and 7 per cent.

They call it a low rate at 7 per cent because they go as far as 20 and 25 per cent.

Senator Frith: On other things.

Senator Hébert: On other things, but even on books in the case of Denmark, the only exception. Denmark imposes its standard rate of 22 per cent on everything.

It is not possible to generalize about the consequences of these taxes for the market for books in each country. Countries with minority languages already face particular problems because of the limited size of their markets.

That applies to French Canada very easily.

The book trades throughout the community are all facing acute problems arising from competition from other media, reduced public spending on books, and

> increasing costs. The Spanish book trade, which recently faced the new imposition of a 6 per cent tax . . .

Now reduced because they realized that it was a crime to have 6 per cent on books, and we are talking here of 7 per cent:

> . . . reported—on the basis of careful research—a grossly disproportionate reduction of sales of some 25 per cent, a much greater price elasticity of demand than that estimated by the UK economists.

Senator Frith: Can I ask a question, senator? Is there any information in this material as to how long it takes, when there is a reduction, for the industry to recover?

In other words, there is some trend, as you say, in European countries where a tax has been imposed, in all countries I take it where there is only one level of tax, to repent and try to bring the rate down. What you have been saying is that the imposition of the tax in the first place had a very bad effect on the industry. The statistics are there to show that profits dropped, I assume there have been closings in many cases and bankruptcies and so on, so that you would have the classic economist's description of an industry on which this damage had been inflicted by way of a tax and the resulting shrinkage of the industry with all the human consequences. When there is a reversal or a repentence, is there any information as to how long it takes for the industry to catch up?

I ask that not out of academic interest. The government has refused to accept an amendment exempting books. It says it will consider it in due course. We do not know what "in due course" is. Of course, the tax will have been in effect by the time the expiry of whatever "due course" is arrives. So I think it would be useful for us to know, when we are considering the government's stubbornness in refusing to accept any amendment or any exemption for books, how long it might take for the industry to recover after this tax has damaged it in the way that there is no doubt it will on the basis of the projections here in this country and the experience in other countries.

Senator LeBlanc: Surely someone will have died by the time the government's mind is changed.

Senator Frith: It is like Keynes and the short run. In the long run we will all be dead.

Senator Grafstein: Just before you rise, Senator Hébert, I am glad you have returned because I believe this marks a very important occasion in the life of the Senate. It is very rare that senators cannot only observe history but be a direct witness. I think senators on all sides should note that Senator Hébert has been speaking, based on Senator Molgat's rough calculations, close to 16.5 hours from the time he began.

Senator Hébert: With breaks.

Senator Grafstein: With some breaks. But in terms of absolute time as opposed to continual time, apparently that marks an historic point in Senate history as being the longest speech. According to Senator Molgat's calculations, that works out to 16.5 hours.

• (0540)

Senator Hébert: You talk as though I were through.

Senator Grafstein: You are not, senator, I just want to pause now.

Senator Frith: Are you half way through? Have you come to the turning point?

Senator Grafstein: I think it is important to note that it is so rare that we can not only observe history, but participate in an historic occasion. I notice that senators opposite are now alert, and even the importance of this occasion is instilling them with renewed vigour and observance.

I think it is important that we should not only note this momentous occasion in Canadian history, in the history of this institution, but also say to Senator Hébert—and I do not think senators would ask him to respond—but I have been here for a goodly portion of Senator Hébert's speech yesterday evening and this morning, and all of his comments have been cogent, learned, and not repetitive, because he has given us insights not only with respect to the GST, and the impact on the cultural community in Canada, but is about to embark on a much fuller, comparative analysis in other jurisdictions.

I think, honourable senators, we can conclude, or I can conclude this interjection, by saying that when we talk about authors and the importance of authors to Canada, we can include Senator Hébert as an important creator, originator, and author of this truly momentous and, I think, wondrous moment in Canadian history.

Some Hon. Senators: Hear, Hear!

Senator Ottenheimer: Was that rehearsed?

Senator Grafstein: That was spontaneous, senator. I did not realize until a few moments ago that this occasion was marked. Perhaps you would like to add your comments, just to indicate that it is a bi-partisan note.

Senator Ottenheimer: Perhaps we can get somebody to do a mural of the occasion.

Senator Grafstein: That is one good idea. I presume it will be without GST.

Senator Frith: Do what?

Senator Grafstein: A mural.

Senator Cools: Of Senator Hébert?

Senator Grafstein: Something to commemorate Senator Hébert.

Senator Cools: I think that is a wonderful idea. I think you should propose it, senator. I would be happy to second.

Senator Hébert: Thank you for your impressions, Senator Grafstein.

As far as the question of Senator Frith is concerned, I must admit that I have not found, in all of the documentation that I have read on the subject, a specific answer to your question. Possibly it exists. If you were to enquire with the publishing association in the U.K., we might find some answer to your questions.

It is obvious, however, when you see all these countries that have so quickly regretted having taxed books in their country, with all the consequences that we have enumerated previously, that the consequences must be very, very difficult. It seems silly not to take advantage of what is happening in Europe at this stage when it is still possible for us not to make this mistake, not to be as stupid as all these European countries readily admit that they have been in taxing books. We can benefit from their experience. Why is it that the government does not realize it and does not prevent all the difficulties, all the bankruptcies, all the loss of jobs, all the frustrations, all the books that will never be published, authors that will never come alive and become authors. All of these consequences are so enormous.

Senator Frith: And obvious.

Senator Hébert: And obvious.

What you do not understand is that the amount of money that is involved is so little compared to what the GST will bring to the government. I think this is a case of stupidity.

Acceptance of principle of not taxing knowledge;

The principle that knowledge—particularly books and reading—should not be taxed, has attracted wide international support.

Why is it that we are different from the rest of the world?

A similar principle is entrenched in international law by the Florence Convention, which provides that, to encourage the international dissemination of knowledge, tariffs should not be imposed on books, and the Protocol of which urges against the imposition of taxes on books for libraries.

As long ago as 1860, the leading British statesman, William Gladstone, described a duty on paper for publications as, and I quote;

A tax on literature and education, which has long stood in evil odour in this House [of Commons].

When first setting out proposals for VAT in the U.K., when the U.K. joined the European Community, another, more recent statesmen, Iain Macleod, said, and I quote:

On the general principle of avoiding a tax on knowledge we intend that books, journals, newspapers and broadcasting shall be at a zero rate.

This means that we are coming to the argument of Senator LeBlanc that books are perhaps not enough. We should think of journals, newspapers, and why not broadcasting?

The Royal Commission on the Press in 1977—always in the U.K.—said that, and I quote:

> To remove the concession (of zero-rating) would disrupt the economy of existing publications.
>
> Sir Geoffrey Howe, then British Chancellor of the Exchequer, said in 1983, and I quote:
>
> > We consider that the Commission's arguments [against zero-rating] take insufficient account of the social, political and economic consequence of the changes suggested.
>
> But the principle is by no means confined to countries which now have a zero rate. Politicians, teachers, academics, librarians, and representatives of readers in all member states have urged the validity of the principle of not taxing books, and the practical benefits which follow.

● (0550)

> The European Parliament resolved in 1981 that "exclusively economic criteria should not apply to the book industry and trade, because of the specific nature of books as products which directly affect the interests of the citizen in the cultural, educational, and information fields.

Nobody listens.

> This is a principle which the European community could adopt with honour and practical benefit, as an example to the world.

And to Canada.

> Proposal
>
> We therefore submit that, in preparing and considering the draft legislation on harmonizing the VAT system, the Commission should propose, and the European Parliament and the Council of Ministers should accept, that a zero-rate should be applied to books and learned journals.
>
> We urge the adoption of this proposal, which we know has very wide public support throughout the European Community.
>
> DON'T TAX READING.

[*Translation*]

In any case, since we are still talking about Europe, I would like to quote an extract from the International Publishers Bulletin, denouncing the negative effect of a tax on books. It is very short, but I think it brings out a new point. It is the International Publishers Bulletin, dated 1988, so just two years ago.

[*English*]

> "Books are different"—This statement has been made so often that, even those who are in agreement, are tired of hearing it. Others believe that the book trade should comply with normal market laws and regulations, just as other trades do, hence the slightly passive attitude in certain sectors of the book trade in the face of an increasing number of threats to tax books eg. VAT, sales tax, postal charge increase, import duties etc. Why not fall in line with other trades, aren't publishers and booksellers businessmen too?

We have heard that and I am sure that that is the reasoning of Mr. Wilson and his colleagues in the cabinet.

> At first sight, the taxing of books as an ordinary product may seem an enterprising venture, but in fact it would be very wrong. Not because the book trade is incapable of coping with the laws of the market place (competition in publishing is just as keen as elsewhere as proved by recent mergers and takeovers), but rather because the position the book occupies in society is unique. Just as the author's work once written, somehow escapes from its creator, the book once published, escapes from the hands of its publisher. The work outstrips its author and the book its publisher. Whether the diehards of marketing and management like it or not, the book is still the foremost instrument in transmitting knowledge from one generation to the next, in the creation of new jobs through ongoing instruction, in the accumulation and use of knowledge and expertise and also in creating social identity for both individuals and groups of people. This does not however mean that sound management should be less important in publishing houses and bookshops than in other trades—on the contrary as brilliantly demonstrated by Leonard Shatzkin's article in IPA Bulletin No. 3, 1987.
>
> May we remind those looking at the Book as a mere commodity that the first basic economic rule is to listen to the marketplace and not to impose laws and rules from the outside. The marketplace has never looked on books as mere commodities. The consumer knows from school age onwards that cultural, economic and social promotion derives from education via books. The intrinsic value of the Book cannot be commensurate by its commercial value and retail price. The IPA—

International Publishers Association.

> —cannot agree to the taxation of books at any given rate, be it 23% or 2%—

Certainly not at 7 per cent.

> —without wide and public debates on the importance of the Book in Society. The IPA cannot accept authoritarian decisions taken by the European Economic Community to tax books between 4% and 9% regardless of any consideration as to the place of books in national or intereuropean societies. Are we still living in democratic countries? Or do we have to suffer authoritarian decisions taken miles over people's heads which will have an enormous impact on the future of our societies.
>
> We feel that political authorities and economic forces which are educating the rising generation must recognize the basic and indeed decisive contribution of books to society's economic, financial and cultural life. Any tax on books will inevitably divert greater segments of the public from the quest for knowledge and economic progress. The higher the tax, the larger the number of lost readers.

I like this expression "lost readers". What a catastrophy for a society to lose readers.

> It is ironic and almost tragic to listen to politicians insisting ad nauseam that the future economic development of their countries depends on education, on schools, universities and vocational training of the existing and future work force and to hear at the same time these politicians demanding the levying of taxes on the very products which determine economic development—Books.

It looks as if it has been written specifically for Mr. Wilson and his colleagues in the cabinet.

> It is intolerable to hear bureaucrats asserting that a pound or so extra on the price of a book will have no effect on readers or on access to books, neither on the level of sales. This is of course sheer nonsense and shows a total contempt of the public as a whole.
>
> The upward harmonization of taxes on books, so assiduously promoted by the EEC can only be regarded as a lack of judgement—

That is another expression that would fit the present government.

Senator Frith: And that is putting it rather nicely.

Senator Hébert: Yes, nicely. Lack of judgement.

> —not to say an underestimation of the value of works of the mind—
>
> —and as a sign of the a loss in the sense of values.
>
> It has been known for 30 years that the primordial condition for entry into the EEC is a willingness to levy a tax on books. A country which does not tax books is not truly European. The yardstick by which a European country is measured is by the way in which it applies taxes, especially taxes on books.
>
> On entering the EEC, Spain was imposed a 6% VAT on books whereas before books were not taxed.

In Spain.

> This has resulted—

I think this is a partial answer to Senator Frith's question some time ago.

> This has resulted in a retail price increase of 25% taking into account additional charges and costs related to VAT.

So it was not an increase of price equal to the tax but much higher.

> In Germany (FR), where books carry 7% VAT—

That is exactly what we are—

Senator Frith: Proposing.

Senator Hébert: Offered or proposed.

> —German authorities decided in 1987 that there was no reason to treat books any differently from other products and that VAT on books should be fixed at 14%.

That is because they were already there for the rest.

● (0600)

For German readers, the doubling of the tax meant an additional annual expenditure of 900 million marks or 600 million US dollars. It is hard to believe that the German authorities saw this as the right way to help young people, workers and employees in industry to obtain better qualifications, to help German industry to improve its performance and modernise German industrial equipment and scientific research. Were they not rather motivated by the principle that taxes must be "harmonized", that all products should be given the same fiscal treatment regardless of the item taxed and regardless of its users? Another lesson to be drawn from this German experience is that as soon as the tax on books, however low, is accepted, there is the risk that it will increase and even double at any time. The acceptance of a tax on books is seen as a recognition that they are mere commodities, that education and culture can be traded just as any other service. Great Britain and Ireland are struggling to keep taxes off books, but how long will their governments be able to resist the pressure from Brussels? We think that they should carry on resisting and that other countries should help them. Do we have to take to the streets and forbid the use of books for days or even weeks in order to force governments to look into the role of the book and the place of authors and publishers in society, at school, at work, during free time and in communications in general? It is high time to give back the slogan "books are different" its true force and scope and bring it to the full notice of the public at large, and its political representatives. Our adamant rejection of any text whatsoever on books will eventually lead politicians to ask the right questions about the status of the Book—and Knowledge in society as a whole.

As we all know, there is no better way of controlling authorship, publishing and reading than that of taxing books.

Censorship may arise from political, religious or moral pressure as well as from economic pressure, that is to say taxation.

Censorship forbids the greatest number accessed to published works. This is precisely what taxing books is doing.

Don't tax books.

[*Translation*]

I have another document dealing with European publishers, because they have much more experience than we do. And this is why I would like to go along with Senator David's suggestion. This is a declaration of principle by the Federation of European Publishers for an active book policy for the single market.

The publication, free circulation and availability of a wide range of books in various categories—literature, books for wide distribution, children's books, educational, university level and professional works—represent a major cultural stimulant for the European single market. The Federation of European Publishers, which represents publishers' associations from all member States and members of the publishing industry throughout the community, all of whom are responsible for a significant portion of global book production, expects that institutions of the European Community will take positive steps intended to promote the free circulation of books within the community, and particularly the following measures.

Fiscal measures. Considering the essential role played by books in social and cultural development, the public's access to books should not be hindered by the levying of taxes. The Federation of European Publishers, the FEP, supports the campaign by the European community against taxing books and in favour of a zero VAT rating for books. It asks that the reduced-rate range for sensitive items, to which it is already agreed that books belong, be set from zero to six per cent and not from 4 to 9 per cent, as currently provided for in the Brussels Commission's guidelines.

In most of the member States, systems already exist which enable all readers to obtain or find books at a low price and to take advantage of the many networks of qualified second-hand booksellers.

During the meeting in Luxembourg, no progress was made on this item. The Commission's proposal of 4 to 9 per cent for the reduced rate and 14 to 20 per cent for the normal rate with the possibility of maintaining some current zero ratings is still being negotiated. An in-depth discussion is not expected to occur before early in 1991.

The Council also reviewed the temporary measure of the VAT. It is already accepted that for a certain length of time after January 1, 1993, the VAT will still be added in the importing country.

I would like to come back to Canada for a moment and talk about distributors, because one of their extremely important jobs is to distribute books and periodicals. There are various methods of distribution, but there is one that is called "Periodical Marketers". There is a firm called "Periodical Marketers of Canada."

[*English*]

It is

> —a national association of 31 geographic wholesalers of periodicals and paperback books, serving some 23,000 retail outlets with primarily English-language material.

[*Translation*]

So, that means it is a network which does not involve the bookstores themselves, but affects newspaper depots, smokeshops, and some pharmacies which have pocketbooks or magazines in a corner.

[*English*]

> The estimated retail value of publications handled by PMC Members—typically some 2,500 to 3,000 periodical titles—

[*Translation*]

Of course, that covers American, French or British titles.

[*English*]

> —and 6,000 paperback book titles—

[*Translation*]

Once again, needless to say, most of these are not Canadian titles, most of them are American.

[*English*]

> —will be of the order of $600 million in 1990.

> Our member firms constitute one of the most remarkable marketing and distribution systems in Canada, in that through their combined efforts, publications are made available within days of their printing to a mass market of consumers throughout the country. The range of periodicals handled by PMC members includes weekly news-magazines, popular and general interest consumer magazines, special interest periodicals and foreign newspapers. The major sources, by national origin, of this material are Canada, the U.S., Britain and France.

• (0610)

The GST and Canadian Publishing

> Members of Periodical Marketers of Canada are fundamentally opposed to application of the Goods and Services Tax (GST) to reading matter. Their major concern is for the depressing effect which the GST will have on periodical and book sales. Presentations to the House Finance Committee by publishing groups indicated that each percentage point increase in price results in a similar percentage point reduction in demand. Other reasons include the following:
>
> > Free and unfettered exchange of information has always been regarded as a privilege of citizenship in Canada. At no time in our history has the federal government imposed a tax on reading matter.
> >
> > As the existing Federal Sales Tax has not been imposed on the printing or sale of publications in Canada, the GST will constitute an entirely new and onerous tax without offsetting savings from the elimination of the FST.

[*Translation*]

Because, as we are constantly reminded in government circles, that this is just a change of tax. That in any case we were paying the manufacturers' sales tax. That really it is just a change to make things easier. But we forget that when we are talking about books there has never been a tax on books, not on fabrication or binding or printing or distribution at any stage. Consequently, the story about the tax on manufactured goods is far from convincing.

[*English*]

> A well informed citizenry is vital to Canada's political, social and economic well being. Taxation of information materials constitutes a serious impediment to the goal of a knowledgeable, informed electorate.

Of course, if they were to inform an electorate, some of the people who make up the government would not be there at all. Perhaps that is the reason for this. The brief of the Periodical Marketers of Canada continues:

> Canada recognizes it faces a serious literacy problem, in that up to 25 per cent of Canadians may be functionally illiterate. The taxation of reading materials imposes a further burden on educational organizations and a discouragement to the non-literate to become readers.

> At a time when the maintenance of a distinctive Canadian culture is becoming increasingly problematic, the imposition of a tax on periodicals and books will impose a heavy economic burden on Canadian publishing companies, most of whom constitute small businesses and are ill-equipped to withstand further erosion of their customer base.
>
> In view of the concerns enumerated above, Periodical Marketers of Canada has requested that periodicals and books be zero-rated, should the GST be implemented in Canada. To date, this appeal has been ignored by the Minister of Finance, the House of Commons Finance Committee, and the House as a whole. We earnestly urge the Senate . . . to correct this serious error in order that Canadian periodical and book publishing be spared a tax burden which will inevitably contribute to the demise of distinctive Canadian voices in these fields.
>
> The GST as it is presently constituted poses serious technical and administrative problems for our members. This is due, in part, to the fact that periodicals and paperback books are supplied on a fully returnable basis.

[*Translation*]

They are not sold, they are put into storage.

[*English*]

> Retailers determine the extent and volume of their order, and remit only for those copies sold. The GST legislation, however, appears to trigger tax liability at the time of original supply to the retailer. Revenue Canada has indicated it does not regard periodical distribution as being qualified for inclusion within the consignment provisions of the GST legislation. The necessity to collect the GST from retailers and to subsequently issue GST credits for unsold publications will impose an undue, costly and complicated administrative responsibility on our members.

And this was supposed to be simple. I remember that that was one of the characteristics of this tax. Senators can see how simple it will be for these people.

Senator Frith: Simple, yes—it is all very easy for an actuarial genius.

Senator Hébert: It will certainly not be simple for periodical marketers in Canada.

> For importers of publications, the consequences to cash flow will be even more burdensome in that the GST legislation requires payment at time of entry of the tax on all of the product being imported. In the case of periodicals and paperbacks, some 50 per cent of all product is returned unsold. Distributors will thus face a wait of some weeks before they are able to recover via input credits the excess tax they will have paid on product at time of entry. Financing this additional charge will represent a heavy burden on importers, seriously affecting their productivity and efficiency.
>
> The existence of a domestic periodical distribution system having the capability of making Canadian product available to citizens across the country is entirely dependent on non-Canadian material being available to sustain the cost of a national distribution system. Withdrawal of non-Canadian product because distributors are unable or uninterested in absorbing the added cost of financing cash flow to meet GST obligations would seriously erode the system, possibly rendering it uneconomic and incapable of continued existence.
>
> Other Consequences of the GST
>
> Members of PMC are concerned about the broader consequences of the GST—the adverse effects it will have on the broader economic and social fabric of Canada. Our concern is based on extensive consultations we have had with accounting advisors, the concerns we have had expressed to us by many of the thousands of retailers we serve, and our own independent judgments, formed from the collective experience of our members as business proprietors and as participants in publishing and distributive activity in Canada.

[*Translation*]

Of course, they are all wrong; only the government is right.

[*English*]

> The following observations serve to indicate our concerns with the GST as a whole, and lead us to the conclusion that the tax should be abandoned in its entirety.

[*Translation*]

Consquently, they are not simply defending their own cause, but they are also denouncing all the negative effects of the GST.

[*English*]

> 1. Despite assurances by the Department of Finance, the GST actually represents a totally new tax, and is not

merely a replacement of the existing Federal Sales Tax. The FST, at 13.5%, is levied at the manufacturing level on manufactured goods only (representing 30 per cent of the GDP), while the GST will apply at 7% on the retail value of all goods and services, except basic food, medical supplies and resale housing. As the tax is to be imposed at the retail level, the effect will be to maintain taxation on manufactured goods at approximately the present level of the existing FST, while also extending taxation to a much broader segment of the economy than in the past.

2. In view of the insistence of the Department of Finance that the existing FST is counter-productive and must be eliminated, the Minister has not explained why the tax was raised in 1989 from 12% to 13.5%.

● (0620)

3. Apologists for the GST assert that the FST is unfair because it affects only the manufacturing sector of the economy. However, the present FST is paid by all sectors, in a ratio equitable to their consumption of manufactured goods. It is worthy of note that the FST does not now apply to production equipment or goods used in production.

4. When the GST was introduced, the Department of Finance assured Canadians it would be revenue-neutral, and would raise only sufficient monies to replace the FST and provide rebates to low-income Canadians. However, in the technical paper outlining the GST, it was stated that revenues would be applied to deficit reduction.

It is very difficult to understand this reasoning but I do not try any longer. To continue:

5. Canadians generally recognize that the federal deficit has reached an excessive level. However, the Minister of Finance is unable to assure Canadians that additional monies raised by the GST will not be spent on purposes other than deficit reduction.

That was made quite clear the other day when senators on the other side voted without exception against the motion presented by one of the independent Senators to that effect. To continue:

In addition, it is not possible for the federal government to assure Canadians the GST will not soon be raised beyond 7%.

Oh, no, the government will not say that. To continue:

6. Most countries which have introduced VAT-type taxes have experienced a revenue flow considerably in excess of original expectations. The Department of Finance is unable to assure Canadians that the revenue flow from the GST in 1991 may not be closer to $35 billion rather than the $25 billion estimate.

What is 10 billion? To continue:

7. Federal tax reform has been calculated to harmonize taxation regimes between Canada and the United States, so as to discourage Canadian emigration. It is perplexing, therefore, that Canada would wish to embark on a VAT-type tax when the United States does not have such a system.

8. It is recognized that the GST will provide a benefit to business corporations by virtue of the fact as registrants under the legislation, they will be able to recover their GST payments through input tax credits.

Hon. D.G. Steuart: Senator, would you answer a question? You have been talking about the amount of money the government claims it will get from the GST, as well as the effect of a VAT tax imposed in other countries but not the United States. In the research you carried out, can you tell us whether the tax experts who studied this are expecting that it will bring in more or less than the government is claiming?

We have heard conflicting statements about what the government will do with any surplus. Is there any guarantee it will apply it to the deficit? In addition, what has been the experience in other countries as to the rate of tax? Does it stay the same? The federal government has claimed it does not intend to raise the tax in the immediate future.

As well, do you have any information as to why the Americans have not put in place a tax similar to this, and what effect that will have on us since they are our largest trading partner? Perhaps you can comment on what you think that could do to a trading relationship which seems to be in trouble since free trade began.

Senator Hébert: I am not an expert by any means, but I understand the Americans were not inclined to introduce such a tax because in a country where you have many levels of taxation, such as here and the United States, it is very difficult to administer. That is why Québec has done what it has done with respect to the GST and its provincial tax.

As far as the amount of money it will bring in is concerned, I just read to you the comment that the Department of Finance is unable to assure Canadians that the revenue flow from the GST in 1991 will not be closer to $35 billion rather than the $25 billion estimate. In other countries it has brought in more money than predicted. Our Minister of Finance, of course, is very prudent and does not mention that the government may take out of our pockets about $10 billion too much. To continue:

> 9. Notwithstanding assurances of the Department of Finance, we anticipate that the GST will represent a significant factor in increasing the rate of inflation in Canada. Existing forecasts of minimal impact are based on the presumption that manufacturers will pass on savings from elimination of the FST, and that labour unions will not seek offsetting compensation. The Canadian Labour Congress has warned that its members will seek compensatory increases in their contracts.

There is the inflation. To continue:

> The announcement by the federal government of the establishment of a watchdog agency to monitor price effects of FST elimination may be an indication of the magnitude of the problem to come.

Senator Frith: Senator, before you leave the subject of the GST as a replacement for the manufacturers' sales tax, I wonder if you noticed the story in the *Globe and Mail* yesterday, December 3. The headlines is: "Study raises questions over GST benefits".

We have often heard of organizations outside the government, economic study groups and others, who have, as a result of their studies, raised serious questions as to some of the assumptions made regarding the GST and some of the selling points used by the government with reference to the GST. I do not think any argument made by the government is more common or has been more persistent than the fact that anything, even a GST, is worthwhile as a replacement for the manufacturers' sales tax. They argued that during our committee hearings and they have repeated it time after time after time. They tell us we will love the GST because we hate the manufacturers' sales tax.

This study is not from an outside organization, it is from Statistics Canada. The sub-heading is: "Statscan conclusions not so positive as Finance Minister has argued". It reads as follows:

> OTTAWA—A study published by Statistics Canada on Friday raises serious questions about one of the major assumptions used by Finance Minister Michael Wilson to promote the economic benefits of the proposed goods and services Tax.
>
> In singling out the benefits of the proposed 7 percent tax, Mr. Wilson and his Finance Department have said repeatedly that the existing federal manufacturers sales tax is "a silent killer of jobs," in part because it imposes a hidden tax on exports.

• (0630)

> The GST will replace the manufacturers' tax.
>
> "The replacement of the FST system with GST would, on average, reduce exporters' costs by almost 1 per cent, thereby making Canadian producers more competitive in international markets and increasing opportunities in export industries," the Finance Department said in its technical paper on the GST, issued last year.

That is 1989.

> But the Statscan study, which quantifies the effect of indirect taxes on the prices of commodities, says the impact of the FST on exports is only 0.5 per cent, significantly less than the estimate from the Finance Department.

So what we see is a statement of the Finance Department, cut very significantly by the Statscan study.

> Mr. Wilson—

and this is understandable, this will not be great news to you:

> Mr. Wilson declined to comment on the study, which he said he hadn't seen.

On the basis of what is said, and on what he has been saying, he wishes he has never seen, and probably wishes he never will see.

> A Finance Department official conceded that the Statscan study shows the effects of the FST to be less than the 0.8 per cent figure his department had calculated.

Here he is trying to make the best of a bad scene.

> However, he said the GST's real advantage is not so much on lowering the price of exports, in any case.

After we have been hearing all last year, and this year, that that is one of the major advantages, that it will lower the price of exports and thereby stop being a silent killer of jobs, it is neither silent nor a killer of jobs, according to the study.

The study goes on:

> Bigger benefits flow from the GST because the current manufacturers' sales tax discriminates against Canadian-made goods in favor of imports and because business will be able to claim a credit for GST on inputs, thereby reducing the cost of business investment, he said.

This is still the Finance Department.

> The study, published in The Canadian Economic Observer, a Statscan publication, calculates the effect of indirect taxes including sales and excise taxes, import duties and property taxes on the price of goods. It also calculates the values of subsidies received through the production and distribution process.
>
> "When the GST replaces the FST, investment in plant and equipment will no longer be taxed," the study said. "Under the GST, exports will also be exempt from tax, but here the impact on effective rates will be less noticeable, since under existing practice, the impact of FST on exports is confined to the indirect effect coming from the contribution of intermediate inputs (in 1989, the rate was only 0.5 per cent)."
>
> Total indirect taxes increased by 85 per cent between 1981 and 1989 or about 8 per cent a year.
>
> The effective indirect tax rate ranged from 5.2 per cent for food to 122.8 per cent on tobacco products and alcoholic beverages.

So much for the long sales job about the attractiveness of the GST as a replacement for the manufacturers' sales tax.

Another Wilson balloon burst.

You had not, perhaps, noticed that on the subject you were dealing with. Am I right?

Senator Hébert: Yes, you are right. I thank you very much for bringing it to our attention. I am sure that it will help us all to understand what we are dealing with, which is a very bad bill.

Senator Olson: That is the question to answer now.

Senator Frith: "Had you noticed it?," was my question. His answer was, "No".

Senator Hébert: Senator Frith is right, as he very often is.

In the conclusion of the Periodical Marketers of Canada presentation it urges members of the Senate to recognize the virtually universal rejection of the GST by Canadians, and to take steps to return the legislation to the House of Commons.

> We believe The Senate has a constitutional responsibility to carefully review legislation originating with the House of Commons, and to withhold its concurrence if it is felt that passage of such legislation would be detrimental to the best interests of Canadians.

I think we have proven that many times.

> In the case of the Goods and Services Tax, we urge that this legislation not be assented to, and that it be returned to the House of Commons.

[*Translation*]

A number of senators facing me, I am convinced, are beginning to be moved by the unanimity of the witnesses statements. How could they not be? They would of course have preferred not to hear them so they could fall asleep in peace this evening, after reading a good book! In any case, most of them aren't even listening, which is the safest way of keeping your mind safe from any thoughts that are not in conformity with the party line. To those who are worried, I imagine that my good friend Senator David would say, as he said to me yesterday:

> They may be right, but believe me, they are exaggerating. Their arguments are emotional and rarely supported by clear figures. Let's rely on Mr. Wilson—he is not emotional and he knows how to count.

That is the end of that imaginary quotation from Senator David.

So, I would not like to end this discussion (I am slowly coming to the end) without quoting at least one study that could not be called emotional since it was put out by the very serious Marketing and Economics Group of Woods Gordon Management Consultants. I will not read the entire study to you, just the summary because time is passing and it is nearly seven o'clock!

[*English*]

Woods Gordon was asked to confine its analysis to the economic impact of the tax, although it is evident that there will be considerable cultural and social impacts should the tax be implemented. The focus of the work was on 12 representative case studies consisting of four book publishers, four booksellers and four periodical publishers drawn from a number of provinces.

Some investigation of industry statistics was also carried out, although detailed study of industry impact was beyond the scope of the present work.

Most books and periodicals in Canada, and in many other countries, have been largely exempted from commodity taxes—

[*Editor's Note: For continuation of proceedings see Issue No. 115H.*]

THE SENATE

Thursday, November 29, 1990

[Editor's Note: Continuation of proceedings from Issue No. 115G.]

Tuesday, December 4, 1990

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE ACT
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMEND—THIRD READING—DEBATE CONTINUED

• (0640)

Hon. Jacques Hébert: That is, federal and provincial sales taxes—

—in the interest of avoiding barriers to communication and culture. The recent White Paper on Tax Reform has proposed a universal end to exemptions with the imposition of a multi-stage sales tax. The tax may take one of several different forms but the broad effects on publishers and booksellers are expected to be the same.

For purposes of the analysis it has been assumed that the provinces will tax whatever the federal authorities tax, and that the combined rate will be, effectively, 15 per cent of the retail sales price. Some 200 Canadian-based book publishers produce and import just under half the books sold in Canada, and generate sales of approximately $600 million dollars, or $900 million dollars in retail. The balance of books sold in Canada are imported directly by individuals, institutions, et cetera. The total value of the retail book market in Canada is some $2 billion.

Most publishers are small and highly dependent on government grants. Grants and other measures to assist the industry have been put in place to counter the strong influence of imported books and to help foster Canadian content in the educational and entertainment market.

The economies of publishing trade books—trade books, novels, art books, how-to-do books, et cetera—which account for almost half of the industry's sales, are quite different from those of publishing text books for elementary, high school and college use. Tradebook publishing is a marginal activity for all but a few, since success increasingly depends on producing best sellers for which foreign publishing, film and television rights may be sold.

Textbook publishing, under the stimulus of "Buy Canadian" policies have been more profitable, but heavy investment is required and prospects generally have dimmed as funding for print materials has suffered under budgetary constraints in several provinces. About 5,000 people are directly employed by book publishers.

The book selling industry is not well documented. Apart from two large chains with 50 per cent of the retail market, excluding sales to campus bookstores and non-traditional outlets of mass merchandisers, most bookstores are relatively small, single or two or three-branch operations. Small booksellers generally make low profits and subsidize their operations by taking sub-normal salaries as owner-operators.

[*Translation*]

What always amazed me is that the pleasure of working in a bookstore, of handling books, selling them and looking at them somehow makes up for the meager wages. You do earn much less if you work in a bookstore than in a pharmacy or a hardware store. That is because the magic of books is operating even on the employees of a small bookstore.

[*English*]

There is an animated discussion in the other corner and it is not very helpful for the stenographers. I personally do not mind, but it is not very considerate toward the stenographers.

Although book stores sales have, in general, kept pace with the rate of growth of retail sales, Canadian family expenditures on books dropped 38 per cent in real terms between 1978 and 1984.

Periodical publishing is a very diverse industry with some 1,100 Canadian publishers producing around $835 million dollars in sales, of which some $475 million dollars came from advertising sales and the balance from subscription and single copy sales. Imports account for about 60 per cent of combined single copy and subscription sales.

Periodicals may be categorized by subject matter or by the profit/non-profit motive of the publisher. Publishers derive their revenues from advertising (about 60 per cent of total revenues) subscription, and single copy sales. The Canadian periodical industry as a whole and 60 per cent of periodical publishers incurred a small loss in 1984.

A small loss, not a profit.

Of the four groups surveyed by Statistics Canada, only the very largest with annual revenues greater than 1 million, representing less than 10 per cent of all publishers, made a pre-tax profit in 1984. Periodical sales grew strongly in the 1970s, as did advertising in them, but in the past few years periodicals have lost some ground.

Books and periodical publishers and book sellers alike face other economic threats besides a new tax.

Senator Frith: Why don't we let senators opposite fill the time with their talk.

Senator Hébert: I am hearing voices. I am hearing the voices of senators.

Senator Frith: It is all right. They are real voices; they are not fanciful.

Senator Hébert:

Prime among these are postal rate increases which could potentially add some $170 million to the industry's costs and the removal of barriers against unfair U.S. competition, the future of which the bilateral trade negotiations with the United States are bringing into question. It is also evident that applying a new commodity tax equally to domestic and imported books and periodicals will be very difficult. Many imports, which are imported by mail in small value packages, will escape tax unless the government chooses to spend far more on collection than it derives in revenue.

As noted earlier, imports account for over half the sales of both books and periodicals. So the inability to tax a proportion of imports will mean that they will enjoy an unfair advantage over books and periodicals published domestically.

If a commodity tax is imposed, most book publishers and sellers and most periodical publishers will seek to pass it on to readers and/or advertisers.

The published studies on the way in which demand by readers and advertisers will shift in reaction to price increases are not conclusive. Furthermore, most studies and industry tests have looked at price sensitivity in the context of constant relative income and constant relative prices of competitive products.

The White Paper on Tax Reform poses a completely new situation in which many consumers' disposable income will rise and the relative prices of most goods and services will change. However, the one thing that is clear is that since books and periodicals are not currently subject to tax, books and periodical prices will likely rise faster than most other commodity prices.

The economic statement accompanying the White Paper projects inflation at about 3 per cent after tax reform and, in this context, there must be declines in the price of other goods and services which compete with books and periodicals. Other industry may have the opportunity to cut employment costs in recognition of higher after-tax incomes, but the book and periodical industries generally pay low salaries and wages, and employees could be expected to resist any pay restraint.

In view of the uncertainty over the impact of price increases on demand, it was decided to test three different reactions by publishers, booksellers, readers and advertisers. We believe that these scenarios represent the most reasonable range of reaction that might occur, although we suspect the second scenario is the least likely of the three.

[Senator Hébert]

• (0650)

The first scenario assumes that the market will bear no increases and that the whole burden of a new tax falls on the supplier. Total physical volume of sales is assumed to remain static, as are costs.

The second scenario assumes that the market, advertisers and readers will bear half the costs of the tax.

[*Translation*]

I can hear you from here, Senator Bolduc.

[*English*]

They are not listening and most of the time they would not understand, in any event.

The second scenario assumes that the market, advertisers and readers will bear half the costs of the tax without reducing the physical volume of purchases. Costs are unchanged as in the previous scenario.

Finally, it was assumed that publishers and booksellers would pass on a 15% price increase to the market, which would react by reducing its physical purchases by a similar amount, leaving the industry with unchanged revenues. However, the industry would reduce its variable costs.

The table opposite summarized the pre-tax profit position after grants and other income of each of the cases studied at present and under the three scenarios. It will be evident that only the large firm in favoured categories, i.e. textbook publishing, emerged from the tax with some profits left.

I think I will repeat that sentence.

It will be evident that only the large firms in favoured categories, i.e., textbook publishing, emerged from the tax with some profits left.

I may remind you that it is Woods Gordon Management Consultant that is talking after a long and in-depth study.

Senator Frith: Why is that?

Senator Hébert: Why is that?

Senator Frith: Yes. Read that sentence again.

Senator Hébert:

It will be evident that only the large firms in favoured categories, i.e. textbook publishing—

That they will survive.

Senator Frith: Because they have such huge volume and guarantees.

Senator Hébert: That's right. They will have some profit left.

Senator Frith: And guaranteed sales.

Senator Hébert: Yes, but the others will disappear.

Senator Frith: The taxpayer will pick up that tab, because those books are mostly sold to school boards.

Senator Hébert: That is right.

The most favourable scenario is generally the absorb—50% one, the scenario which most cases believe to be highly optimistic because they believe that the market is more sensitive to price increases than this scenario implies. We generally concur with these reservations, especially insofar as short-term market reactions are concerned. In the longer term, markets may be somewhat less price sensitive, but few publishers or booksellers have the financial resources to withstand even shortterm reversals. The impact on the small firms, generally Canadian-owned and entirely Canadian-based, will be particularly hard.

We also examined the possibility of firms making drastic cuts in costs or in the nature of their operation if forced to do so by unacceptable earnings. Changes examined included large staff cuts in various functions, closing branch operations, reducing expenses for advertising and promotion, reducing investment in new projects and reducing the number of works by Canadian authors. Many of these changes would be unacceptable to the firms concerned who already earn subnormal returns, and who remain in business largely because of their dedication and commitments.

Other changes, that is reducing outlets and investment, often mean sacrificing the future in order to survive for the present. In any event, in most cases even these drastic cuts are not sufficient to change the financial result by enough to tip the balance from bankruptcy to viability. As noted earlier, the ability of firms to withstand reduced profits or increased losses in these industries is minimal. Most of the smaller firms are under-capitalized, and increased losses on the scale shown are sufficient to wipe out their equity in one or two years. The table below shows the number of years required to eliminate the equity under each scenario.

The result of the case studies are confirmed by an analysis of industry data using the same three scenarios. The book publishing industry, which is currently profitable in all sectors, although many smaller firms make a loss and many rely heavily on grants, shows a loss in all scenarios for Canadian-owned trade book publishers, and in all but the absorb-50% scenario for foreign-owned trade book publishers. Canadian and foreign-owned textbook publishers show a loss under the absorb-100% scenario, and only marginal profits under the other two scenarios.

The bookseller industry, which is currently profitable in the large and medium-sized groups, would show large losses in all sized groups under the first scenario; that is, it cannot absorb the tax. Profits are also severely reduced under the two other scenarios; that is, firms pass on the whole tax and see volume decline, and when firms are able to pass on half the tax without any drop in sales. There is a marginal difference in results between these larger two scenarios. However, both are somewhat less severe in their impact on profit than the first scenario.

The periodical publishing industry as a whole incurs a small loss at present with only 40% of publishers being profitable. Of the four sized groups of publishers surveyed by Statistics Canada in 1984, only the very largest, with annual revenues in excess of one million dollars, made a profit. This group accounts for less than 10% of the total number of publishers surveyed. Under all three scenarios, every group makes a loss, although within each group there will be individual firms which continue to be profitable.

We believe the scenarios presented represent the reasonable range of possibilities for the industry, and that the severe financial difficulties projected for most elements, particularly the small firms, are likely to occur. The industry itself believes that some of our scenarios, in terms of cost-cutting and the market's willingness to accept price increases, are optimistic. We are inclined to agree, but have shown these scenarios because we recognize governments may have a different perspective. To the extent that the scenarios are optimistic, then the situation will be worse than projected. In view of the likely consequences of an MSST, it seems appropriate to continue the long tradition of exempting books and periodicals from commodity taxes.

• (0700)

I am coming slowly to the end—

Some Hon. Senators: No!

Senator Hébert: —but there are still some things that I would love to have shared with senators.

[*Translation*]

I would like to quote a few lines from a short study carried out by one the researchers at the Library of Parliament, namely Mr. Terrence Thomas from the Economics Division.

This is a brand new study, dated November 2, 1990, and because it is so recent, I think we should take a look at it. It is very short. I know Senator David is always interested in knowing how long things are. In this case, not very long, only five pages long.

[*English*]

Publishing has long had a special position among Canadian industries. Since Confederation—

[*Translation*]

Of course, we read that before, but it is worth repeating.

[*English*]

—for example, books have not been taxed, and the government has several programs that involve subsidies to publishing. A study by Woods Gordon in 1987 ("Impact of a Multi-Stage Tax on Book Publishers, Booksellers, and Periodical Publishers") set out the favoured position of publishers under the existing tax system:

> Under the existing FST (Federal Sales Tax) system, exemption from the tax is extended to most books, magazines and newspapers. Manufacturers of these items are entitled to exemption on all their purchases of raw materials—

[*Translation*]

I think I should repeat for senator David, who asked me the question on Monday, I think. Senator David, you did ask if there were exemptions for products such as equipment, presses, etc.

Let me read you a few lines from Woods Gordon which, I believe, will answer your question.

[*English*]

> —consumables and production machinery. Non-production assets, such as office furniture and equipment, must be acquired FST-paid by all manufacturers, wholesalers and retailers of such publications.

[*Translation*]

So, the manufacturers sales tax must be paid on office furniture in printing operations, but not on what actually makes up the books.

[*English*]

> It should be noted, however, that for sales of these non-production assets, the FST is paid on either the Canadian physical manufacturer's sale price or on the duty paid value if imported—often one or two trade levels before that of the purchaser.
>
> Most provincial governments exempt books and periodicals from retail sales tax. However, in some provinces, periodicals sold on newsstands are taxed.
>
> In other words, the existing indirect tax system in Canada provided an indirect subsidy to the publishing sector, allowing prices in publishing to be lower than they would have been if taxes were spread evenly over all sectors. There are several reasons, of course, why publishing received such favourable treatment, but we can ignore these reasons for the moment. What is important now is that the proposed Goods and Services Tax (GST) will eliminate much of this implicit subsidy.
>
> A first effect of GST on publishing, therefore, is that the prices of published material should rise relatively more than the prices of other products. If consumers are sensitive to price changes of published material—an important point to be discussed below—the purchase of such material will fall and the revenues of publishers will also fall. Given the precarious financial position of many publishers, the lost revenues could drive some out of business (or force them to change current practices). In addition to these price effects, there are income effects to consider; if GST increases income, as some predict, there will be positive income effects leading to more purchases of books and periodicals. Obviously, what is wanted is the net effect of price and income changes; here, most observers think that the price effects will swamp the income effects (more detail will be provided below).

[Senator Hébert.]

The above focuses directly on the supply side, on companies that publish books and periodicals. There is also the demand side. Each sale is, of course, also a purchase, so it might seem that we can be indifferent to which side we analyze. But when we look at the demand side, at the people buying books and magazines, we see more than the mere purchase of commodities—we discover reading. Although the effects of GST on reading are obviously related to the effects on the publishers—fewer books and periodicals will be bought and read—reading is not this easily measured.

Reading is a skill that is important in a developed economy and in a democracy. Both the economic and political systems work better with literate citizens, and it is for this reason that publishing, with its obvious links to reading, has enjoyed special status in Canada (as well as in many other countries). In terms of the current GST debate, many people argue that publishing should be "zero rated"—that is, the output of publishers should not be taxed, while any GST paid on inputs by publishers would be fully deductible. Zero-rating would re-establish the indirect subsidy the current system offers publishers.

In its brief to the Senate's Banking Committee, the Don't Tax Reading Coalition provided several reasons for a zero rating for publishers and booksellers. The following list is based on the brief:

1. A zero rating would be consistent with current domestic and international prices;

2. All stages of the manufacturing process, from paper to thread, have been exempt from the Federal Sales Tax since Confederation;

3. Consumers and producers have never paid tax on reading matter;

4. As 75 per cent of books in Canada are imported from the U.S., booksellers would face a cash flow problem if required to pay GST at the border;

5. Education, essential to our remaining internationally competitive, will be hit with the tax (and there is no guarantee that the revenues from the tax will flow back to our schools and universities);

6. The principle of tax-free reading and writing is a democratic one and does not discriminate among Canadians; and

7. A GST on books and periodicals masks any support the government might give to reading and writing, and certainly throws up contradictory signals about official policy towards literacy . . . .

As mentioned above, what GST does to publishing depends on the net result of price and income effects. Economists have developed the concept of "elasticity" to provide a useful way of summarizing the possible influence of price or income changes on the quantity demanded of some good or service. The elasticity gives the percentage change in the quantity demanded following a 1 per cent change in price (or income). The following

table shows some recent estimates of elasticities for the print media.

The estimates not in parentheses come from an Informetrica study prepared for the Department of Communications . . .

● (0710)

The minus signs before the price elasticities reflect the fact that an increase in price will lead to a decrease in quantity demanded; the income elasticities are positive, showing that an increase in income will lead to an increase in the quantity demanded. Note that there is a seeming precision to these estimates that may not be warranted . . .

The Informetrica study noted that the elasticities estimated by them and by Coopers & Lybrand were roughly consistent. As the Informetrica study concluded:

Those studies highlight the importance of the income response providing an offset to the shift in relative prices. However, the general conclusion is relatively clear that personal consumption of print media will be lower under a comprehensive MSST {Multi-Stage Sales Tax} regime than it otherwise would be. (p.32)

By removing the inefficiencies of the old tax, the new tax was forecast to improve productivity and the international competitiveness of Canadian firms. For 1991, Gross Domestic Produce was forecast to be $288 million higher than it would have been under the old tax system. Total consumer expenditure was forecast to be $224 million higher, but consumer expenditure on books, magazines and newspapers was forecast to fall by $24 million.

CONCLUSIONS

The Informetrica estimates are by no means precise. The gains in GDP, to cite only one example, are probably much too high given that the GST will not be revenue neutral. Nevertheless, the Informetrica study probably provides rough orders of magnitude for the effect of the GST on publishing in Canada. Price effects will be more important than income effects. Without the implicit subsidy that the current tax system provides (and that a zero rating under GST will restore), publishing will suffer relative to other sectors in the economy. Given the precarious financial condition of many publishers there could be considerable shake-out in the industry.

That means a lot of businesses will have to close their doors.

I have a lot of other material, but I feel it would be unfair to continue when other people here want to speak, so I will conclude rapidly.

[*Translation*]

During the past hours, or should I say days, I believe I exhausted every argument in favour of the government making books tax exempt, which arguments also apply to magazines and newspapers. I have repeated, in summary form, the arguments put forward by professional associations as well as by independent experts, as you may have seen tonight or this morning, I have lost track.

I echoed the earnest pleas of cultural groups which, although they do not benefit directly from the publishing industry, are very much aware of its importance to a nation's culture. I recall that all countries that have a similar tax—except for one, Denmark—either exempt books or tax them at a preferential rate. Finally, I mentioned the example of the Government of Quebec, which, after taking a very rigid position similar to that of the Mulroney government, finally saw the light. It realized that taxing books in a country like ours is a crime against culture, the kind of crime intellectuals and, through them, the population of this country, do not forgive easily.

I imagine the Government of Quebec gave in because it was afraid of the common front of intellectuals throughout the province, of the publishers, booksellers, librarians, unions and practically all pressure groups in Quebec except, of course, the manufacturers association. That was the only exception. This is a very clear case where fear was the instigator of wisdom.

One wonders why the federal government remains unmoved by similar arguments, not just from Quebec but from all Canadian provinces and the Territories. One wonders why the fear of being forever ostracized by the intellectuals of this country fails to move Mulroney, Wilson, Masse and the rest. Is this another demonstration of the arrogance that tends to take over small minds when they are in power? Is this a form of contempt for culture, a contempt that has always been a characteristic of conservative governments and right-wing parties?

Of course, when the party in power—two more years left—is down to 14 per cent in the polls, it's reasoning maybe that it can hardly go down much further. What is one unpopular measure more or less? The 14 per cent must include all Canadians in favour of the GST, in other words, the wealthy who are not bothered by this tax; the manufacturers who stand to benefit very nicely; and a few innocents who trust the Conservative Party's policies without asking questions. Among those innoncents I think we should include the senators opposite, including those independent senators who must be Conservatives because they always vote with the government. I am referring to Senators Molson and Everett.

So when you are down to 14 per cent in the polls, you can afford to thumb your nose a little longer at the 86 per cent who don't agree in any case. The Mulroney government reasons as follows: let's ram the GST through, whatever it takes; let's limit debate in the House of Commons by using closure as often as we can; let's abuse the Constitution and stack the Senate with eight more Tory senators. With those independents who are shameless Tories, we have a majority. Let's use the Speaker of the Senate to change the rules of this Chamber as required.

The goal is to ensure, by fair means or foul, that the GST is passed by the Senate soon enough so that it will come into force on January 1. The opposition will scream, a few bleed-

ing-heart editorial writers will perfunctorily criticize our less than democratic methods, the people will complain a little, and then we'll prorogue Parliament until March 1991. Hurrah for the holidays! Only a few days left before Christmas to do your shopping. Jingle bells! Jingle bells!

Mulroney and Wilson will be satirized a bit during special holiday programming on the CBC. Sure, we'll stay down at 14 per cent in the polls but the GST will raise billions. When the time comes—maybe a year before the election—we will have enough money in the pot to distribute those pre-electoral goodies. If the intellectuals are still screaming, if Senator Chaput-Rolland—who just came in—is still hanging on to the coattails of the Prime Minister, as she swore to do in her historic speech, we may be able to reduce the GST on books, even though 20 or so publishers will have gone bankrupt and 50 or so bookstores will have closed their doors. Maybe then we can think about promises!

There will still be enough to woo the female electorate with a nebulous daycare project or some other program that is popular according to the polls. That's it in a nutshell, honourable senators.

[*English*]

● (0720)

Some Hon. Senators: Hear, Hear!

Hon Michael Kirby: Honourable senators, in rising to speak on Bill C-62, the first observation that I would like to make is that I do not think I will be as long as Senator Hébert. I realize that many members opposite will be disappointed by that observation, but nevertheless that is the case.

What I would like to do in my remarks is deal with four separate subjects, the first of which will be to talk about the regressivity and the unfairness of the GST and the way it is being implemented. The second point will be to talk about the impact of the GST on the Atlantic Provinces in general, and Nova Scotia in particular. The third point I would like to deal with is the fact that the government has often argued that there are no alternatives to the GST, and I would like to talke about some of those alternatives. Finally, I would like to make a number of concluding remarks on the debate over the GST that has permeated all walks of life in the past couple of months.

It seems to me that one of the best ways to begin my observations on the GST is to give you some illustrative examples of the kinds of letters which many of us have received, not just on this side of the chamber, but I believe on the other side of the chamber as well, with respect to the GST, and with respect how people feel about it. I have selected a couple just because they are ones that I have received recently. Let me give you an example.

Owen Calhoun, writing to me recently from Burlington, Ontario, said the following:

> Dear Senator Kirby;
>
> I have just been reading the scenario presented to you by Laurent Thibault, President of the CMA.
>
> The uncertainty of the GST being in place by Jan. 1/91 has nothing to do with making it difficult for companies to make the necessary capital outlays for equipment. It is nothing more than anxiety to retrieve the FST credit on their inventories.
>
> I appreciate your concern for assurances that companies pass along the savings from the eradication of the FST but your concern is in vain.
>
> The consumer and taxpayer will not reap any benefits from the GST, now or ever.
>
> Most prices have been increasing over the past few months and continue to increase to compensate for the FST credit. The government is too far away from the forest to see the trees and the GST will be the final straw on the camel's back.
>
> The people of this country are fed up with money grabbing governments and it is time that we got back to a government of the people, for the people and by the people. A Majority government is not a people's government and should be prevented with a controlled number of seats.
>
> The government needs a new set of rules laid down by the people and enforced by the Senate and Governor-General.
>
> The recent act of Mulroney to appoint new Senators for biased reasons indicates that the government may control the Senate for their own selfish reasons. All the more reason for an elected Senate of unbiased Senators.
>
> For the sake of the Canadian working people and a united Canada, put the GST in the trash can where it belongs.

Please defeat the GST. I give you that as an illustration of the kinds of letters which we have been receiving for a long time on our side of the house. As I go through my speech, I will be referring to other letters which I think reflect fairly and clearly the view of a great number of Canadians: that the GST ought to be stopped, for a variety of reasons. One of those reasons is the fact that the tax is perceived to be, by a great many people, both regressive and unfair.

Indeed, the words "regressive" and "unfair" were the words which the committee heard more than any others. Witnesses from St. John's to Vancouver, from Toronto to Whitehorse and Yellowknife, all talked about regressivity and unfairness. They all talked about how the GST will hurt small businesses, non-profit organizations, charities, health care practitioners, and low-income Canadians from coast to coast.

All of this, despite Finance Minister Wilson's promise before the committee that, I quote:

> GST protects Canadians of low and modest income. It is a fair tax.

I would like to offer a three-stage rebuttal to Mr. Wilson in the form of excerpts from testimony before the Banking, Trade and Commerce Committee during its cross-country hearings this summer.

First, I would like to cite passages from the committee report that speaks to the issue of the fairness, or in reality, the

unfairness of Bill C-62. Secondly, I would like to cite excerpts from testimony on general issues from witnesses who appeared before the committee in Ottawa, since these groups tend to represent national organizations. Thirdly, and finally, I would like to turn to more specific testimony, excerpts that reflect the problems created by the GST in each city, province or territory we visited this summer.

To begin with, let me turn to the broad issue of the fairness or the lack of fairness of the tax. Even more important than the technical flaws in the bill—and certainly witness after witness, particularly from the business sector and particularly from the small business sector, talked about the technical flaws in this bill—even more important than the technical flaws is the issue of fairness. Any tax that is going to raise $18.5 billion a year, and constitute a major part of the federal tax arsenal, must include some basic elements of fairness.

The GST and other VAT types of taxes are generally not viewed as meeting this basic requirement of fairness. Generally, the GST and consumption driven taxes are viewed as regressive taxes because lower income individuals spend a greater share of their income on consumption, and are therefore obliged to pay a greater portion of their income in sales tax.

To make the GST more acceptable, the federal government is including a system of enhanced refundable tax credits as part of the GST package. If the basic structure of the tax is going to be determined by the tax credits, then these tax credits must be effective, and must be fair. Instead, the provisions of the bill ensure only temporary fairness. The tax credits do not do the job which they are meant to do.

Indeed, it is precisely in order to deal with this problem, in order to deal with the fact that the tax credits decline in value relative to the cost of living over time, that we introduced as one of our eight amendments, an amendment which would have fully indexed the tax credits and fully indexed the level at which those tax credits cut in. It is indeed unfortunate that members opposite chose not to support that amendment, since the government has repeatedly argued that the tax is fair. That argument is completely undermined by the refusal of members opposite to support that particular amendment which we introduced in this house two weeks ago.

The tax credits and the income threshold which decline, as I have said, over time, are only indexed to take account of inflation in excess of 3 per cent. Thus, the real value of the credits would decline over time and an increasing number of individuals and families would have these benefits reduced. Eventually, even the very poor would not be protected from the extra costs imposed by the GST. Indeed, after only five years these same families would lose up to $300 of the purchasing value of their credits. That amounts to one half the maximum value of credits for which they are eligible, and this reduction in purchasing power, in real value, can occur after only five years.

• (0730)

In the past, the Conservative government has made statements about adjusting these sales tax credits and the income threshold over time. However, the committee was not in a position to evaluate the government's intentions. The committee could only judge the GSt on the basis of legislation which was before it; not on the basis of vague promises made by the government.

Clearly Bill C-62 does not provide for full indexation of the refundable sales tax credit and income threshold and, indeed, this is one of the major failings of the bill. This is not the only problem with GST credits. The $100 single adult credit is not fully obtainable unless the individual's income exceeds $11,169. We are told that this credit is designed to reach the working poor. That is a laudable goal but why must it also be denied to the very poor who are in most dire need of assistance?

Moreover, if Quebec continues to treat the refundable tax credit as income, for purposes of determining social assistance, the GST tax credits would merely offset social assistance benefits to the poor in that province. The net effect would be that the GST tax credit would amount to a transfer of revenue from the federal government to the provincial government and not to those who are most in need of help.

Honourable senators, it is indeed regrettable that about a week ago up to five provinces were contemplating, in effect, taxing back the GST credits to low income Canadians by reducing social assistance payments in an amount equal to the GST tax credit. When that story appeared in the media, the government made no argument and did not attempt to say how strongly it would lobby the provinces not to tax back that money. It did not indicate what other measures would be taken to ensure that the GST tax credits ultimately were received by Canadians for whom they were intended and were not ultimately given to provincial governments. The GST completely fails to take into account the high cost of living in Canada's remote regions. The GST would apply on the final price of goods and services including transportation costs. Transportation costs are a significant component of the price of goods in the north, particularly in the Yukon and the Northwest Territories, but equally in some of the more remote regions of southern Canada.

Although the average Whitehorse family would pay $400 more GST than the average Canadian family, this is not reflected in the value of the tax credits. The committee was also told that the cost of living in Yellowknife is 40 per cent higher than in southern Canada, with outlying settlements across the Northwest Territories and particularly in the high arctic having a cost of living which is more expensive than in Yellowknife.

Thus, not only are the credits too small, but the income threshold of $24,800, at which the GST credits start to be reduced, will not reflect the same standard of living in the north as in southern Canada. Again, honourable senators, an attempt was made by members on our side to correct this element of unfairness in the GST. We introduced an amend-

ment last week which would have exempted the GST for families living north of 60, in the Yukon and the Northwest Territories.

Again, in spite of having heard witnesses testify at hearings in Yellowknife and Whitehorse, it was members opposite who took the view that it was acceptable for the government to impose a GST which was clearly more expensive and more harmful to the people living in remote and northern regions of Canada.

It was members opposite who decided to defeat that liberal amendment because they believe that increasing the cost of living in the north is, in fact, an acceptable policy for the federal government to follow.

The system of tax credits is not the only means by which the government has promised the people that the adverse consequences of the GST would be mitigated.

Some products are to be zero rated while others are to be tax exempt. The government, for example, has made much of the fact that residential rents are tax exempt. This exemption serves to conceal the GST which is to be paid on inputs into the cost of operating rental property. Therefore, that component of the GSt will inevitable wind its way into the rent structure.

In fact, the exemption on rent serves to conceal the GST paid on inputs and it is particularly ironic that this component of the GST should be hidden. One of the strong arguments the government has made in favour of eliminating the manufacturers' sales tax has been that it is invisible. In spite of that, this government is replacing what it says is an invisible federal sales tax with an implicit and invisible tax on residential rents.

In the case of new rental accommodation, in fact, the increase in rents caused by the GSt will be substantial. Again, in hearings across the country this summer, the GST committee heard evidence which outlined the extent to which the GST would increase rents, particularly in new buildings.

Many Canadians are finding it difficult to purchase their own home and, indeed, the possibility of home purchase has decreased significantly for many Canadians as a result of the high interest rate policy in the government. The government has assured Canadians, nevertheless, that the affordability of housing will not be affected by the GST. In spite, of those reassurances by the federal government, the evidence received by the committee suggests otherwise.

For example, under the GST, land will be taxed for the first time. Across Canada, particularly in major urban centres, and not merely Toronto and Vancouver, land constitutes a large part of the price of housing. In the cities of Toronto and Vancouver and, indeed, in much of the golden horseshoe in southern Ontario and in the peninsula in Halifax, new home prices could increase by 4 per cent as a result of the GST; a figure which is substantially higher than that quoted by the federal government. In Toronto, this amounts to a 10 per cent increase.

In our hearings across Canada this past summer, the committee received presentations and data from a variety of groups. They made it clear, particularly with respect to new homes, that the GST has already slowed the housing market, and will continue to do so. Even though the sale of used housing is free of tax, it is anticipated that this market will also see price increases as a result of the GST. Since used housing is a substitute for new housing, an increase in the price of new housing will inevitably drive-up the price of used housing. More directly, however, many of the soft costs associated with purchasing a home, real estate fees, legal fees for example, will now be subject to the GST. A 7 per cent tax on these costs would increase the price of a home by nearly 1 per cent. Again, I repeat, that is a 1 per cent increase at a time when Canadians are finding it increasingly difficult to buy their own home.

• (0740)

There would be a GST rebate of 2 1/2 per cent on purchases of newly constructed homes valued up to $350,000; in other words, although the GST will only be 4 1/2 per cent on homes valued up to $350,000, the government will only rebate 2.5 per cent, and the rebate will decline until the GST hits its full value of 7 per cent at $500,000. There is no similar rebate offered on rental accommodation. The committee heard that the cost of new rental accommodation will increase substantially. On average, the GST would raise residential rents by 2 per cent in Ontario, as even older buildings will be subject to the tax on many inputs.

Similarly, the committee was told that the GST could raise the price of monthly rentals by $27 to $56 in Vancouver; that is $300.00 to $600.00 or more a year. Low-income families can ill afford such rent hikes, particularly in tight rental markets where almost one-half of the tenants with incomes below $25,000 a year already pay 30 per cent of their income in rent. The committee was very concerned that the government had chosen to discriminate against rental accommodation by not providing rebates on newly constructed rental units. That was one issue that was debated in most of the major cities, given the importance of rental accommodation in those communities.

Those of us on this side of the house do not understand why the government has chosen to discriminate against renters in this way. Indeed, the government's policy appears to favour those who can afford to purchase a new house, to favour those of higher incomes over those with more modest incomes who must rent their accommodation.

Although the GST does not tax basic groceries, it is misleading to say that it does not tax food. The committee has been told by several organizations, most notably the Canadian Restaurant and Food Association, that 40 per cent of the household food dollar is spent in eating establishments. When food items which are not basic groceries, either by the nature of the items or by the size of packaging, are added in, the notion that food is not taxed, proves to be completely false. In fact, if one looks at the significant increase in the amount of money the average family is spending eating out because of the increase in the participation rate of women in the workforce, it is clear that the impact of the GST on the cost of feeding a

family is going to grow rather than lessen over the next several years.

It seems extraordinary to this committee and to members of the committee on this side of the house that in introducing Bill C-62 the government should fail to address adequately a problem as fundamental to a sales tax as the issue of regressivity. Indeed, the government has proposed a tax which simply, in spite of all of its rhetoric, does not meet the test of fairness. This tax is unfair to lower income families. It is unfair to those living in high-cost parts of the country. It is unfair to those who are renters. Essentially, what the government is saying through its legislation is, "if you are on a low income and if you live in a major urban area or in a remote part of the country, particularly the north, then we are going to treat you unfairly and you had probably better decide to move somewhere else in the country.

This theme of regressivity and unfairness recurred throughout the testimony the committee heard. Witnesses in Ottawa and in cities across the country spoke of regressivity and unfairness not merely in relation to the issues I have just raised, but in fact in relation to a myriad of other issues as well. Witnesses spoke of the inequity of the GST toward pensioners and senior citizens, toward fishermen, toward the cooperative movement, toward the tourist industry, toward Indians and native peoples, toward farmers and toward small businesses.

The following are excerpts from testimony which I think highlight very clearly what witnesses who came before the committee saw as the regressivity of this tax. Speaking for the committee in Ottawa, Pat Grady of Global Economics on the 30th of May this year, said, and I quote:

> 2.1 million, or 46 per cent of Canadian families . . . earning less than $30,000 per year will actually pay higher taxes in 1991 as a result of the GST.

Effectively, half of the Canadian taxpayers will have their taxes increased as a result of the GST.

With respect to the impact of the GST on pensioners, Claude Edwards, speaking on behalf of the Federal Superannuants National Association, said to the committee, and I quote:

> We consider the proposed goods and services tax to be a regressive form of taxation, which will have a more adverse impact on low income Canadians who are obliged to spend a greater portion of their incomes on necessities than Canadians with higher incomes.

Claude Edwards then went on in particular to talk about the percentage of seniors classified as Canadians with lower incomes, and therefore the very regressive effect and unfair effect which the GST would have on those Canadians.

With respect to the issue of GST tax credits, Wolfe Goodman of Goodman and Carr, a Toronto firm, made the following observation and I quote:

● (0750)

> . . . the system of sales tax credits . . . will only take account of inflation in excess of 3 per cent . . . I submit that this is grossly unfair to the poorest and most vulnerable people in our community.

Again, Mr. Goodman was emphasizing the theme which anti-poverty organizations across the country stressed, which is how unfair the tax will be to low income Canadians.

One might assume, on the basis of much of what has been said by the government about the GST, that there are no alternatives. In a few moments I will be talking about that issue in detail, but I merely illustrate the fallaciousness of the observation that there are no alternatives by referring to testimony given before the committee by Neil Brooks, a professor of law at Osgoode Hall and a noted authority on taxation. He said the following:

> There are just all sorts of problems with the refundable sales tax credit . . . it clearly can't remove any of the regressivity over middle-income classes . . . Middle-income classes are clearly going to pay a much higher percentage of their income in this sales tax than high-income people are, and they are not going to qualify for any of the refundable sales tax credit..even with the credit federal consumption taxes are regressive.

Again, with respect to the impact of the tax on senior citizens, the Canadian Seniors Network appeared before the committee in Moncton. Mrs. Jean Woodsworth of the Canadian Seniors Network said the following:

> We . . . believe that no matter how you try to adjust the system with tax credits, a regressive tax is still a regressive tax. It will hit lower and middle-income Canadians more than the wealthy . . . Not only is this tax unfair, but it also comes at a time in our lives when our financial options—-

that is to say, the financial options of senior citizens,

> —-are very limited.

Shirley Carr, speaking as President of the Canadian Labour Congress, testifying before the committee and addressing specifically the issue of regressivity of the GST, said the following:

> [The GST] is regressive because the same rate applies to all taxpayers and because low and middle-income households spend a far higher proportion of their income on current consumption than do high income households . . . it is particularly unfair because it will apply to a wide range of essential goods and services, including some heating fuels, electricity and children's clothing . . .

Terence Hunsley, the Executive Director of the Canadian Council on Social Development, put the GSt in the context of the overall tax policy of this government since 1984 when he said the following:

> Over the years, the combined effect of the de-indexing of the benefits in the tax system generally has left people who are in lower income categories worse off than they were when this government took office. Even though there may be periodic adjustments, when you take a look at the

> cumulative effects of the tax changes and the changes of the benefit system, low-income families are worse off than they were in 1984. The overall impact of this government's changes to the taxation system is and has been regressive and the GST will further exacerbate that situation.

Honourable senators, I have given you those quotes from national organizations who testified before the committee at our Ottawa hearings in May because I think they reflect the tone, the attitude, and the concerns which many people have expressed. To give senators a little of that flavour and to indicate that we were not merely hearing from the leaders of national organizations but, at the same time, heard from other organizations, let me cite testimony from witnesses who appeared before the committee during its cross-country hearings.

In Charlottetown, for example, Mary Boyd, the Director of the Social Action Committee of the Roman Catholic Diocese of Charlottetown, speaking to the committee there on July 9, said:

> . . . 25 per cent of low income people do not file income tax forms. If those people can be found, we feel that they would not be able to fill out the rebate forms without help . . . this tax will generate a lot of problems for low income people.

The point Ms. Boyd was making was that low income people may not in fact apply for the GST tax credit because they may not know how to do so. Consequently, even though the GST tax credit is not fully indexed and is regressive, the fact is that it will be non-existent for many low income Canadians because they will not know how to apply for the credit.

Similarly, the impact on rural Canadians can best be summarized in a quote from a witness who spoke to us in Moncton. He said the following:

> In Port Elgin, [New Brunswick,] the town where I reside, there exists little employment and many social problems. A couple of years ago some determined individuals managed to establish a community non-profit organization, which includes a food bank, a limited school lunch program, a used clothing centre, a recycling centre, a literacy program, and is in the process of establishing a telephone help line. Taxing inputs, mail, heat, hydro, telephones and the sale of clothing will do little more than create a burden . . . To further burden organizations which help the needy, underprivileged and illiterate of our society is nothing short of political suicide . . . .

I wish he also had added that it is nothing short of being morally wrong.

> A consumption tax takes too much from low-income Canadians, and a tax policy such as this GST will only serve to produce a more divided society.

For the Newfoundlanders in the house, it was interesting that Earl McCurdy, the Executive Director of the Fishermen Food and Allied Workers Union in St. John's, and someone who has been working for a long time in connection with organization fishermen in that province—one of the very early people involved with he Fishermen's Union, as it was called several years ago, in Newfoundland—asked to appear before the committee when we met in St. John's. He said the following:

> Any fisherman having taxable sales in excess of $30,000 must register and file returns, even though the sale of fish carries an actual tax rate of zero. In other words, fishermen will have to charge no tax and collect no tax on their sales, but because anyone whose sales exceed $30,000 is required by law to file a tax form with the government with respect to the GST, these fishermen will have to file such a form. I think it is unreasonable to require fishermen to tie up scarce resources and to contend with the complicated regulations associated with the GST.

• (0800)

Another witness who appeared in Halifax and spoke of the unfairness of the GST in particular was Sid Pobihushchy of Co-op Atlantic in Halifax. Indeed, it was his testimony and the testimony of people like him from the co-operative movement across the country that led members on this side to propose one of our eight amendments. An amendment which dealt with the patent unfairness and regressivity of the GST with respect to Co-ops. Speaking before us in Halifax he said:

> . . . in Atlantic Canada there are 26 co-operatives that are called direct-charge co-ops . . . Only those who have an ownership in the co-operatives are entitled to shop there . . . . The owners of the co-op pay for the overhead through a direct charge, and those co-operatives are preoccupied with selling food stuffs . . . to their members. The GST . . . will have to be paid . . . on the direct charge that is levied to pay for the overhead, whereas their competitive store across the street . . . will not be required to pay the GST . . ."

The witness then went on to point out what a significant impact the GST would have on co-op stores in small communities across Atlantic Canada. Even the Consumers Association and its various provincial members told us that they were opposed to the GST because of its unfairness. Witnesses from both the National Consumers' Association and various provincial consumer associations stressed that to us in cities across the country.

The tourism industry is one of the industries which claim, with considerable justification, that they are being extremely unjustly treated by the GST. Although we received evidence to this effect in many locations, it was Ms. E. McTaggart of the Niagara Falls Visitor and Convention Bureau, speaking to the committee in Toronto, who put the threat that the GST imposes on the tourism industry in perspective when she said the following:

> Major suppliers of foreign visitors, most particularly from the United States, have made it adequately clear that they will reject Canada in favour of other destinations as a direct result of the GST . . . We have letters

from tour operators in the United States who say very clearly that Canada will be a hard sell. Those threats have been clearly stated by the National Tour Association and the American Bus Association.

As I say, other witnesses made it very clear that the impact of the GST on the tourism industry would be very deep.

The impact of the GST on Indians and native Canadians again was discussed at length in this house when we discussed the northern amendment about a week ago. However, in that discussion we were focusing primarily on the impact of the GST on the north. Perhaps it is worth the observation that the GST is also unfair in the way it treats native Canadians. Chief Oscar Lathlin of the Assembly of Manitoba Chiefs, speaking to the committee in Winnipeg, said the following:

> The assembly of Manitoba Chiefs opposes the fact that registered Indians should be charged with this tax in the first place. The technical paper suggests that only the sale of goods on reserves should be exempt. In fact, this would discriminate against those reserve residents who only have access to retail outlets outside their communities.

The Chiefs then went on to talk about the discrimination caused by the GST. Native Canadians who live on reserves will not have to pay the tax while those who live off the reserves will pay the tax.

The GST was also seen as being extremely unfair to farmers. Harvey McEwen of the Western Canadian Wheat Growers Association, speaking to the committee in Regina on the 25th of July, said the following:

> With virtual uniminity Canadian farm groups have rejected federal proposals for administering the GST in the farm sector . . . Specifically, our concerns are related to the implementation of the GST including the impact of this new tax on farm cashflow and on the farm economy, the cost to farmers and taxpayers of a flawed and cumbersome tax rebate program, the potential for bona fide farmers to be denied registrant status because of off-farm income or less than adequate market returns, the complexity and confusion in tax compliance and administration . . . all indicate why we believe these tax proposals are unfair to Canadian farm groups.

The Canadian Federation of National and Provincial Taxpayers, speaking to the committee in Edmonton through their spokesperson, Kevin Avram, said the following:

> The manufacturers' sales tax is said to be a silent killer of jobs, and it needs to be addressed. However, the GST as proposed, accompanied by the current government's spending intentions, is not the answer . . . Surely the process to replace it [MST] should be better thought out and have greater public support than the disastrous proposal currently being put forward.

I have already spoken of the unfairness of the tax with respect to northern Canadians and the fact that witness after witness at our hearings in Yellowknife and Whitehorse spoke to this concern.

Perhaps more surprising to members opposite is the fact that the GST is also seen as unfair to provincial governments. The Honourable Mel Couvelier, the British Columbia Minister of Finance, spoke to the committee on the second day of our hearings in Vancouver. I should point out that he was not the only provincial Minister of Finance to speak to the committee. The Minister of Finance from New Brunswick also spoke to the committee in Moncton. Both those Ministers of Finance had essentially the same message to give us and that message can be summarized in this quotation from Mr. Couvelier, who said:

> . . . the British Columbia legislature passed a unanimous resolution condemning the GST and urging the federal government to withdraw the proposed new tax. We believe that the GST is seriously flawed but, more importantly, the whole rationale for imposing a federal retail sales tax is flawed . . .

• (0810)

Mr. Couvelier said:

> The most obvious flaw is that it is extremely complex. It will make Canada the first developed country to impose two distinct levels of retail sales tax.

Mr. Couvelier then went on to talk about the difficulty of having the federal and provincial government in the same tax field when the taxes and the respective collection systems were not integrated.

In the quotes I read to you in the last few minutes, I have essentially taken one quote from each witness who appeared before the committee in each of the 12 cities we visited. I did that because I thought it was important to have you understand the widespread and universal way in which this tax is viewed across the country, as being regressive and unfair. I did that because it seems to me that it is not only national organizations who are making this observation about the tax; it is also Canadians in local and regional organizations. Many individual Canadians came to speak to the committee as we travelled across the country.

I think it is a fairly safe comment on this tax that a number of Canadians who would normally be supportive of government policies, in a variety of ways, went to the trouble of appearing before the Senate committee, and were almost universal in their condemnation of this tax. It was precisely that level of condemnation which led us on this side of the house, those Liberal members of the Standing Senate Committee on Banking, Trade and Commerce, to conclude that the tax ought to be defeated.

I finish my comments on the issue of regressivity by making an observation on the presentation before the committee in Ottawa by the National Council on Welfare, because I think it has done a better analysis of the impact of the GST on the poor, on low-income Canadians, than any other organization.

Essentially, what they told us in their analysis was that the attempt by the government to ease the burden of the GST on the poor by enlarging the refundable sales tax credit and

extending it higher up the income ladder does not meet the objective of fairness.

It is true to say, as the government has repeatedly said, that the maximum tax credit for adults will rise from $140 in 1990 to $190 in 1991, and the rate for children will move from $70 to $100. While these changes are welcome, they do not adequately reflect, and do not adequately protect low-income Canadians from, the added burden they will face as a result of the GST.

The enhanced sales tax credit will reduce, but not remove, the federal sales tax burden for poor families and poor individuals. Any small gains will be short-lived. They will be short-lived, in part, because the tax credits will be indexed only to the rate of inflation minus 3 per cent. They will be short-lived, if they live at all, in part, because some provincial governments have indicated that they may tax that money back from low-income individuals. Any gains will be short-lived because, as the cost of living rises, the percentage of low-income individual's income spent on consumption will increase. It is inevitable that these people will become poorer and poorer.

By way of illustration, one only needs to note that the $24,800 threshold for the sales tax credit will be the same for all households. As a result, families with children will be treated less favourably than childless couples and single Canadians.

A single person with an income of $24,000 a year, which is $9,000 above the current projected poverty line of $15,000 a year for a single person, will be eligible for a maximum sales tax credit. However, a couple with three children and a combined income of $30,000, which is $2,300 below the projected poverty line, will receive only partial sales tax credits.

All of this is brought about because of the basic fatal flaw with respect to the fairness of the GST, which is its lack of full protection against inflation. In the absence of that protection it is inevitable that the poor will simply get poorer.

In 1991, for example, the after-tax sales tax credit for a single elderly Canadian, a Canadian senior citizen, with an income of $12,500—and there are a great many Canadian seniors whose income is in that range—the after tax credit for single elderly Canadians with an income of $12,500 will amount to $317, or 2.5 per cent of income. By 1996, the sales tax credit will have declined in constant 1991 dollars from $317 to $249. So a pensioner's net sales tax burden will rise to $358, or 2.9 per cent a year.

One could continue to play with other examples to illustrate the point, which is simply that inflation and the GST will hurt the poor in two ways. First, inflation will eat away at the refundable sales tax credit, reducing its value by 3 per cent year after year after year. Second, it will steadily depress the real level of the income threshold for the credit, because these income levels at which the GST tax credits become effective are also increasing at a rate which is 3 per cent a year, less the rate of inflation. The result is that over time the tax credits will help fewer and fewer Canadians. Partial indexation is also imposing a rising income tax problem on the working poor. The working poor are that segment of Canadian society which the government repeatedly states it wants to help. Unfortuantely, it is pushing the tax-paying threshold for income tax further and further and further below the poverty line.

• (0820)

Even without further increases in the GST, low-income Canadians face the growing burden from sales and income taxes. They will be worse off in 1991 than they were in 1984 when the Conservatives came to office; and worse off in 1992 than they were in 1991. The same pattern will continue year after year after year.

Senator Hays, did you have a question?

Hon. Dan Hays: Yes. I wonder if I could ask you a question, Senator Kirby, in the context of something you just said. Perhaps you might be able to comment in a helpful way on the extent to which this regressive tax is going to be very difficult for consumers.

I would like to make my point with a couple of short quotes. One is from the Canadian Tax Paper No. 89, which discusses the goods and services tax and its rate. I quote from page 125 of that paper. It says:

> It appears to be agreed among the experts that experience has shown that a value-added tax is much more complex and expensive to administer than its supporters have claimed, and that only a relatively high rate will justify its imposition. In EEC countries standard rates tend to be in the upper teens; current rates, and the rate at time of introduction, (in brackets) are as follows:

I will give the two rates.

> Austria, 18 per cent, (16); Belgium, 19 per cent, (18); Denmark, 22 per cent, (10); France 18.6 per cent, (13.6); Germany, 14 per cent, (10); Ireland, 23 per cent, (16); Italy, 18 per cent, (12); Netherlands, 19 per cent, (12); Norway, 20 per cent, (20); Sweden, 19 per cent, (11.1); United Kingdom, 15 per cent, (10). In most countries current rates are twice or more those proposed for Canada. It is to be noted however that there are provincial retail sales tax rates in Canada of 7 to 12 per cent, which generally have no counterpart in Europe. The total Canadian rate of general consumption tax will therefore be fairly similar to the European rates.

In other words, the combined provincial-federal tax. The point made is that to justify the high cost to administer the GST or a value-added tax it has to be at a fairly high rate. In fact, I can not remember the exact source but I read somewhere that for the first five years of the value-added tax in Great Britain the average cost of implementation was 11 per cent of the dollars collected. At $20 billion a year over the next five years, the GST is a very expensive tax at 7 per cent.

The other thing I would like to tie into this to round it off, is—

Senator Barootes: By any chance, is the senator advocating a higher rate than the 7 per cent?

Senator Hays: No. I am glad that that provoked a question, because the point I am going to try to make, and ask Senator Kirby to comment upon, is that, because it costs so much to administer the GST, it really does not make much sense to have it unless it is at a fairly high rate. So that at 7 per cent it is a very expensive tax to collect for the moneys generated.

I would like to quote something prompted by the recent StatCan release of information. I think just a little of this will really highlight the problem on which I would like Senator Kirby to comment.

Senator Steuart: It might enlighten Senator Barootes as well.

Senator Hays: Perhaps. Let me go on here.

> StatCan has also calculated effective tax rates for the consumer price index and its major components. The resulting rates in 1989 were 5.2 per cent for food, 10.2 per cent for health and personal care, 11.4 per cent for clothing, 12.1 per cent for recreation, reading and education, 19.3 per cent for housing, 25.1 per cent for transportation and 122.8 per cent for tobacco and alcohol—for an overall rate of 19 per cent. The reason these rates are higher than for the economy as a whole is that the consumer is more heavily taxed than any other group.

That is the case in 1989. I would like your comment on the idea that a 7 per cent tax being added on to the provincial tax would make us comparable to the consumption tax in Europe. In fact, if you compare it to 1989, we have very high taxes on consumption as it is. That is the point you have made about regressivity. Can you give us a helpful comment, with your rich background in government, on the effectiveness of a tax that is low and the likelihood of its being raised to make it a more efficient tax? In other words, if you have the capital invested to collect and do the necessary audits, there is going to be immense pressure to raise the rate.

If you look at the 1989 StatCan numbers and you look at the calculation of our present numbers, adding the two levels of government together and comparing them to the European community, it is going to leave us with a horrendously high consumption tax. At least that is what I conclude from looking at these notes.

Senator Kirby, you are at a point in your speech where you are commenting on that topic and I would be interested in some elaboration.

Senator Kirby: Thank you, Senator Hays. I would be glad to do that because the point I have been making in this first section of my speech has been the universal view, from 80 to 90 per cent of the witnesses who appeared before the committee this summer, that in its current form the GST is regressive and unfair. One of the biggest problems with the GST is going to be the fact that, because the threshold at which the tax credits cut in is not indexed relative to the rate of inflation, over time the regressivity of the tax will increase.

I raise that in response to your comments, because, as you indicate fairly clearly, based on the history of the provincial sales taxes in Canada and the history of sales, VAT and consumption taxes of various kinds in other jurisdictions, using the data quoted by you, Senator Hays, these taxes do increase over time. An increase in the rate of the tax combined with the existing provisions in the GST with respect to tax credits and with respect to inflation protection of those credits clearly indicates that the unfairness and regressivity of the tax is only going to become worse rather than better.

Indeed, one can anticipate a situation in the not too distant future where Canadians will probably have the most regressive tax system and, as Senator Hays pointed out, the highest tax system. If you are an individual Canadian taxpayer, the sales tax you face is the combined federal and provincial taxes and not merely the federal tax taken by itself.

The point that Senator Hays has made is, in fact, a fitting way to finish my specific comment with respect to regressivity and unfairness. His comment leads to the inevitable conclusion that not only is the current proposal unfair and regressive but, in fact, it will worsen over time. As it does worsen, it will lead to a situation in which low-income Canadians, the working poor, single parent families and the elderly will all be left considerably worse off than they were when this government first took office in 1984.

With respect to the impact the GST has on particular groups of Canadians, I have just spent some time talking about its impact on low-income Canadians. I would like to move from there to talk about the impact of the GST on a particular region of the country.

Perhaps this has not been the case since 1984, but during the period 1965 or '66 through to 1984 one of the major historical roles of Canada's federal government was to act as a major redistributor of income, both to individuals and to regions which needed help. I have discussed at some length the way the GST, and, indeed, I might add parenthetically, this government's entire tax policy, reverses the historic redistributed role of the national government by the regressive and unfair nature of the tax on low-income Canadians.

• (0830)

I should now like to comment very briefly on the impact of the GST on Atlantic Canada in general and on Nova Scotia in particular. I begin with a quotation which appeared the other day in a Nova Scotia newspaper in which, in commenting on the GST, said the following:

> The GST is a consumer tax which will hurt the economy. It will fire up the flames of inflation. It will impede economic development. It will hurt and indeed reduce provincial income, provincial revenue, and it will hurt and reduce all public services in this region.

Honourable senators, lest you think that this is merely an idle statement by someone who is simply commenting in a newspaper on the Atlantic Canadian economy, let me tell you that that quotation is from a Nova Scotia newspaper. Those words were uttered by a premier of one of the Atlantic provinces. Indeed, the author of that particular condemnation of the GST further stated:

> The GST is a consumer tax which will hurt the economy, that it will impede economic development in the region, that it will reduce provincial income and that it will hurt all provincial services.

That is a direct verbatim quote from one of our newest colleagues in the Senate, Senator Buchanan, which he made when he was the Premier of Nova Scotia and which in fact he made barely six weeks before being sworn in in this place, and as a Nova Scotian. In fact, I congratulated the premier at the time for what I thought was a well-reasoned and sound observation on behalf of the people of his province with respect to the GST. I must say I have been somewhat surprised at the incredible conversion that can occur on an Air Canada flight from Halifax to Ottawa when you are coming here to be sworn in to the Senate. It is truly a remarkable conversion and one can only hope that between now and sometime in the future when the final vote on this bill takes place that the then premier, now Senator Buchanan, will revert to his previous accurate perception of the impact the GST will have on the people of Nova Scotia.

With respect to the economic situation in general in the Maritimes, I think it is important to understand that because we have, relative to Quebec and Ontario, and indeed relative to the West, a very small manufacturing sector. There are very few firms in the Atlantic region which will benefit from the removal of the manufacturers' sales tax. The federal government continually argues that the number of jobs that will be created by the removal of the manufacturers' sales tax will be the biggest, single benefit of the GST. The fact is that those jobs will not be created in the Atlantic region because we do not have the manufacturing base to begin with. Indeed, as members in this chamber know very well, the Atlantic region survives largely on its resource base, particularly on fishing, and to a lesser extent on forestry, mining, and tourism. When one looks at the impact of the GST on small individual fishermen—and I gave you an example a few minutes ago when I read a quote from Earl McCurdy, one of the organizers and original founders of the Newfoundland Fishermen's Union—it is clear that the GST will have a negative impact on the fishing industry and on the thousands and thousands of Atlantic Canadians who are employed in it.

More importantly, the GST will increase the depth and length of the recession which has been in Atlantic Canada in its current phase since the late spring of 1989 because of the beginning of the collapse of the fish stocks, particularly the northern cod stocks. As a result of the decline in fish stocks and the subsequent closure of fish plants, the impact across the region, or the economic downturn across the region, has been significant. A variety of economists pointed out to our committee this summer that the downturn in the Atlantic region is going to be exacerbated by the GST, particularly by its impact on the fishing industry. It is therefore not surprising that opposition to the GST is stronger in Atlantic Canada than in any other region of the country. Poll after poll has shown that between 90 and 95 per cent of the people in the Atlantic region oppose this tax. In Nova Scotia, for example, all three political parties, including the provincial Conservative Party, oppose the GST and have said so publicly through a unanimous resolution through the Nova Scotian legislature.

[Senator Kirby.]

The income statistics for the region indicate that Atlantic Canadians, in Nova Scotia in particular, pay a tax rate which is considerably greater than the national average. The Nova Scotia average tax rate, for example, is 5 per cent higher than the national average tax rate. This tax is paid on incomes which are 12 per cent below the national average.

● (0840)

Data presented to the committee by the federal Department of Finance, as well as data from the Economic Council of Canada, indicated clearly that the GST will increase this gap between the Atlantic provinces and the rest of Canada. Federal programs and services to Atlantic Canada and other disadvantaged regions have been a fast-shrinking proportion of federal spending over the past ten years. One only needs to look at recent legislation like Bill C-21, to amend the Unemployment Insurance Act, and the aid given to the fishery last year, to understand how Atlantic Canada has suffered under this government.

Indeed, one can make an argument, as several spokespersons in Newfoundland did when the fishery aid package was announced, that it was part of a resettlement or relocation program rather than a fishery aid package. This so-called aid only encourages people in the region to get out of the business and to move out of the region.

Indeed, since 1984, almost every federal budget has shifted money from regional development toward investment in Ontario and Quebec. Many recent federal budgets have argued that money invested in Ontario and Quebec does or should come from regional development funds, the pocket of money available for the less self-sufficient regions in Canada. Yet in spite of this reduction in federal transfers or assistance to the region, in spite of the fact that the Atlantic provinces, including Nova Scotia, have much smaller tax bases and much smaller business tax bases than the other provinces in Canada, the federal government has in the past several years significantly reduced the rate of increase in contributions to health and post-secondary education. The result is that provincial governments in Atlantic Canada have been disproportionately affected by this government's fiscal and monetary policy.

By way of illustration, students in the Atlantic region now pay the highest university tuition fees in Canada. Hospital user fees are increasing while at the same time hospital beds are closing. In this economic climate, the impact of the goods and services tax on the people of this region will be negative and far reaching.

I will provide senators with another illustration. Significantly more Atlantic Canadians depend upon pensions and other non-wage incomes. These will not be adjusted upwards to accommodate the effect of the GSt on the cost of living. Therefore, the result of the implementation of the GST on these thousands in Atlantic Canada will be a significantly lower standard of living.

Partial indexation of most social security and income support programs, including the GST credits for low-income Canadians, means that the elderly, the disabled, the seriously ill and single mothers will be very hard hit by the GST. This impact will be particularly harmful in a region that has a greater than the national average share of people on low incomes.

I spoke earlier in my remarks about the fact that the co-op movement will be badly hurt by the GST, that under the GST, co-ops will face double taxation, that they will be taxed on groceries and so on. Consider price increases on things like food and other products sold by co-ops at a time when many studies, including those conducted by the Atlantic Provinces Economic Council, indicate that food and other items are over-priced in the Atlantic region more than anywhere else in the country. They are also priced significantly higher outside major metropolitan areas—outside places like Halifax, for example. The cost of these basic items is considerable higher in small towns than it is in Halifax and elsewhere in the country. Again, this situation will be exacerbated by the GST.

I spoke earlier about the perceived unfairness of the GST with respect to the tourism industry. Tourism industry representatives across the country, in appearances before the Senate committee, commented at some length on that unfairness and on the way in which it would end up hurting the industry. The fact is that the tourist industry in the Atlantic region is one of the few bright spots in the regional economy.

The tourist industry has been growing steadily now for nearly two decades. Indeed, if you look at unemployment data, you will find that in the last couple of years, between the months of May and June, the unemployment rate has fallen by as much as 6 per cent. This indicates that significant increases in seasonal employment in the tourist industry take place during the summer months of June, July and August. In Prince Edward Island, in particular, that number is significantly higher. It is also clear from evidence given by tourist associations and other groups that tourists are not going to be prepared to pay a significantly higher rate of sales tax. Consider, for example, a situation in the Atlantic region where provincial sales taxes are currently in the order of 11 per cent. Add to that the 7 per cent GST and you are now asking tourists to pay a sales tax in the order of 18 per cent. There is absolutely no way that that is going to be easily accepted by tourists visiting the region. It is clear that the GST is going to have a negative impact on that industry.

The Conference Board of Canada, in a recent report, pointed out that in each of the last four years Nova Scotia's real domestic product grew more slowly than the rate of growth in gross national product. The current economic circumstances will make this situation worse because of the impact of the GST on both the fishery and the tourist industry. They are the backbone of the economy of the region.

When one talks to fishermen about the GST, as I have done in meetings in a number of communities, on finds that the GST is confusing and frustrating. It appears to the average fishermen to involve filling out mountains of forms and a variety of other bureaucratic and administrative processes when, in fact, fishermen, technically speaking, are not subject to the tax because of the nature of their business.

• (0850)

One would anticipate that with the creative ability of fisherman to find ways to deal with bureaucratic situations, there might very well be a sharp decline next year in the number of fisherman with sales in excess of $30,000. Therefore, one might well end up with a situation whereby the net effect of the GST is to drive a significant amount of the Atlantic economy underground.

One of the fundamental aspects of the GST is that businesses will be paying the GST on business purchases and then collecting the GST on sales, and if the two amounts are not in balance they would either collect the difference from the government or pay the difference to the government, whichever the case may be. The problem that this procedure creates for a fisherman, for example, is that his money, which he will have paid when he bought certain inputs, would be tied up waiting for refunds on the GST. I can tell you, honourable senators, having spent a considerable amount of time, particularly in 1982 and 1983, visiting fishing communities across the region, that an inshore fisherman who has house payments, boat payments, payments to his crew and payments for supplies, and so on, will be left in a situation in which he has significant GST to pay. And he will be left waiting for GST rebates from the federal government. He will be in a very difficult situation in terms of meeting his ordinary, basic living expenses.

It is in part this problem of having to have what a larger business would call working capital, required in this case because of the way the tax is to be paid, which is going to make life even more difficult for fisherman. The situation will inevitably become worse by the arguments and disagreements and inefficiencies of the GST which will arise over time. Disputes will arise with respect to the level of income or level of rebate to which an individual fisherman is entitled, which will further complicate a fisherman's life.

Indeed, fishermen in the region will tell you that the present fuel tax rebate program for fishermen is already so confusing, so botched from an administrative standpoint, involves so much paper work and so much time, that many of them do not apply for these rebates. Indeed, some do not apply for these rebates because they simply do not understand all the regulations.

When you try to explain to fisherman that the GST tax credits will work better and be more efficient for them, handled more efficiently than fuel tax rebates, they simply laugh at you and make the observation that it is clearly impossible for the federal government to run any rebate program efficiently. They will inevitably try to find creative ways to avoid paying that tax, or at least avoid paying it on time.

It is not merely in Nova Scotia where this problem exists. As honourable senators know, there were many stories in the late 1970s and early 1980s of Newfoundland fishermen having

a major problem running afoul of the tax department. The result was, as many of you will recall, that hundreds of fishermen were audited and many were placed in an extremely difficult situation because of demands for repayment by the federal income tax department.

This is the image, this is the legacy, this is the feeling that these fishermen have with respect to complex and detailed taxpaying schemes. Based on their track record, fishermen will tell you that the rebate proposal with respect to the GST is just foolish and not workable. I repeat, it will simply encourage a great many honest and hardworking Canadians to curcumvent the system by finding a variety of ways to take a significant percentage of their income underground and to in fact keep income below the $30,000 threshold.

Indeed, the GST leaves fishermen with a choice between two evils. They either circumvent the tax system or they leave their money tied up with the federal government for prolonged periods of time. As I say, they do not have enough working capital, enough excess cash, to be able to do that.

So, honourable senators, both fishermen and the tourist industry are being hit at a time when both industries are in decline and the Canadian dollar is artificially high. We learned this the other day when a former Conservative cabinet minister told Canadians that it is artificially high because a side deal was made in the Free Trade Agreement to keep the dollar high. That, as we know, is having a devastating effect on the fishing industry.

In the face of all these pressures, fishermen are struggling to survive and now the government is going to make the situation considerably worse with the implementation of the GST. Therefore, we have a situation in which the two biggest industries in the Atlantic region, the fishing industry and the tourist industry, are going to be devastated by the GST. So you have a situation in which the GST hits lower income Canadians, and the core of the economic strength of the Atlantic region, while offering essentially nothing in return.

● (0900)

I say "nothing in return," because even if the GST does succeed in creating jobs in the manufacturing sector, even if it does succeed in making Canadian manufacturing companies more competitive, those jobs will not be located in the Atlantic region. That's because the Atlantic region has very little in the way of a manufacturing base which can benefit from the reduction of the manufacturers' sales tax.

It is because I believe that the GST hits the Atlantic region unfairly and disproportionately; because it imposes more burdens on the region than on other regions, relative to the benefits which will accrue from the GST, that I am opposed to this bill. It is why members on this side have been proposing amendments to make it fair, and why in fact the Senate Banking, Trade and Commerce Committee argued in favour of killing this bill. We did so, as I have pointed out, because the bill is inherently unfair. It is unfair not only to the people, it is equally unfair to the low-income regions of the country

[Senator Kirby.]

and the regions of the country which lack a significant manufacturing base.

Having dealt with the issue of regressivity and unfairness with respect to both individuals and regions, let me turn to the third part of my remarks, which deals with a question that has often been asked by members opposite and by the media, which is whether or not there are other alternatives. Clearly the issue that one has to deal with, given the billions of dollars that are intended to be collected by this tax, is whether or not this is the only way of solving the government's tax problem.

It has been said—

Senator Olson: Before you go on, I recall a meeting we had in Halifax which marked the first time we received a major, well-researched brief respecting the unfairness of the tax as it is described in Bill C-62 with respect to the amount that will be paid by the regions.

The biggest item, of course, is that transportation is added. There are other factors that get into the cost, bringing it up to the point where they apply the 7 per cent GST. I would hope you would tell us about that because I remember your being there, and because it fits in so well with the arguments you have made about the tax being regionally unfair.

Senator Kirby: Thank you, Senator Olson.

I will answer your question in two parts. The first is to point out that one of the great difficulties of governing Canada is trying to ascertain policy by using national averages. I am reminded of what I think is one of the great lines ever uttered at a First Minister's Conference. Looking around the chamber, I know at least one or two persons who were there with me. It was in a period of 1968 when Ike Smith, subsequently Senator Smith, was Premier of Nova Scotia. In commenting on the problem of dealing with national averages, at the end of a very eloquent speech he spoke of the need for low-income regions of this country to be given the opportunity to raise their standard of living and he looked forward to the day when every Canadian province would be above the national average.

I refer to Ike Smith's observation because, to pick up on Senator Olson's point, it is clear that national average data is misleading when one looks at the impact of legislation like the GST.

As Senator Olson pointed out, a couple of the witnesses before the committee in Halifax, I think, in fact, one was the Atlantic Provinces Economic Council, had examined the impact of the GSt on the region. It was clear from their examination that the GST would unduly affect the region because it has, to begin with, a higher level of taxation. It has to begin with lower average incomes; it has to begin with a higher percentage of people on either fixed incomes, such as senior citizens, or on low incomes, and there is no manufacturing base upon which to reap the benefits of the GST. When one looks at national aggregate statistics, it is fairly clear that there can still be huge problems in some regions of the country in spite of the fact that one can make national statistics or averages look good.

Honourable senators, if we are going to fundamentally alter our tax system by doing away with the manufacturers' sales tax, then the question obviously becomes what should other alternatives be? I want to comment briefly on some of those alternatives because I think it is an important issue, and it is one of the areas in which members on this side of the chamber have been greatly concerned with.

You will find that any tax book, or any books on tax theory, whether they are written by economists, lawyers, or public finance experts, begin by saying that there are three basic fundamental tests of any tax system. The first is that the system must be fair; the second is that it must be efficient in an economic sense; and the third is that it must be understandable. Any tax system that fails to meet the three tests of fairness, efficiency and understandability, in fact, fails to meet the test of a tax system that ought to be put in place. Those three principles underlie any text one reads on public finance, on tax theory, whether from a federal standpoint or an economic standpoint. It seems to me that in the light of those three tests—

Senator Frith: Three strikes and you're out.

Senator Kirby: —you will find that the GST fails miserably to meet each of those three tests.

Let me simply illustrate that by pointing out that the tax is clearly regressive, since it taxes Canadians who make $10,000 at the same rate as Canadians who make $100,000 a year. It is clearly unfair because, as I pointed out in my opening remarks, tax credits to poor Canadians are not indexed to the rate of inflation and therefore they will diminish proportionately. Indeed, it is a sad comment, it seems to me, that members opposite voted against an amendment which at the very least would have dealt with that very negative, regressive element of the tax.

The second test of a tax system, as experts would put it, is that the tax must be efficient. Clearly, from every single piece of evidence the Banking, Trade and Commerce Committee heard this year from the business community, the GST fails to meet this test of efficiency. For small business, the GST will be an administrative nightmare. If the tax is to go ahead, the Canadian Federation of Independent Business has pleaded with the committee to support a one-year delay. John Bulloch argued very strongly that Canadian small business members of the CFIB, members of the backbone of the Canadian business community from coast to coast, are simply not going to be in a position where they can effectively and efficiently administer the tax system. Their preference would be an absolute minimum of a six-month delay but preferably a one-year delay.

● (0910)

Indeed, the European Economic Community is a popular topic with this government since they tend to cite the economic benefits of a value-added tax by giving examples of countries in the EEC. It is interesting that the Minister of Finance has carefully ignored the fact that in April 1967 the EEC directed that there would be a lead time of two and a half years before the introduction of VATs. That was to be the minimum time before the implementation of any value-added tax or GST. For example, in Italy, it took five and half years to introduce the GST. In other European countries, the length taken from the passage of the legislation to implementation of the tax was a period averaging over two years.

Taxes like the GST need administrations that perform four functions. First, they need to compile a list of taxable businesses and businesses that are exempt, and to distribute to these businesses explanatory material about the tax. Secondly, they need to design and mail and receive tax returns, refund input credits, and receive tax payments. Thirdly, the administration connected with a tax like the GST needs to monitor its implementation and be able to deal with questions related to the tax and to resolve disputes. Fourthly, and finally, the administration needs to be able to carry out audits and enforce compliance.

All of these tasks may be in some way similar to the administration of income tax. When you talk to experts with respect to a value-added tax, as the committee did this summer, the fact is we find these tasks are much more onerous due to the frequency of GST returns and refunds. All of this means trouble for small business and for individual Canadians.

Generally speaking, GST accounts are prepared by in-house staff. Small business either does not have this capability or cannot afford the necessary accounting staff. Even if it could, the complexity of the GST would dictate that in-house staff would have to farm out certain aspects of the accounting process. The GST is that complex.

Presently, 75,000 businesses file federal income tax. By moving it from that size to 1.6 million, increasing it by over a million and a half businesses, the government has been forced to hire 5,000 extra tax men just to make sense of the GST.

The revenue minister, that great figure skater, Mr. Jelinek, has boggled the mind of small business by introducing a myriad of ways to calculate and pay the GST. Members opposite have clearly specialized in attempting to learn as little as possible about the GST so that they will be able to say to their friends, after the conclusion of this debate, "Well, maybe we would have a different view if we had understood it". One need only look at data and information from Mr. Jelinek's department. I managed to get on the mailing list for all his material, which is quite interesting. As an aside, I also happen to be on the mailing list for Mr. Wilson's special video tape telling us how the federal government is wasting our tax dollars, but that is a subject for another day.

With respect to the information on the GST, members opposite may be surprised to discover that, according to Mr. Jelinek, there is the normal way of calculating the GST; then there are two different ways of streamlined accounting for calculating the GST; and then there is the new and improved quick method for calculating the GST. I say this peripherally as a mathematician. Using each of the four methods, given the same basic data, I was able to come up with examples which, in fact, wind up with four different calculations of tax payable.

There is one mathematical error in one of the methods but I would just as soon let that become front page news when people start paying GST.

I cannot resist asking the question: What message is the government trying to deliver with this system? Are they trying to say to Canadians that it is a straightforward system and here is how you do it? Or are they trying to say to Canadians that this tax is a complete and utter administrative nightmare and that they clearly do not know what they are doing and it clearly needs to be simplified? As a matter of fact, the government is saying, "Here are four possible ways you can pay it; pick and choose which method of tax you want to use."

Clearly, this tax is going to be an administrative disaster. At the risk of making a partisan comment, which I would hate to do, I cannot resist making the observation that many of us on this side of the house look forward to the daily press stories which will occur day after day after day once this tax is in effect. It is clear that the number of administrative disasters is going to be legend, and that day after day after day there will be complaints, snafus, administrative mistakes, errors, and a host of other things. All these events will reinforce, in the minds of Canadians, the government's managerial incompetence in running the program. As I said, I make that statement merely as an observation and not as a partisan comment. Nevertheless, it is not an unfair prediction of what will happen if this tax goes into effect.

The last of the criteria the textbooks have laid out for a successful tax is that it must be understandable, that essentially it must be a tax of simplicity.

Let me address this issue with a couple of illustrative examples. Again, these examples were presented to the committee during our hearings. The first illustration I would give you is that a bag of Oreo cookies and a bag of Twix chocolate bars can be sold side-by-side in a grocery store. They are clearly direct competitors and they are side-by-side because that is the way they are grouped in the grocery store. They are competitors both by their positioning on the shelves and by their ingredients. Now, the question is which of those two is taxable? The answer is that Oreo cookies are not taxable because they are a basic food, and Twix cookies are taxable because they are not a basic food.

On the other hand, if I buy a six-pack of yogurt, do I pay the GST? The answer happens to be no. Do I pay the GST if I buy one container of yogurt? The answer happens to be yes.

The question is if I buy six containers of yogurt and wrap an elastic band around them and take them to the check-out counter, am I buying one or six? That is clearly going to be an issue of dispute between the clerk at the check-out counter and the consumer. In one case, the yogurt is taxable; in the other case it is not.

Those two illustrations serve to highlight the kind of arguments that will take place. They are given to show how idiotic it is to have a tax which, at its outset, has many loopholes, variations, exceptions and varieties. If members opposite don't think that is an absolute recipe for administrative disaster, I don't know what is.

Again is dealing with the simplicity of the tax, let us look at the practicalities of administration in a small firm. Better than any other example I can give you, this illustrates that the GST is far from being fair to people and far from being simple. The process starts with routine bookkeeping and administration of the firm. Every business keeps a set of books to record major purchases and file invoices. The GST will add an extra column to the accounting book because we need to keep track of the tax. If the small businessman wants to reclaim the tax he pays, he must insure that all entries are supported by an invoice or tax receipt, giving the registration number of the person from whom he made the purchase.

In entering the GST input into the ledger, the bookkeeper will need to distinguish between disallowed input taxes and those input taxes that are allowed. For sales, the firms will need to ensure that the GST is charged at the appropriate rate and that all and necessary information is on the invoices. The amount of GST charged will also need to be entered into the ledger so that output tax can be totalled for the government, unless, of course, the proprietor is using one of the three new and improved simplified methods of accounting, in which case the system is entirely different. So what you have is a circumstance in which the system that a business uses is changed, depending on which of the latest messages from Mr. Jelinek the business has taken the time to read.

I give you that only to illustrate that the basic fundamental principle of any kind of tax is that it be simple and easy to understand. That is clearly not met by the GST. Indeed, I have established that the GST fails to meet the basic three requirements of any tax system: the requirement of fairness or equity; the requirement of efficiency; and the requirement of simplicity and being easy to understand.

Thus, it seems to me that Bill C-62 flies directly in the face of the government's stated goal of tax reform. In 1987, when the government introduced its white paper on tax reform, it promised that taxes would be fair, efficient and understandable.

While members of the Banking, Trade and Commerce Committee from both sides of the chamber disagreed on what should happen to the GST, it is fair to say that there was agreement on one thing. That was that the present manufacturers' sales tax is flawed and that we ought to find a way of correcting the flaws or, alternatively, that we should find a way of eliminating the tax. The issue that then came before the committee was whether or not the GST was the correct way to do that.

• (0920)

When one looks at the micro-economic, administrative and political advantages attached to the abolition of the Manufacturers' Sales Tax, one understands why a decision was made to remove the tax. But when one begins to look at the solution chosen by the government, the solution to implement the GST, one begins to have some second thoughts on whether or not

having decided to remove the Manufacturers' Sales Tax, indeed having been forced to remove it as a result of the Free Trade Agreement, one becomes skeptical when one examines the government's proposed GST.

It became fairly clear that the replacement of the manufacturers' sales tax was essential, and the question members on the committee and in this house have essentially been asked is whether or not the imposition of the GST at a rate of 7 per cent is an appropriate solution. I would suggest to members of this chamber that one of the reasons it is not an appropriate solution is that it is going to significantly boost the consumer price index. The government says it will boost the consumer price index by 1 1/4 per cent. Every witness before the committee said that it would boost the index by somewhere between 2 and 3 per cent.

In part, this added increase will come from the fact that labour unions said to the committee, but have also made it clear in settlements which have been negotiated thus far, that upward wage pressures will result as workers attempt to get back the income they are going to lose as a result of the GST. So the notion that workers will in some sense eat the cost of the GST, which is an assumption built into the government's estimate of the 1 1/4 per cent impact on inflation, is clearly not true. The GST is clearly going to have an adverse macro-economic effect which will be concentrated in the first few years of its implementation.

In a recent note published in an academic journal, the macro-economic effects of the GST were discussed, and essentially what they pointed out was that the accumulative macro-economic effect at the end of the second and third year of the tax would be significantly greater than in the first year because it will take two or three years for the labour catch-up. We are therefore not looking at merely, as the Minister of Finance has said, a one-time shot, a one-time impact on the rate of inflation; we are looking at an impact on the rate of inflation which is going to grow for some considerable period of time.

Economists have gone on to argue that the favourable effects of eliminating the Manufacturers' Sales Tax become apparent over the longer term. Indeed, following the removal of the MST, macro-economic models would suggest that real output would be higher without the GSt and the economy would be more efficient. However, all of these models show that there will be an onward and continuing annual impact on the rate of inflation caused by the GST as individuals and firms seek to recoup the cost of the tax. Indeed, it has been suggested from a number of the analyses that have been done that the net effect of the increase, the net effect of the GST, will not simply be a one-year impact but that it is likely to take almost a decade before the impact of the GST is fully felt. Therefore, the macro-economic effects of the GST are really quite substantial.

The second issue is what does monetary policy do to deal with this problem? A number of alternatives have been considered. In one case, monetary policy acts to neutralize the exchange rate effects of the fiscal policy, and, secondly, monetary policy acts to maintain real, aggregate demand growth.

In the case of the first alternative, the economy adjusts relatively smoothly. In the case of the second alternative, there is a very significant negative effect. The point I am making is that as a result of these various pieces of analyses, the net effect will be a significant impact in the rate of inflation, that it will last a significant length of time, that it will not merely be a one-shot deal as has been argued by the government. More importantly, if the macro-economic policy of the government is, as the Governor of the Bank of Canada keeps saying, oriented towards keeping the rate of inflation down, if that is the policy and the orientation of the government, then one cannot help but wonder why they are introducing a policy which flies in the face of that goal. It seems rather ridiculous to be telling the country that we are having high interest rates and a high dollar because we want to reduce inflation, and then take a tax policy initiative which in fact adds significantly to the rate of inflation.

One begins to wonder how the country's economic policy can be run when we have a situation in which the governor of the central bank is pursuing his stated objective of price stability, or zero inflation, as he calls it, and the Minister of Finance is pursuing his basic objective, which is to introduce a tax policy which is going to increase the rate of inflation by more than 2 per cent on an annual basis for several years.

I repeat it was true that members of the committee on both sides agreed that some changes needed to be made in the Manufacturers' Sales Tax system. We not did necessarily agree, as I pointed out, with the proposed solution, and one of the reasons we did not is the impact the tax is going to have on the rate of inflation.

Another issue we considered in committee is what the impact of the tax would have been had the government decided to proceed with a lower tax rate, say, of 3 per cent or 5 per cent. For example, a tax rate of 5 per cent or less GST would obviate the need for the complex special treatment which Bill C-62 contains for new housing, since the existing sales tax burden on housing is estimated to be 4.5 per cent. Therefore, eliminating one tax and replacing it with a 5 per cent tax would be comparable. Using a lower rate would also have made the provinces more willing than they are at present to participate in a national sales tax, since if the GST rate were combined with a provincial tax rate, it would be less dramatic at the point of purchase.

• (0930)

Again, there was testimony before the committee from two provincial ministers of finance—one from New Brunswick and one from British Columbia—who argued that, in effect, the federal sales tax should not be proceeded with until a federal-provincial agreement had been reached to combine the two taxes.

One of the problems, of course, with a lower percentage tax rate is that which Senator Hays raised a few moments ago in his question, namely, because of the enormous cost involved in

administering the GST, the lower the tax rate the less actual net revenue to the government. The cost of collecting the tax codes not depend on the rate of tax; it depends on the administrative system. Therefore, the efficiency argument—using the proposed method for administering the GST but doing so at a rate of 3 or 5 per cent—was clearly disregarded by the government because it wanted the extra revenue. But it does raise the question that, if this GST goes into effect, it is fairly clear that what will happen is that the rate will be increased over time simply because there will be increased administrative costs. Therefore, in a sense, little of the increased tax revenue will go directly to the bottom line.

The legislation creating the GST, Bill C-62, is full of flaws, errors and administrative difficulties. It is also true that a couple of alternatives that were presented to the committee deserved more serious consideration. They ought to be seriously evaluated in an objective sense before proceeding with the GST.

I would like to talk this morning about two of these particular alternatives, one of which is the single tax. That was proposed by Dennis Mills in a book called, 'The Single Tax' and in which the Chairman of the Standing Committee on Finance in the House of Commons, Don Blenkarn, has written a comment. I would urge senators opposite to take a look at it.

The second alternative I would like to comment on this morning is a proposal by Professor Neil Brooks. His proposal was not only well received by other witnesses before the Committee but was favourably commented upon in a number of newspapers and magazines across the country.

I raise this issue of alternatives because I realize that nearly half the members opposite were not in this place when the GST hearings were being held. They may therefore not be aware of the fact that there are alternatives, and that these alternatives ought to be looked at before Bill C-62 is simply rubber stamped. It is fairly clear that some thoughtful people in Canada have examined this issue for some time and have come to the conclusion that there are alternatives which ought to be considered.

Let me turn for a few moments to the single tax proposal of Mr. Mills and the variation on Income Tax proposal by Mr. Brooks. I repeat that they are worth serious examination, if only because of the technical flaws and glaring inadequacies of Bill C-62. I gave an example of those a few moments ago when I talked about the tax situation with respect to competing products on the grocery shelf—the bag of Oreos and Twix. Another example is the fact that when the GST goes into effect, soft drinks will be taxed but coffee will not. I do not know if someone is making a judgment there or is suggesting that soft drinks are bad for you and coffee is not. That certainly is not what many doctors would say. My point is simply that what the GST will do is introduce significant price distortions in a variety of areas within the food industry.

A second flaw connected with the GST relates to the GST in the non-profit sector. A number of examples were presented, and again I simply provide senators with an illustration of technical problems associated with the GST in relation to the non-profit sector.

[Senator Kirby.]

When the Committee held meetings in Charlottetown, it heard moving testimony from an individual who pointed out that a non-profit woodworking business in P.E.I.—a business which in fact employed handicapped Prince Edward Islanders—would be subject to the GST on its sales, in spite of the fact that it is a non-profit organization and is barely surviving. It was pointed out to us, as another example, that the Royal Canadian Legion will have to pay tax on what goes into making the wreaths and poppies for Remembrance Day. Clearly, both of these illustrations are examples of socially desirable activities that would be harmed by the GST.

The amateur sports community is another example of an area in which huge problems will develop with the GST. For example, many amateur associations will not qualify for the 50 per cent rebate on GST-paid inputs because they are not national organizations and because they do not receive at least 40 per cent of their funding from government. In other words—and some of the new senators may not realize this—in order to be eligible for the GSt rebate on inputs, an amateur sports association has to be a national association, and it must receive 40 per cent of its funding from government. In other words, if an amateur sports association is self-reliant, and therefore it does not receive 40 per cent of its income from government, it will not get the GST rebate. On the other hand, if the association is dependent on the government because it cannot raise enough money on its own, it will receive the GST rebate.

● (0940)

It is clearly patently idiotic to structure a tax system in such a way that it offers a rebate to those who are already relying on government handouts to survive but not to those organizations which have shown the initiative and the ability to survive on their own with very little, government funding. It is absolutely ridiculous to disqualify an organization from the GST rebate because that organization has been successful at fundraising. What the government seems to be saying is that if you are good at what you do, we will tax you further. If you are not very good at what you do, if we already have to support you and you cannot survive on your own, then we will make life easier for you and give you a rebate.

Another issue which sports associations repeatedly raised was the fact that fees paid on sports programs directed towards children over the age of fourteen would be subject to the GST but those aimed at children under fourteen will not be. No one, including the Minister of National Revenue during his two appearances before the committee, has ever offered an explanation as to why programs aimed at youth in the crucial 15-18 year age bracket are less important and therefore should be taxed than those aimed at children. Indeed, when one looks at the problems caused by drugs and alcohol, one would have thought that no government would put in place an impediment to programs which enable these teenagers to get involved in good, socially desirable activities. The notion that programs ought to be taxed because the individuals

are over the age of 18 struck many members of the committee, including some opposite, and many of the witnesses, as absolutely ridiculous.

Again we have other situations in which not only taxpaying firms will having increased administrative burdens as a result of the GST, but charities and non-profit organizations will face similar administrative burdens because many produce both tax exempt and taxable goods. Consequently, they will need to apportion their costs and sales between the two types of activities in order to claim the 50% rebate and input tax credit. They must also collect and remit these taxes, and again they will have the same problem I described some time ago that fishermen will have with respect to working capital. This will represent a challenge for business, but it will represent a very difficult hurdle for charities and nonprofit organizations who rely largely on volunteers and do not have the money, or indeed the expertise, to deal with the new and complex administrative system.

Another part of the economy that will clearly be badly hurt by the GST is that part which involves public institutions at the provincial and municipal level. I am thinking specifically of municipalities, universities, schools and hospitals. All organizations in this sector have a number of problems with the GST. First, the tax rebate percentages that have been offered are based on the average amount of sales tax currently paid by each of these sectors. Clearly, this is only rough justice since some organizations pay more sales tax than the average, while others pay less. Furthermore, on a cash-flow basis, the new system imposes a very heavy cost on municipalities, universities, hospitals and schools because they must finance the GST when they pay the tax, but do not receive their rebate until some considerable time later.

● (0950)

The Canadian Hospital Association, as an example, calculated that the effect on cash-flow could amount to $95 million per year for the hospital sector, and one need only pick up any newspaper in any major city across the country to realize that hospitals are closing because they do not have enough money to keep existing beds open. Yet calculations from the Canadian Hospital Association indicate that the impact of the GST, because of its impact on working capital will be to drive up hospitals'cost in this country by $95 million.

All these organizations are extremely concerned about the administrative complexity of the GST. The Federation of Prince Edward Island Municipalities told us, for example, that small municipalities cannot cope with the GST. Representatives from the Canadian Hospital Association said they would not be able to implement the tax in January, 1991 because of the lead-time required to design and implement a new administrative system. Municipalities across the country told us that they could not be ready to implement it until at least mid-1991. They also told us they are facing significantly increased costs as a result of the GST.

Representatives of the city of Toronto and the city of Edmonton, for example, testified that GST protection is a major negotiating item with their unions. In addition, they have questions about the taxability of various, quasi- or para-municipal organizations. For example, is a municipal non-profit housing corporation taxable or not? If so, under what set of rules is it taxable? That is unclear from reading the material provided to me by the Minister's department. It is also unclear from questions which, for example, the city of Edmonton itself has asked the federal government.

A more complex situation arises when you take a case like the city of Edmonton, which operates a number of commercial enterprises such as telephone and power companies that would be subject to the tax even though they are utilities and therefore monopolies. Therefore, as Ron Hayter, an Edmonton Alderman, told the committee when we were there, Mr. Wilson's assertion that taxes on municipalities would not rise because of the GST was simply a fake assumption. Mr. Hayter went on to state:

> However, in Edmonton's case the commitment of Mr. Wilson will not be honoured. In fact, unless the terms of the bill are altered, the impact on the city of Edmonton will be significant, adding more than $20 million in additional tax per year to the backs of the citizens of our community.

He makes that statement on the basis of the increased tax which will accrue through municipal corporations such as telephone and power companies and through the additional taxes which will result from the application to the GST to non-profit corporation such as housing corporations.

The GST will also have a damaging effect on companies carrying on business with municipalities, because services provided in-house will not be taxed, while contracted out would be subject to the GST. This government has been arguing strenuously for privatization. They want to get government out of business, and to contract out to the private sector, thereby reducing the number of services that are provided by government. In fact, the GST will have the opposite impact. The GST will say to governments—such as municipal and provincial governments—that if they provide the service in-house, using their own members, that service will not be taxed because it is a service being provided in-house by government. On the other hand, if the same government were to contract out the service and seek a supply of that service from the private sector, that service would then be taxed because it would be provided by a private-sector company.

● (1000)

The President of the Canadian Construction Association, Mr. John Halliwell, in testimony before the committee in Toronto, said:

> Our members . . .

meaning the members of the Canadian Construction Association,

> . . . are greatly concerned that this will increase the amount of work done by in-house, and consequently that work will be lost to the construction industry.

Instead of pursuing the government's policy of reducing the size of the government and increasing the contracting-out business, the government has ensured the opposite.

Again with respect to the flaws in the GST, when one looks at the evidence that was given before the committee from co-operatives, the GST will penalize co-ops for three reasons: First, it will levy GST on the share capital of co-operatives because, unlike a normal share issue, the issue of shares in co-operatives is considered to be a taxable membership fee, not merely a share in the normal sense of equity. Second, the GST will penalize those co-ops that recoup their costs through taxable direct charges to their customers rather than marking up non-taxable items such as food, by taxing that direct charge. Third, because of the layered structure of the co-ops—particularly in the Atlantic provinces where they are tiered—these businesses would have to account for GST at several levels of their organization, thus placing an unnecessary and unfair administrative burden on co-ops compared to their competitors. The GST is unfair to co-ops in this case, but also to a variety of other organizations as I have already mentioned, such as municipalities, schools, and so on.

In addition, there is a significant negative impact of the GST on health care. Health care provided in health care facilities or by recognized health care practitioners would be exempt from the GST. However, Bill C-62 discriminates between health care institutions and practitioners, dividing them into two different categories.

Long-term care facilities operated by the public sector would receive the same 83 per cent rebate that hospitals receive, while others operated on a non-profit basis would receive the 50 per cent rebate level that goes to charities. These long-term care facilities operated for profit—long-term care nursing homes, for example—would not be eligible for any rebate on the tax paid on their purchases.

The committee heard evidence that a number of important health care practitioners' services would be taxable under the GST. Although these are health-care services, they will be taxable. They include: dieticians, social workers, veterinarians, and psychotherapists for children. For reasons that are entirely unclear to the committee, the exclusion of these practitioners from the list of exempt services clearly contradicts the government's assertion that health care will not be taxed by the GST.

Although physicians are exempt under the GST, they will have to pay tax on their own purchases but will not be permitted to charge tax on their sales. Evidence given to the committee by the Canadian Medical Association indicates that physicians are being asked to bear the cost of the GST and accept lower incomes because they are being asked to pay the tax on their inputs, but will not be left in a position where they can recoup the tax on the sale of their services.

It is important to recognize, therefore, that the claim by the government that the GST does not tax health services is simply not true.

One of the most interesting organizations to appear before the committee was the Funeral Service Association of Canada.

[Senator Kirby.]

They told us how the GST would affect them. With respect to the application of the GST to funerals, the committee made the observation that this was surely the first time in Canadian history in which the government was determined not only to tax you while you were alive, but indeed to tax you after you had died. Heretofore it has been true to say that the only two things in life that are certain are death and taxes. However, now there will be three things in life that are certain: death, taxes, and taxes after death.

If senators opposite were in a position to speak their mind and were not forced to be totally captive, I believe that all members of the committee would conclude that the GST on funerals is wrong. Indeed, it is absolutely ridiculous to tax the service provided by a funeral director when the funeral was paid for by the bereaved of a deceased years in advance. That sounded, to put it mildly, more than a little crass.

The situation with respect to funerals is compounded by the fact that officials at the Department of Revenue have given different answers to identical questions with respect to which services are subject to the GST.

• (1010)

Again we have the government arguing that education would be unaffected—that is, that the GST would have no impact on education. We have seen again—and Senator Hébert made a compelling argument about this earlier today, yesterday and Friday—that the GST will have a significant impact on education because of the tax that it will impose on books. Therefore, the claim by the government that the GST will be "education neutral" is wrong.

As I look on both sides of this chamber, I realize that there are several members here, including several on the other side, who have been university professors and in some cases are still associated with universities. They know as well as we do that the level of concern university students have with respect to the GST and its impact on their education costs is justified. There is no question that, contrary to Mr. Wilson's statements, it will have a negative impact on education.

The insurance industry has highlighted another area of concern that shows how inefficient the GST can be. Frankly, the transitional rules that have been implemented with respect to property and casualty insurance companies are rather stupid. Under the GST, any claim that they settle after January 1 they will have to pay GST on, even if that claim was for an accident that occurred before January 1, and even if the premiums that are used to finance the payment of that claim were fees based on pre-GST rates.

In other words, the insurance industry has been left in a position in which it has already charged rates in 1989 and 1990—as well as previously—related to the tax structure that then existed, but must now pay GST. In other words, if there is an accident in December, November or October of 1990 and the lcaim is settled on January 2, the insurer will have to pay the GST on that claim, even though it is based on an accident that took place prior to the implementation of the GST. In some respects the proposed application of the GST to the

insurance industry,as put forward by government, amounts to retroactive legislation.

Hon. Dan Hays: I may have missed something, but I started to listen carefully when you introduced the segment of your speech where you spoke about alternatives to the GST. You were to refer to the single tax and the Brooks' proposal. Perhaps I am out of sync. with your speaking plans, but I wanted to add one more alternative that has been discussed, and to seek your comment on it.

For the purposes of other honourable senators, it is described in the May/June 1990 Canadian Tax Journal. This is an article by Messrs. Dungan, Mintz and Wilson. They talk about a number of alternatives, one of which is the simplified consumption tax. They go on to state that:

> The second alternative would match or perhaps even surpass the efficiency gains expected from the GST but would avoid the administrative costs and complexities associated with the GST and proposals such as the SCT. This alternative is the abolition of the federal sales tax and the replacement of the lost revenues via an income tax that would be closer to being a personal expenditure tax system than the present income tax system is. Federal income tax rates would be increased to make up most of the revenue lost through the abolition of the federal sales tax. To mitigate the adverse effect on savings that such a rate increase would involve, reform of the income tax would also include a liberalization of RRSP/RPP contribution limits, the introduction of an investment income deduction, and income averaging.
>
> The proposed reform would improve upon the efficiency gains that the GST would achieve by taking the logic of the GST proposal one step further:
>
> Since there would be no federal sales tax, the indirect federal sales tax burden on all capital goods would necessarily be zero. There would be *no* hidden taxes on *any* business inputs.
>
> The existing advantages to imports would be totally eliminated for *all* goods and services.
>
> Since there would be no federal sales tax burden, this burden would not vary from one type of good or service to another.
>
> In addition to allocative and dynamic efficiency gains, the abolition of the federal sales tax would involve non-trivial administrative savings. After a brief transition period, the cost of administering the federal sales tax system would disappear. What is at least as important, firms and their advisers would no longer have to cope with the complexities of the federal sales tax. Since the administrative costs of the GST would be even higher than those of the MST, the abolition alternative represents an even greater potential saving of administrative costs relative to the proposed GST than it does relative to the existing MST.

In a footnote I note that this is where I remember reading that the costs in the United Kingdom of the value-added tax in its first five years of operation equalled 11 per cent of the moneys collected under the tax.

They go on to state:

> The abolition proposal also offers the opportunity for a major political-economic reform. By completely abandoning the sales tax field, the federal government would establish this area of taxation as being one of exclusive provincial jurisdiction.

That is something that should appeal, in particular, to our colleagues from Quebec. They go on to state:

> It would not be unreasonable for the federal government to obtain an appropriate quid pro quo, such as a surrender by the provinces of any future claims to estate tax revenues (an area that the provinces have already abandoned, for understandable reasons) or to other specified tax revenues.

Perhaps you would comment in this context on this type of tax reform as a third alternative to the ones that you have either discussed or proposed.

Senator Kirby: I am glad that you raised that point. I will postpone my detailed answer to your question until I have discussed in some detail Dennis Mills' single tax proposal and also the proposal of Professor Brooks. However, that comment from the Canadian Tax Journal fits in well. It indicates that there are a variety of alternatives that exist which people have contemplated. In the view of many members of the committee these alternatives have not been thought through well enough. I will come back to your point in one moment.

Before I do that, I wish to point out one or two other major problems that have been raised by the GST. If we are to look at what our other logical alternatives are, we need to do so in the context of what the problems are that we are trying to correct. Since the GST was presented to the public and the committee as a means of dealing with the problem of the manufacturers' sales tax, the question we are really being asked is this: What is the best way to deal with the removal of the MST?

• (1020)

Another area which needs to be dealt with concerns the problems associated with used goods and works of art. Several witnesses who appeared before the committee expressed their concern with the way in which Bill C-62 will apply the GST to used goods and works of art. This is of great concern since the majority of art purchases in Canada are purchases for investment, just as stocks and bonds are made for investment. The application of the GST to these items will, in the opinion of many art and antique dealers across the country, move investment priorities away from their area toward stocks and bonds. A great many of us feel that it is unfair to skew investment in that way.

However, what is far more important is that the zero rating of exports, including exports of works of art, will create a situation in which Canada may lose a large part of its works of art to foreigners since purchases will be made free of tax

whereas purchases made by Canadians of the same types of works of art will be subject to the tax.

The list of problems concerning the implementation of the tax is long. There were many representatives of associations and organizations which appeared before the committee who stated their concerns with respect to implementation. For example, the Canadian Association of Customs Brokers now tell us that under the GST they will not enjoy the same degree of bad debt protection as other taxpayers will enjoy. The jewellers' association pointed out that the transitional provisions, namely the inventory rebate provision, will in fact treat them unfairly. The Investment Advisory Services Association has pointed out that investment advisory services are taxable whereas services provided directly by brokers are not. Flower wire services and telecommunications carriers have pointed out that certain forms of long distance communication will be taxed while others will not. The list goes on and on.

The basic point I make in giving this list of problems has to do with the fact that the transition provisions and problems associated with the bill are not just one but many, and that they will be in place for a long time to come. In trying to deal with these issues, I raised the subject a few moments ago concerning the fishing industry and fishermen in particular. I talked about the creation of an underground economy, which will almost certainly result from the implementation of the GST. In fact, the general perception and belief of many is that the GST will increase substantially the size of the underground economy.

When we talk about the underground economy, what are we really talking about? We are talking about a firm which, from a tax standpoint, will operate illegitimately or outside the tax system. It is outside the tax system in the sense that the business it does is done in Canada and it does not pay tax on that business. In fact, the government is the net loser in such a scenario.

There are a variety of ways in which to avoid such taxes. One of the most obvious is to conduct transactions for cash only as opposed to cheque. Another way is to do a series of transactions for payment in kind. That is to say, people will trade services rather than pay cash for them. When that happens, firms will bear no compliance costs. Clearly, they will be better off than firms with whom they are competing who agree to operate in the above-ground rather than in the underground economy.

Underground firms will have none of the disadvantages of registered businesses. An opinion given informally to members of the committee by many people who understand the small business sector expressed the concern that what would happen is that there would be a significant increase in the size of this economy, and that the net result would in some way be a decrease in government revenue.

One has to ask about the wisdom of having a tax structure which essentially encourages people to flout the law deliberately. Another problem with the GST which has been raised with the committee concerns visibility or the lack thereof, or the questionable visibility of the GST. Originally, as senators will recall, Mr. Wilson said one of the great things about the GST is that it would be visible, and thereby replace an invisible tax. The fact of the matter is that most provinces intend to apply their provincial sales tax on top of the GST, as opposed to applying it parallel thereto. If it is to be visible, cash registers will have to be equipped with two separate components so that they can list both the provincial tax and the GST. The fact of the matter is that most cash registers simply cannot perform those two functions. According to retailers, what will happen in many provinces is that all the consumer will see is a single compound tax rate, including a tax on a tax. Thus, visibility of this tax at that level will be lost.

Other retailers have presented some very interesting views on this point. Sears, which is a major retailer, has stated publicly that it will show the price exclusive of GST, and add the tax on at the cash register. Other equally big chains such as Woolworth's have stated that it will include the GST in its posted prices. As a result, it will be increasingly difficult to comparison-shop because, in some cases, one will compare a GST-included item with a GST-excluded item. To that extent the visibility of the tax is diminished because it will be visible in some cases while in others it will not.

In still other cases, when one pays a bill one will not know how much of the bill includes a component for the GST. Rent falls into this category, as do day-care services and dental services. In essence what has happened is that the laudable or desirable objective of a visible GST has been lost through the method of implementation of the bill. In fact, the method of implementation has led to what is easily the most complex tax bill we have seen. This multi-stage tax, in fact, is regressive and will hurt in particular small business.

• (1030)

There was an interesting study done in the U.K. which dealt with the cost of complying with the U.K. value-added tax, and which showed that the cost of complying with the value-added tax is 40 times higher for small businesses as a proportion of sales than it is for large firms. Businesses making only taxable sales must account for tax paid on purchases and taxes owed on sales, whereas the complexity increases substantially when you get into a business on which some things are zero-rated and tax exempt and some are not.

Indeed, there is a forthcoming book which I believe may actually be on the market now by Professor John Whalley and Deborah Fretz of the University of Toronto in which they indicate, and again I quote:

> The particular form of VAT that Canada proposes to introduce is, by international standards, surprisingly complex. It also has a relatively narrow base and, if European experience is anything to go by, further complications may yet develop, including multiple rates.

By "multiple rates", they meant different items were to be taxed differently. The complexity of the tax is most evident for small retailers selling food products. The definition of basic groceries, for example, is, of course, replete with anomalies—

and they talked about some of those—and it will clearly be up to the retailer to ensure that the tax is correctly applied. Large retailers who have computerized check-out scanners can program their computers to do this, but small retailers cannot.

As we know, in many cases in small retail establishments, people at the check-out counters are part-time employees, usually students, who will have to be taught a very complex system in order to know to what to apply the GST and to what not to apply it. Therefore, the administrative problem posed by the GST to the small business sector, but particularly to the small retail business sector, is absolutely enormous.

This problem has been compounded enormously by the failure of the federal government to obtain provincial agreement to fold the federal and provincial taxes together and put them on the same base. The Canadian Federation of Independent Businesses said bluntly that this two-tiered system is such that it is simply unworkable from their point of view. Indeed, the CFIB has been absolutely adamant that government should not proceed to implement this tax without the cooperation of the provinces.

The recent agreement by Quebec to harmonize its provincial sales tax with the GST, although a step in the right direction from the point of view of the Canadian economy, Canadian consumers and the Canadian business community, is considerably short of national consensus, and even then the agreement was reached at the cost of the resignation of the Minister of Revenue in Quebec. Now we are beginning to see cracks in that agreement when, for example, we note that Quebec does not now itend to tax books but that the federal government still intends to tax them. One suspects that, down the road, one may very well see a situation in which federal-provincial agreement, even with Quebec, begins to fall apart.

In other provinces in Canada we see, in fact, federal-provincial agreement even further apart than that because we see Ontario, Alberta and British Columbia, for example, challenging the issue in court.

It is an interesting to note, by the way, that the Organization for Economic Cooperation and Development, the OECD, recently commented on the GST. It concluded that the biggest single flaw in the tax was the failure of the federal government to reach federal-provincial agreement on the tax. It then talked about the higher administrative and compliance costs that this would necessitate. Indeed, the sorts of figures that the OECD referred to were in the order of $400 million—subsequently the government has told us it is $475 million—as the cost of having to implement the GST.

Of all the tax alternatives which were presented to the committee—and I intend to comment on those—none is as damaging to the Canadian tourist industry as the GST. As I have already said in my comments with respect to the impact of the GST on Nova Scotia, it is very clear that the GST significantly hurts regions of the country which rely heavily on tourism as a main part of their business, the Yukon being another very, very good example, and Prince Edward Island another. It does this by discouraging tourists from coming to Canada because the rebates foreign travellers receive on tax paid on accommodation and goods purchased and taken out of the country is such that it will be received later on. However, people will still have to pay the money out in advance, and they are only eligible to receive it back after spending over $20. The history of tourist rebates of that kind in other countries has been that a lot of people do not apply for it and do not pick it up.

It is also very clear that the GST, in terms of hurting the economy, will have a significant impact on Canadian retailers living near the U.S. border, as we have seen happen in the electronic and print media in the last little while. The fact is that increasingly, Canadians are crossing the border to do their shopping, and the GST will significantly compound that problem.

Foreign travel receipts are an extremely valuable Canadian export, which were worth $7.2 billion in the last year for which data was available, namely, 1989, and we will be hurting this industry even with a complicated refund process. That clearly runs counter to the government's statement when it introduced the GST that its purpose was to relieve the cost burden on Canadian exports or on export-oriented industries like the travel industry rather than to increase the costs of such an industry.

Indeed, it was in dealing with the tax industry that Mel Couvelier, the Minister of Finance in British Columbia, made the observation that the GST:

> . . . will represent a significant price shock to the economy at a time when high interest rates and an artificially high dollar are already choking off economic growth.

That point, which Mr. Couvelier stressed in his remarks to the committee, is clearly relevant because, again, we have a situation in British Columbia where, for a variety of reasons, the fishing industry and the forest industry are in trouble. Using the GST has not only hurt those industries but has hurt the tourist industry, which make the situation in British Columbia even worse than it is today.

• (1040)

The question is: What does the government intend to do with the revenue under these circumstances? According to the government, what firms will do—using economic theory and not practical street sense—is to pass along the supposed savings from removing the manufacturers' sales tax. Yet, manufacturer after manufacturer told us that would not occur. We heard witnesses before the committee from manufacturing organizations saying repeatedly that they were not sure how much of the MST savings would be passed on to consumers. That appears to be a complete exaggeration. Therefore, the benefit that consumers were supposed to achieve as a result of the GST will clearly not be achieved.

It is equally clear that, during the transition period, significant problems will emerge in a number of industries, in part because of the haphazard manner in which some of the rebates are being given. The government decided that, for administrative simplicity, it would have a uniform, flat rate of rebate

related to inventory on December 31 of some 8.1 per cent. That is obviously an unfair way to proceed. If a firm is in a position where it has had its inventory in place for some time—and it may have had a large inventory on which it paid the full 13.5 per cent—what will happen is, again because the government is trying to ease its administrative burden, a number of firms would be better off under the GST and a number would be worse off.

Indeed, it is precisely because of firms telling us that they will not pass on all the savings from the removal of the manufacturers' sales tax, and precisely because labour union leaders from one end of Canada to the other have told us that they will insist on their members getting back the increased cost of living which they will suffer as a result of the GST, that it has become apparent to us that the impact on the rate of inflation will be significantly greater than the 1.25 per cent forecast by the government.

The government made two incorrect assumptions when it forecast that 1.25 per cent increase in inflation: first, that workers would not get any of the increased costs back, and would not seek to do so, and, second, that the full savings from the manufacturers' sales tax would be passed on to consumers. Neither of these things will occur and that is why, again, a very negative macro-economic effect will accompany the passage of the bill.

The second point I would like to make relates to one of the arguments the government has used repeatedly, which has to do with the wonderful things a GST-type tax did when it was introduced in New Zealand. That model has been repeatedly presented in Canada as the model for Canada to follow. Yet, when one looks at the economic evidence resulting from the New Zealand experience, the situation is not nearly so reassuring.

The introduction of that country's GST does not appear to have gone particularly smoothly. The rate of price increases jumped dramatically in the year of introduction, significantly more than, or virtually double, what had been forecast. Economic growth stagnated for three years in New Zealand when this kind of tax was introduced, and in Canada we are introducing a GST into an economy that is already in a recession. It is hard to imagine, therefore, a worse time for introducing this type of tax.

In addition, in New Zealand, tax and tax transfer measures designed to protect lower income families were not indexed to inflation and they were not adjusted when the GST was increased. The result was that the poor in New Zealand were in worse shape two, three, and four years after the introduction of the GST than they were before it was introduced.

Finally, one cannot help but note that, while the government has said repeatedly that the GST is designed to be revenue neutral, subsequent comments made by Senator MacDonald at the committee hearings in Whitehorse indicate that it was rather idiotic for the government to continue to claim that the GST was revenue neutral when it was patently obvious that it was not. Since that time, I notice that the government has stopped making that claim. At the time the bill was introduced, the revenue neutral claim was made. When one looks at all of the data presented to the committee from the Chief Statistician of Canada, including the observation that 60 per cent of personal expenditures are spent on services, one has to wonder how much a tax could eber be considered revenue neutral.

It was the Canadian Advertising Foundation that pointed out that the GST was not simply a replacement of the FST. The government claim that the GST was revenue neutral lead the Better Business Bureaus of Vancouver and Toronto to label the government's GST advertising "offensive and misleading." The Standards Division of the Canadian Advertising Foundation ruled that government radio advertising stating that the GST is not an additional tax is "deceptive" because the GST will be applied on a much broader base than the FST, including such services as restaurant meals and haircuts. In other words, we have a situation where the public communications program of the government has been ruled deceptive, offensive and misleading by neutral organizations in the country whose role is to enforce better business practices.

In short, what has clearly happened is that the government's explanation of the GST has been deemed clearly untrue and not credible, not only to the average Canadian but to people who make judgments about whether or not a particular piece of advertising or public communications material is fair and truthful. Indeed, it is remarkable when a government is accused of leading an untruthful advertising campaign. One would have assumed that, of all the organizations in the country, one ought to expect some moral and truthful leadership from the federal government. I must say, however, that based on the track record of the Prime Minister in that department, I am not the least bit surprised that not only are his statements misleading but we now have a situation in which the actual advertisements are misleading.

Again, it was Mel Couvelier, the British Columbia Minister of Finance who said to the committee:

> It is no secret that the federal government sees the GST as a solution . . . to stem the red ink and slow the growth of the mountain of debt . . . I am frustrated by the federal mindset that sees a tax grab as the only solution to our fiscal dilemma.

That is a statement from the Minister of Finance in British Columbia.

● (1050)

The points I have made today clearly illustrate that not only in the minds of Liberals on this committee, but in the minds of a great many other people, the GST is not seen as being fair. It is also clear that the tax is not efficient for reasons I have already explained. Our tax structure must be competitive with that of our major trading partner, the United States. The United States does not have this kind of tax and has deliberately rejected it in the past as unworkable in a federal country. Americans do not face the same high level of taxation that Canadians face. So we have a situation in which the GST will

exacerbate an already difficult situation. The Minister of Finance of New Brunswick told the committee the following:

> The goods and services tax represents a massive federal invasion of the sales tax field, which, until recently, was exclusively a provincial domain. If the federal government decides to use the goods and services tax to reduce its deficit, it will do so on the backs of the provinces by raising its initial 7 per cent rate and crowding the provinces out of this very important revenue source. This could result in a reduced ability to deliver provincial services or increased reliance on other taxes such as higher personal corporate taxes.

In other words, the situation with respect to the impact of the tax on provinces, on the economy as a whole, and on various individual groups and regions of Canada, will be negative.

We need to deal with another alternative. Our committee was particularly impressed—and I believe this was true of members on both sides of the committee—with the testimony of Professor Robin Broadway, who argued that the GST would increase the reliance on sales taxes, leading inevitably to further erosion of the federal government's position in the income tax field. In other words, there would be a continued shift from income to consumption taxes.

In 1970 the personal and corporate income tax revenue collected by the federal government was 2.5 times the amount collected by the provinces. In 1987 this ratio had slipped to 1.7 times. Professor Broadway believes that there are powerful reasons for the federal government to maintain its dominant position in the income tax field. Harmonization of the Canadian income tax system across provinces, which achieves a high degree of equity and efficiency, is coming under increasing strain as special provisions such as flat rate taxes in the western provinces erode the principles of harmonization. The income tax system may be the only means by which the federal government may address, on a national basis, issues of redistributive equity.

I return to a point I made at the beginning of my remarks when talking about the Atlantic region. There is a very strong belief among senators on this side of the house that one of the major roles of the national government is to redistribute income to individuals and regions that need it. The point that Professor Broadway was making is that the erosion of that federal role with regard to income tax may have an impact on the ability of the federal government to use its redistributive powers to ensure continued national programs in areas such as health and social services.

Professor Broadway went on to argue that, since the end of inheritance taxation, the only instrument left to the federal government to address redistributive equity is the personal income tax system. That has been the goal of the system. Although raising personal and corporate income taxes is obviously one option for replacing the manufacturers' sales tax and the federal sales tax, the fact is that the committee looked at a number of other alternatives. We did so because we thought there were a series of fundamental questions about the GST which remain. For instance, does the federal government really need to levy its own sales tax? Could the federal government vacate the sales tax field and raise income taxes instead? If some form of national consumption tax is desirable, must it take the form of a European-style credit invoice value-added tax, with the associated paperwork burden that requires tracking every transaction in the economy, or are there not, as has been suggested, some other ways of doing it?

The government has completely bypassed any public debate on these questions in its haste to introduce the GST. So far, the government's strategy in promoting the GST has relied solely on comparing it with the manufacturers' sales tax. However, no matter how damaging the manufacturers' sales tax is, this does not lead inevitably to the conclusion that the GST is the best alternative. Only a rigorous comparison between the GST and other alternatives can determine that. Unfortunately—and I say "unfortunately" because this is a view that was expressed to the committee by a number of academics and economists from leading national organizations—the government has failed to produce any studies which show conclusively or otherwise that the GST is the best alternative. That is why the committee began by deciding that it was not in favour of this alternative, and therefore would not reject all the other alternatives. The committee is saying that the GST is replete with errors, but by not proceeding with the tax the committee hopes that the government will take some time to examine other alternatives.

I would like to now talk very briefly about those two alternatives. One alternative is the single tax proposal which many of you have seen. If you have not seen it, I urge you to do so. I know that Senator Barootes had a copy of this book the other day, because I saw him avidly perusing it. In fact, it is an alternative to the GST. It shows that there are other ways of achieving the government's objectives.

Senator Barootes: That is the latest joke book that I have read.

Senator Kirby: Senator Barootes would regard it as a joke because he is so totally committed—unlike the other people in his region—to blindly following the policies of the government. He regards any other alternative as a joke. Perhaps that says something about the sense of humour of doctors. It certainly does not say anything about the sense of humour of people in Saskatchewan, knowing people like Senator Steuart and some other members opposite.

There are a number of points to be made in connection with Dennis Mills' single tax proposal which bear investigation and comment. The single tax integrates current personal and corporate income taxes and replaces all the accompanying paperwork with two tax forms. One is the personal compensation tax and the second is the business income tax. Both become fully integrated and all income becomes classified either as business income or personal compensation and will be taxed accordingly, so that even the current system as we now know it, and not the enormously complex system we will have after the GST, will be significantly simplified.

• (1100)

All taxpayers would benefit from this simpler system. The average taxpayer would merely have to complete a tax return on a form the size of a postcard. In fact, the tax form is approximately double the size of a postcard, if you wish to see what it looks like. On this particular form individuals will be required to pay a tax based on all income, wages, salaries, pensions, dividends, interest and capital gains. All other forms of income would be taxed as business income.

For individual tax calculations, the total income is taxed at 25 per cent, and then tax credits are applied to deal with the regressivity problem. The net effect of the set of tax credits and the tax structure proposed in the book on the single tax—although one recognizes that one could use the same percentages or vary the actual percentages—has the following implications:

First, a family earning $10,000 with two children under the age of 18 would continue to pay no tax under the single tax proposal, just as they do now. But under the single tax system, their tax refund would rise to $2,000, which is significantly greater than the $300 or $400 it is at the present moment.

A family earning $20,000 with two children would pay no tax and receive a refund of $582. Other families with two children would all pay less tax under the single tax than they do under the current system, including the system of GST rebates—that is, the GST tax credit.

The tax on individuals and corporations is the same, but the individual tax has generous tax credits that make the overall system more progressive than our current system.

The present tax system has low exemption levels, a huge network of credits, special purpose exemptions and a complicated—indeed, some might state not understandable—method of calculating taxable income, especially if income is derived from sources other than straight employment. The net result is that the current tax system is such that those with time, resources and significant incomes can set up complex financial arrangements and fancy corporate structures in order to minimize their tax burden, whereas those who simply receive income from employment have no opportunity to take advantage of these kinds of tax openings or structures—and some might call them loopholest. This builds considerable inefficiencies into the tax system. It is an unfair system not only both in terms of vertical equity but also in terms of the horizontal distribution of taxes within a particular set of taxpayers at a particular income level, because taxpayers making the same amount of income, depending on the source and the method that they are able to use to hide it, are taxed in quite a different way.

The single tax would eliminate all those inefficiencies and inequities. Experience in other countries suggests that it would also reduce the probability of tax evasion because the high income marginal rate is lowered—as stated in this book—to a level of 27 per cent, which is considerably lower than it is now.

The principles that I have just outlined pertaining to business could be applied to individuals, because at that point it catches all business income at its source and taxes it only once. It avoids the multilayered or multilevelled tax system that we have now. Under the single tax system, every business would add up its revenue from selling products or services, and its dividends received from Canadian corporations. Certain costs would then be deducted from them, for example, costs for outlays for goods, materials, services, dividends, and so on. The depreciation expense would also be deducted. What remains would be taxed at a taxable rate of 25 per cent.

All businesses, big or small, would be treated the same, which is exactly why the Conservatives would not like it since it would treat their rich friends the same way that it treats small business members of the CFIB, and so on. Under the single tax system, all businesses, big or small, would be treated the same. All would have a form that could be filled out. As I have said, on which all information fits onto a card that is basically the size of two postcards.

The big advantage of the single tax is that everyone is seen to be paying the same basic rate. But low income taxpayers, especially seniors and those with children, would have less of a burden and would pay into a tax system that is less regressive and more in line with their ability to pay. It would restore the element of progressivity to our tax system that used to exist a long time ago but which, as a result of tax changes made by governments of both parties over a 20-year period, has become almost non-existent.

The second big advantage of the single tax system is that it makes the system more air tight because there is much less likelihood or opportunity for individuals to avoid paying their fair share. Tax credits are made more pronounced and more progressive. Indeed, the tax credits are targeted at the family, the elderly and the disabled, and contain a prudent investment for saving for retirement by enhanced RRSP and charitable contribution benefits.

One of the advantages of the single tax is that all income is taxed at the same rate rather than the system we have now, under which, depending upon the—

Hon. Efstathios William Barootes: Senator Kirby, would you entertain a question?

Senator Kirby: Yes. I would be delighted.

Senator Barootes: Speaking of the Mills' one flat tax, are we now to accept that the Liberal Party advocates this type of tax system in view of the fact that he is a member of the Liberal group in the House of Commons?

Senator Kirby: Thank you for your question. I understand, Senator Barootes, that you have trouble with this concept. In contrast to the situation in which you find yourself, our party has a tendency to say that people who have ideas should be encouraged to speak about them and to comment on them rather than merely reflect in a puppet sort of robot-type fashion the views that you are told to espouse.

I realize that that is a difficult concept for you to understand, because it is something that you are not used to, but our party has been encouraging people to try to explore a variety of different alternatives to the GST. The fact is that Mr.

Chrétien has appointed a committee consisting essentially of people who are experts in the field of economics and tax law to help us develop a proposal. We have said that we will be commenting on that and stating what that proposal is well before the next election.

It is fair to state that one of the options our party will be definitely looking at is the single tax. It is not fair to say that that is the position that we have now adopted as a party.

Senator Barootes: Mr. Mills has presented this document to your party. Did they adopt it or did they reject it at that time?

Senator Kirby: Just so that we are clear, he did not present it to a national policy committee of the party. However, he has discussed it in a number of places. Frankly, he even discussed it before the Banking, Trade and Commerce Committee

• (1110)

In fact, an idea along with many others which our committee heard was one from professor Neil Brooks who has another alternative, an income tax alternative. Personally, I prefer the single tax alternative. There may be other alternatives even better coming down the road; I do not know.

The important point I am trying to make is that on the basis of evidence put before the committee by witnesses it is evident that there are a number of alternatives to the GST which were either not explored by the government or which were explored by the government and then rejected without explanation. If we are to have major tax reform of the type which the GST will cause, then it is essential that the Canadian public understand that the chosen option is the best option.

One of the biggest problems that the committee found in dealing with the GST was that we were being told that, "Major tax reform is required. Here is the alternative. We are not prepared to show you or talk to you about what the other alternatives are". A great many of us found that frustrating. Indeed, I would make the argument that if the government looked at other alternatives—and I have no evidence that it did—then it did itself an enormous disservice by failing to explain those other alternatives to the Canadian public. The government has failed to say, "Faced with a range of options, this is the direction in which we plan to go". I hope that Dennis Mills' proposal will be very seriously considered by the party, along with other alternatives. I have no hesitation whatsoever in saying that by the time the next election rolls around there will be alternatives before the public which will be ours compared with the GST which is yours.

Senator Barootes: Did Mr. Mills suggest this as an alternative to the GST, or was it his alternative to corporate and personal income taxes?

Senator Kirby: The answer is both, in the sense that what Mr. Mills has pointed out is that the revenue generated by the single tax would be equal to the revenue generated by the current corporate and personal income tax, as well as the manufacturers' sales tax.

Senator Steuart: I have in my hand the book by Dennis Mills. Is it not a fact that on page 111 and subsequent pages he puts forward other tax reform proposals? He revisits the Carter Commission proposal, one of the most comprehensive studies of the tax system ever made in Canada, and perhaps in any other western country. As happened with the GST, the public, unfortunately, accepted some of the proposals and rejected others which it did not like. We ended up with a proposal that was neither fish nor fowl, unfortunately, and one far more complicated than the one we had.

Is it not a fact that he also talks about the Bradley-Gephardt fair tax proposal, which was put forward in the United States? There is also a proposal put forward by John Ferguson—an earnings tax proposal. Could you comment on those? Does this not indicate that as a Liberal he is putting forward a great many proposals?

Senator Kirby: Yes, I think that is the case. In fairness to Senator Barootes, having looked at those alternatives, Mr. Mills says in his conclusion that the single tax approach is the best.

One of the points I was trying to make is that from the government's point of view it is really quite unfortunate that it did not effectively do the same thing with respect to the GST. Instead of putting forward a whole range of options to deal with the country's tax problems, it merely presented one option which to a great many of us seems to be filled with a number of flaws.

When we look further at the single tax proposal we see that one of its appealing points is the fact that it eliminates the potential for tax avoidance—tax avoidance not being illegal and it being something which good accountants do—because it simply eliminates most of the tax shelters which exist at the moment. The single tax proposal is advantageious since it is more efficient than a number of other tax systems. It is more efficient because it is easier to administer and enforce. It does not have the multistage problems associated with the GST. Therefore, it is less costly to the economy. At the same time it would produce at least as much revenue as the present tax system produces. When I say the present tax system, I mean the tax system which involves both the current income tax system—corporate and individual—and the manufacturers' sales tax or its replacement.

Second, the fact is that lower marginal tax rates will lead to more take home pay and all the incentives that members opposite have argued would result any time you have a lower marginal rate system. Therefore, it has significant incentives built into it. If we look at the history of what happens as marginal tax rates have changed we find that in the 1920s, because marginal tax rates in North America have gone up and down like a roller-coaster, the United States cut marginal tax rates by two-thirds. Yet, in the course of doing so the United States doubled its tax take from the wealthy. By cutting marginal rates and by eliminating loopholes the United States increased its revenues.

Michael Walker of the Fraser Institute—and, goodness knows, the Fraser Institute is not a friend of members of this side of the house—has stated,

> In then Finance Minister, and now Senator, Allan MacEachen's 1981 budget, marginal rates were dropped from 70 per cent to around 50 per cent and the total amount of taxes collected from top earners actually increased. Not only did this happen here, it also happened in roughly the same period in the United States and the United Kingdom.

I use that quote only to illustrate that historically decreasing tax rates increases revenue because that in turn decreases the incentive for people to get around the system.

In Canada, what happens under our current situation, as opposed to what would happen under a single tax system, is that there is an incentive for people who spend a considerable amount of time, energy and money to find creative schemes to avoid paying taxes. Most of these schemes would be eliminated by a system such as the single tax or any other system which would give people incentives to earn more, because they would have to give less to the government. In fact, I recently talked to someone who had moved from Ontario to Florida several years ago. He pointed out that under tax reform in the United States the marginal tax rate in a state like Florida is 28 per cent on the top incomes. At a rate of 28 per cent, this individual pointed out he was paying more tax than he would in Canada where the marginal rate was 50 per cent. In Canada he had a variety of ways of sheltering income from tax so his effective tax rate was something like 26 per cent or 27 per cent rather than the 28 per cent on everything taxed in Florida.

● (1120)

It seems to me it could be very misleading to look merely at what the total marginal tax rate is, because a simplified tax system with fewer loopholes and lower rates is not only fair but can also simultaneously actually generate more revenue for the government.

The single tax system also has the advantage that it provides strong incentive for investment. The simplified depreciation allowance and the deductibility of dividends, for example, make for a healthy balance sheet, thus making it easier to raise capital. Equal treatment of dividend income and the deductibility of dividends paid to Canadian residents also provide an incentive to individuals to invest in companies, and will also encourage companies to seek equity financing instead of debt financing.

If one looks at the Atlantic provinces and indeed the small business sector in general, the biggest single problem facing many of these companies when they do get into financial trouble is their tendency to want to ope for debt rather than refinancing through equity. That is because debt financing is easier to achieve and, in part, because they want to maintain ownership in their company and therefore do not want to give up the equity. However, the single tax system can be structured in such a way as to encourage increased investment in equity rather than debt. It seems to me that that is not only good for the average Canadian investor, but is significantly better for the business community.

[Senator Kirby.]

One would argue that, if properly structured, the single tax system would clearly help communicate the message, not only in Canada but elsewhere, that Canada is in fact a good place and a strong place in which to invest.

Another advantage of the single tax system is the perceived gains from the resulting macroeconomic benefits derived from such a system. Economists estimate that the economic distortions caused by the current tax system cut 10 per cent to 20 per cent from the GNP. They will tell you that essentially there is somewhere between 10 per cent and 20 per cent of the GNP which is eliminated as a result of the current tax system as a result of all the gameplaying that takes place in an attempt to deal with the loopholes or take advantage of the loopholes that exist in the system.

The introduction of the single tax system would, in the opinion of many, unleash the entrepreneurial spirit in Canada by eliminating the distortions and disincentives of the current tax system. Government could concentrate, instead of tinkering with the tax system, on doing what governments ought to, which is providing goods and services to Canadians. In particular, when one looks at the impact of the single tax system in our current tough economic times, one can see quite clearly that if one adjusts the flat rate to 25 per cent, which is what is proposed in this book, the single tax system will in fact be completely revenue neutral. By "revenue neutral" I mean that it would not only generate the same level of revenue as the current personal income tax and corporate income tax system, but would also generate income to replace the manufacturers' sales tax.

Therefore, it seems to me that it has an advantage the current GST does not, in that the current GST, because it is a consumption-driven tax, will in fact serve to increase inflation and thus further prevent the lowering of interest rates. The GST will, in turn, keep the dollar at an artificially high level. Therefore, we have a situation, as I said earlier today, where the GST is causing undesired side effects. In medicine, you would say that you had given people a medicine which would solve one problem but would create a series of more serious side effects. The GST is in fact creating side effects in the economy which are bad for the economy and which clearly would not occur if a different tax system were implemented.

It seems to me, therefore, that the single tax is but one example of a tax alternative to the GST which meets the revenue objectives of the government,—by which I mean that it meets the objective of eliminating the manufacturers' sales tax while at the same time leaving us in a position to generate the same amount of money while eliminating a lot of the negative side effects. The single tax, because it is not a consumption tax, eliminates all the undersired side effects with respect to the tourist industry and the insurance industry. It eliminates all the sides effects I talked about earlier this morning, yet you still receive the revenue. It seems to me, then, it is an alternative which clearly ought to be considered.

The second alternative which the committee heard about at some length was presented by Professor Neil Brooks of Osgoode Hall. Some of you may have seen a number of

articles in the *Globe and Mail*—or it may have been the *Toronto Star*. One of those two newspapers carried two or three fairly lengthy extracts on the Op-ed page which summarized Professor Brooks' proposal. He began from the same position as both parties in the House, which is that the manufacturers' sales tax ought to be abolished and, indeed, as a result of the Free Trade Agreement, has to be abolished. It has to be abolished in part because it imposes a tax on exports that is not borne by goods produced by competitors. It also distorts prices and, finally, it leaves the service sector completely untaxed, which, given the relative size of the service sector in the Canadian economy, is clearly not a situation we can continue to sustain for any length of time.

Mr. Brooks then goes on to argue that the only responsible way to make up the revenue that would be lost by abolishing the manufacturers' sales tax is to strengthen the progressive income tax system. Unfortunately, if one goes back to the 1987 white paper produced by the government, one finds that the government argued back then that this element of tax reform could not be accomplished. In effect the government was unwilling to deal with the issue of making the income tax system more progressive as a means of solving the revenue shortfall it would incur by eliminating the manufacturers' sales tax.

However, what the Brooks study shows is that the government's claim that it would take a 35 per cent increase in income tax rates in order to make up the lost revenue is simply not true. If one looks at the government's paper in 1987 and examines statements by the Department of Finance at that time, one finds that that statement is completely false and borders on fabrication. In fact, what Neil Brooks shows in his study is that it would take only a 15 per cent increase to federal rates—not total rates but merely the federal rates—to make up the lost revenue, and this would involve increasing the bottom rate by 2.7 percentage points, the middle rate by 4.2 percentage points and the top rate by 4.6 percentage points.

In other words, essentially Professor Brooks says in his proposal that the manufacturers' sales tax could be abolished and all the revenue could be made up through the existing tax system simply by increasing the rates slightly. In fact, when you do that, the top income rate ends up being only 51 per cent, which is still lower than it was in 1984. It is not as if it leads to rates which are so usurious that Canadians will automatically flee the country, at least at the rate which we had in the early 1980s.

● (1130)

Hon. D. G. Steuart: We have been going over all of the tax proposals made to the Carter Commission. He recommended that if you could follow through on his original tax reforms and stick strictly to equity, both horizontal and vertical, the aim would be to do away with the federal sales tax. He also suggested that the federal government should, rather than unilaterally doing away with the federal sales tax, negotiate with the provinces in order to have them move out of the corporate income tax field. Moving out of the sales tax field would leave the provinces a great deal more room for a tax that they would consider basically their tax, and they would then move out of the corporate income tax field, which the federal government has always considered its particular domain. He also thought it would be better if the provinces were not in the corporate income tax field, which they would probably use as a tax incentive to encourage industry to go to their particular province, thereby setting up a bad competitive situation within the provinces.

Do either Mills or Brooks move in that direction and suggest that, at any time, the federal government might use this as a condition on which they would move out of the sales tax field, thus vacating the field and encouraging provincial governments to possibly move further into it and to get out of the income tax field?

Senator Kirby: Yes, as a matter of fact, Dennis Mills' proposal in particular and, to a lesser extent, the Brooks proposal argue that the importance of the federal government's maintaining an even stronger position in income tax is related to the importance of that revenue being used by the federal government for redistribution purposes to regions of the country like yours and mine, Senator Steuart. But there are also advantages to avoiding a duplication in the system and, if the federal government stayed out of consumption taxes and the provinces got into consumption taxes on services—not merely on goods the way most of them are now—which seems inevitable in light of the fact that 60 per cent of the economy of the country is now in that service sector, there could easily be a readjustment that would allow the federal government to strengthen its role vis-à-vis income taxes. Hopefully, this would lead to some weakening of the provincial role in income taxes, and, at the very least, to not having the provincial governments increase their income tax role. That is why it seems to me that some discussion of alternatives would be desirable. There are alternatives.

Both Brooks' proposal and Mills' proposal effectively point out that there are ways of achieving the desired objective, which is dropping the manufacturers' sales tax and getting the revenue without the GST. I think your point is well taken.

If I were to put the Brooks proposal in point form, what it says essentially is that, first, the manufacturers' sales tax or the federal sales tax ought to be eliminated and the current associated federal sales tax credit would be eliminated. It says that federal taxes would be increased so that, in a sense, the bottom rate would become about 20 per cent; the middle rate would become 31 per cent; and the top rate would become 35 per cent. That, of course, is the federal tax rate; provincial rates would be on top of that. It says that excise taxes would be increased on tobacco, alcohol and gasoline. It further says that government revenues from corporations would be increased by approximately $2 billion to recover part of the windfall that would result to the private sector, to corporations, from the removal of the MST.

A proposal along those lines—and you could certainly think around the edge of those lines in a variety of ways—would have the effect of being revenue neutral; of eliminating all of the marked distortions and competitive disadvantages of the

existing manufacturers' sales tax system—to pick up on Senator Steuart's point—leaving the general sales tax base, the consumption tax base, to the provinces and, in fact, making the federal tax system considerably fairer and more progressive.

A variety of the Brooks proposal has subsequently been developed using different computer models to achieve the same objective which is revenue neutrality and the elimination of the manufacturers' sales tax.

Under the Brooks proposal, the system is considerably fairer because the after-tax income of families in the $30,000 to $35,000 range is, in fact, $270 greater than it is under the GST. The after-tax income of families in the over $100,000 range would decline slightly but the income tax alternative for low-income families would be that their after-tax income would decline substantially.

I come back to the fact that I do not understand the situation where the Governor of the Bank of Canada insists repeatedly that he is managing a macroeconomic policy with, one might say, the sole objective of reducing the rate of inflation and yet the Minister of Finance is managing an economic policy which appears to have as its primary objective increasing the rate of inflation. The fact is, whether it is the single tax proposal or the Brooks proposal, both decrease inflation by about two points, thereby reducing pressure on interest rates with all the attendant advantages that brings, like a lower dollar, and lower debt servicing costs.

The argument that the government has made for the GST, which is that we have no choice, is clearly wrong. What the Brooks proposal makes clear is that there are alternatives and that there are choices to be made. We on our side are essentially arguing that these choices can be made and these alternatives ought to be explored prior to this country locking itself into the GST. Compared to the proposed GST, either of the two income tax alternatives that I have described—either the single tax proposal of Dennis Mills, which I personally prefer, or the Brooks proposal—are considerably more straightforward than the GST. They achieve the objective of the MST being abolished and they generate a system that is not only fairer but which is perceived to be fairer. The consumption tax field is best left to provincial governments. It has the enormous advantage, from the consumers' point of view and from a macro-economic point of view, of being a fair system.

● (1140)

In 1991 the manufacturers' sales tax would raise $18.5 billion in tax revenues. However, if it is abolished, provincial revenues would decline by approximately $1 billion because the provincial taxes or sales taxes are based on the selling price, which includes the manufacturers' sales tax. Provinces levy their retail sales tax on the price of goods, which include the MST. If the MST is abolished, the price of goods will drop and, thus, provincial sales taxes and tax revenues will decline—or so the argument goes.

For the change to be revenue neutral to all levels of government, $19.3 billion of revenue must be found. Approximately

[Senator Kirby.]

$2.3 billion of the manufacturers' sales tax falls on goods purchased by the government sector. Therefore, if the MST were abolished and the reduced taxes reflected in prices, the government sector would need $2.3 billion less in revenues to finance its purchases. Approximately $2.3 billion of the manufacturers' sales tax falls on alcoholic beverages, tobacco products and gasoline. There is little reason for reducing the tax on these products and, therefore, the relevant excise taxes would be increased to recover this revenue. If the manufacturers' sales tax were abolished, the refundable sales tax credit could be repealed, a saving of $900,000 or $.9 billion. If the manufacturers' sales tax were abolished and the cost reductions passed on directly through prices, the consumer price index would decline by slightly more than 2 percentage points. This would save the governments $1 billion in transfer payments to individuals and provinces. It would also result in additional income tax collections of two-tenths of $1 billion or $200,000 because of the reduced tax indexing effects.

Finally, if the manufacturers' sales tax were abolished, there would be a substantial windfall to corporations. In 1991, $1.5 billion of the manufacturers' sales tax would be levied on exports. Since Canadian corporations are price takers—not price givers or price leaders—in world markets, corporate profits would presumably increase by this amount. Moreover, some large percentage of the manufacturers' sales tax levied on corporate fixed capital investment likely falls on corporate profits. Therefore, if the MST were abolished it would seem fair to raise the revenue collected through corporate income tax by $2 billion. That is essentially keeping the status quo. This additional revenue from corporations could be easily raised without increasing the basic corporate tax rate. The lower tax rate for manufacturing and processing credits could be abolished.

One of its justifications has always been the additional burden that the MST imposes on corporations engaged in manufacturing of processing. Other corporate tax incentives might be abolished or loopholes closed. Measures might be taken to increase corporate tax compliance. The large corporations tax might be increased or a minimum corporate tax might be enacted.

My point in listing that litany of options is simply to point out that there are alternative ways of doing what needs to be done in terms of eliminating the MST and raising the revenue. It is not necessary to simply proceed with the GST. It is for that reason that the Brooks' proposal received much support from the committee. One of the things it does is reduce the regressivity of the tax system.

The main argument against consumption taxes from economists and others has been that they are regressive. Low-income individuals spend a significantly greater percentage of their income on consumption than high-income individuals. Therefore, it is unfair to introduce a consumption tax which significantly impacts lower-income Canadians. That is a basic issue which the Brooks' proposal attempts to address. Whether or not one likes this proposal or some of the other proposals,

one ought to examine them in much greater depth and detail than we have.

Historically, that has not taken place. What has happened is that one proposal has been put forward and that is essentially all that has happened. Canadians from coast to coast have been left with the problem of having to decide whether to accept the GST in a vacuum without really understanding other alternatives and without understanding the merits of the single tax, the merits of the Brooks' proposal, or the merits of a myriad of other proposals, and without understanding why the federal government decided to proceed to introduce the GST without fully exploring all the other income-driven schemes, including expenditure schemes which close loopholes and raise taxes by reducing deductions.

One has the sense that the federal government did not fully explore all these alternatives before reaching a conclusion to proceed with the GST. The government, along with everyone else who has commented on the tax issue, concedes the regressivity of the goods and services tax and concedes that regressivity is not something that is desirable. Since it is patently obvious, using the data I presented some time ago, you can show quite clearly that the system of tax credits which the government is proposing is regressive because they do not meet the standard of adequately protecting low-income Canadians, one wonders why the government did not look at other alternatives which would have solved its basic problem. The proposed refundable sales tax credit is an inadequate solution to the regressivity problem, partly because of the failure to index to the cost of inflation. That is true for both the level at which the credits cut in and the credits themselves. We must remember that there is a relatively unprogressive or regressive tax system in the country at the present moment—provincial sales taxes. That simply makes the situation considerably worse.

More importantly, the GST imposes huge administrative costs on the government, which need not exist if you went to either of the two options I have talked about. There already exists a mechanism to deal with the taxes that are based on income. Whether they are income for corporations or income for individuals, a system exists for collecting those taxes. That is something which is not a huge administrative burden. In some of the proposals I have talked about today, those proposals meet the test of progressivity without any new administrative costs.

● (1150)

Finally, we have a situation with either of the two proposals or alternatives that I talked about this morning where it is abundantly clear that the macro-economic effects or rate of inflation are significantly reduced. In fact, in the case of the single tax proposal they are deinflationary; that is, the rate actually comes down instead of going up. Furthermore, it eliminates a lot of distortions in the system.

Honourable senators, prior to embarking on such a massive step in tax reform as is covered by the GST, clearly one of the things that should have been done was to look at alternatives. That would have avoided a lot of the problems that I have enumerated this morning in connection with the GST. In addition to eliminating those problems, the position of the government with respect to the income side would have been maintained.

When I look at the fact that the GST is a substantial intrusion of the federal government into a tax area traditionally occupied by the provinces; when I look at the fact that the two levels of government have been unable to agree on a common sales tax base; when I look at the fact that the business community says repeatedly to our committee that they are concerned about the enormous costs they will have to incur by keeping two sets of records, duplicate tax procedures, and so on; and when I look at all the other negative impacts of the GST—while at the same time realizing there are other alternatives that meet with the government's basic objective, namely, to eliminate the manufacturers' sales tax and maintain revenue neutrality—I begin to wonder why it is that we wound up in this country with the alternative that we did.

I want to tell the government that clearly one of the things that needed to be done was to look at other options and have serious discussions of those options. It was the failure of the government to look at other options and the government's absolute refusal to look at alternatives that would have met their objectives that led those of us on this side of the house to argue that the only responsible conclusion for the committee to reach, which we did in our committee report, was that the bill should be defeated. In doing so we have said to the government, "Go back to the drawing board and look at the many other alternatives that exist. Then come back with a proposal that does not have those negative attributes but still meets the objectives." I indicated in my summary comments this morning that there are other ways of doing this.

Hon. Dan Hays: Senator Kirby, I should like to ask you a question involving what you think the timing of the withdrawal of the GST should have been. Was there ample notice to the government during the Blenkarn committee hearings? Should it have come to the Senate at all? I am curious about that.

You talked a lot about the government failing to pursue alternatives. I am sure that they were considered by someone in the bureaucracy. I should like to ask you when you think the government should have been on sufficient notice that this tax was—as we on this side believe—too complicated, unfair and simply not going to work as far as the Canadian people are concerned.

There was a point when the government should have realized this. It is late in the day now. They have their bits in their teeth and the tax will be implemented no matter what—at least that is the way it appears. But there was a point when it would have been easy for them to back off and say, "This is not the right thing to do." When do you think that was?

Senator Kirby: That point was probably in 1988, when there was considerable opposition to the GST in circles where it was discussed.

Even the Prime Minister has said, for example, that a tax on books is wrong. Yet we introduced an amendment to exclude books and members opposite voted it down. It is patently

obvious that the tax discriminates against people living in northern Canada, yet when we introduced an amendment to correct that problem, members opposite voted it down. It is obvious to anyone looking at the situation that there are other considerable problems that we attempted to deal with by way of amendment; for example, the lack of progressivity and the regressivity of the bill.

What we are seeing is a situation, as we saw in Meech Lake and in other government initiatives, where there is absolutely no flexibility or willingness to accept any change. There has never been a situation where a government has been as intransigent on as many issues as this government has. Our problem, Senator Hays, is that even if some people somewhere in the government realized a couple of years ago that there were other ways of achieving the objective, the nature of this government, as typified by the Prime Minister, is such that they shall never back off, compromise, change their minds, amend or otherwise change their views on anything. That is the fundamental problem.

In concluding my remarks, I should like to make the observation that one of the questions that our committee struggled with—that is, those of us on our side of the house—was the question that given all the problems with the tax; given the fact that what was needed was a massive rewriting, was: How do we deal with that? Are there ways of doing it? Should the committee do what we ultimately did, namely, recommend that the bill be defeated? Frankly, that is an issue that bothered a lot of us during the summer. Because some of us on the committee were concerned about this, we frequently asked witnesses who appeared before us whether or not they thought the Senate ought to defeat the bill and whether or not it was legitimate for us to do so. The type of reaction we received from a number of people played a very clear factor in a decision by those of us on our side of the House to make the recommendation to the committee that we did.

● (1200)

I will now give honourable senators an example of just such an opinion as presented by Mr. David Orchard who testified before the committee on July 25 in Regina. In response to the question: "What should the Senate do faced with this situation?" Mr. Orchard made the following observation to the committee:

> Many people criticize the Senate as being undemocratic and an old-age-folks' home. The Senate is the one institution that has provided real opposition to Mr. Mulroney and his government . . .
>
> What moral authority does this government have to impose the policies that are universally opposed by the people of this country? . . . He has no moral authority for the GST . . . The Senate is the one democratic thread that we have left in the last six years.

I believe that statement typifies other statements that we heard from individual Canadians as we travelled across the country. On the basis of public opinion polls it is fair to say that statement typifies how the average Canadian views the role of the Senate. They now look upon this government's actions with such contempt, distrust and a sense of utter disgrace—

Some Hon. Senators: Oh, oh!

Senator Kirby: I would be quite happy to respond to the noises from the other side. The fact is that the public view—and I use words such as contempt, disgust and utter frustration without levity—about the government has reached the point where fewer than 15 per cent of the people support it. In regions of the country like Atlantic Canada, that figure is down to 5 and 6 per cent. Something like that occurs only when people are at the point where they have a complete sense of disgust and frustration with the government.

Indeed, witnesses who appeared before the committee argued that the tax is unfair. They argued that it is regressive and wrong for the government to proceed to implement such a tax under these circumstances. They argued that we, as senators on both sides of the house, have an obligation to deal with this sense of frustration and with the fact that they are so strongly opposed to the tax.

It is a sobering experience to attend a committee hearing in any part of our country. I say this in recognition of the fact that there are 24 senators opposite who have not yet had the opportunity to travel across the country with a senate committee. Even though they were appointed here to rubber-stamp one particular bill, I urge them not to be so automatic with other pieces of legislation. It is a moving experience to sit through hours of testimony and to find that there are average citizens sitting at the back of the hall who have been there all day, waiting for their five minutes at the end of the day when they can walk up to express their views. The fact that people from all walks of life are willing to wait all day to come up and say their piece shows something of the importance with which people view the Senate.

Another example of such a view was presented by Dr. Edward Agnew of Winnipeg, who at the end of the day came before the committee to state the following:

> Government of the people, by the people, for the people is in jeopardy in this country and this piece of legislation is helping to get rid of it.
>
> In fact, at the present time Canadians are wondering what the democratic process in this country is all about . . .
>
> This goods and services tax must be defeated because it is undemocratic legislation . . . And you, senators, are the only people who stand between the democratic process of Canada that I used to know and straight dictatorship.

That is not an argument made by someone deeply involved in partisan politics. It is an argument made by a general practitioner in Winnipeg who took a considerable amount of time to sit and listen to witnesses from various organizations, and who took advantage of the opportunity to come before a Senate committee at the end of the day to express his views in the five minute walk-on session. I say that parenthetically because I recognize that there are a great many new members

in the chamber, that henceforth when Senate committees travel—and I argue strenuously that they should continue to travel—the learning experience involved is enormous in terms of seeing people on their home ground and listening to their remarks.

Senate hearings of this type should provide for walk-ons at the end of the session. The effect is that one really gets to hear what Canadians are truly thinking. One gets to hear Canadians who truly care about the system. It is in that context that Dr. Edward Agnew of Winnipeg made his comments about both the GST and the role of the Senate, something which I think is important for us all to understand.

I know that members opposite will not believe me when I say that those of us on our side who were members of the committee this summer began the hearings with the view that the outcome of the process would be that we would recommend a number of amendments to the bill since, obviously, a number of amendments were necessary. It had not crossed the minds of many of us that the outcome of the committee process would be a recommendation that the bill be defeated. In fact, what happened during the hearings, from one end of the country to the other in twelve cities in every province and territory, is that the more we listened to the criticism of this piece of the legislation, the more we realized that it was not amendable. We realized that it would require a massive number of amendments and an extensive number of revisions. It would require a total rewriting.

The only responsible thing to do was to decide to recommend to the House that the bill be defeated and that the government go back to the drawing-board. We did that because the witnesses we heard from made it clear that the bill will have an extremely negative impact on small business. It was made clear that the bill will have a very negative impact on the rate of inflation, pushing it higher than the government predicts. I say that because we know that the two underlying assumptions of the government's forecasting model that workers will not try to catch up on the added cost of the GST, and that manufacturers will pass along the savings from the removal of the manufacturers' sales tax to the consumer—

Senator Lefebvre: Would the honourable Senator Kirby allow a question, please? Before entering the chamber a few moments ago, I was in my office listening to part of your speech which no doubt my colleagues here in the house find as interesting as I do. Do you feel, Senator Kirby, with your experience, including that before you came to the Senate and the vast experience you have had in government that, if there were an opportunity in this place for a free vote at the third reading stage of this bill, some of the senators on the other side of the chamber would no doubt join us in voting against it?

• (1210)

Senator Kirby: I am happy, Senator Lefebvre, that you raised the question because one of the things that has bothered me has been the fact that, because many of us on this side of the chamber changed our opinions as we had the committee hearings and learned about the bill, and because 24 of the 52 members opposite are in fact new to this chamber—

Senator Lefebvre: The GST Senate.

Senator Kirby: More than just the British eight. There is a considerable number of senators who were not part of any of the GST debate and did not hear the witnesses; who did not have the opportunity, in fairness to them, to be educated in the way in which some of us were as we travelled across the country. I would share your view that, in a free vote as opposed to a partisan vote, I think we would inevitably find a number of members opposite who, on the basis of their mail and phone calls and, frankly, from what they learn from the very good speeches we have given on this side of the chamber in our attempt to educate them, there would be some reasonable chance that some of those senators would change their minds.

We know, alas, that one thing the party opposite does not allow is free thinking of any kind. Indeed, it remains to be seen whether the abortion bill is as free a vote as we are told it is supposed to be, but I remain to be convinced that that will occur. However, I share your view that, in fact, if it were a free vote, we would have a result which would be significantly different.

Another reason, as I have said, why we reached the conclusion that this bill ought to be defeated was in fact because of all of the arguments made about the rate of inflation and the importance of keeping it down. We find it difficult to support a piece of legislation which, by its very nature, will have a significant impact on the rate of inflation, not only this year but in subsequent years. It is also a fact that the government did not explore the various alternatives to the GST. However, more important than anything else, the reason people like myself came to the conclusion that we ought to vote against this bill stems from the fact—if I go back to the remarks I made some time ago—that this bill is essentially unfair to lower-income Canadians and to the poor and lower-income regions of the country.

It is a fact that lower-income Canadians spend a greater percentage of their income on consumption and are therefore obliged to pay a greater percentage of their income on sales taxes. Credits to these individuals are not indexed to the rate of inflation so their real value would be eroded to nothing over time. The fact is that this particular consumption tax will be imposed on low-income Canadians it is patently unfair, and is the sort of legislation that one expects from a Conservative Party against which the Liberal Party has fought for years and years. It is precisely on that basis, as much as anything else, that members on this side are opposed to this tax.

When one looks, for example, at the $100 single adult credit, we realize it is not fully obtainable unless one's income exceeds $11,000. The government tries to tell us that this credit is designed to help the working poor. In fact, what it is designed to do, of course, is to deny this credit to those low-income Canadians who most need it.

When we go to the northern part of Canada and talk to people in Whitehorse and people in the Yukon, they tell us that people in that region will have to pay about $400 more in

GST than the average family in the rest of Canada. This is a figure, by the way, which is not disputed by the government. It is important to note that that $400 figure has been accepted by the government as a legitimate statement. When we realize that the tax credits proposed by the government do not reflect this discrepancy in the cost of living between one end of the country and the other, between northern and southern Canada, we realize once again we have a piece of legislation which is incredibly unfair and incredibly unprogressive and regressive. It is that kind of legislation that we, as Liberals, have always opposed and will continue to oppose.

I look at the impact which this tax will have on the low-income regions of the country, not merely on low-income individuals but in the Atlantic provinces, and in the Province of Nova Scotia, in particular, and the impact it will have on the fishing industry and on the tourist industry, and I realize that really what is happening here is one more major piece of government economic policy that has been designed—either deliberately or inadvertently, but nevertheless clearly designed—in a way that will have a very negative impact on the region of the country I represent. It seems to me that is another very compelling reason for me, and indeed for all Liberals on our side of this chamber, to oppose this tax.

I said some time ago that everyone who has commented or written on the issue of taxes has said that taxes need to be fair to all. This tax is not fair to regions and to low-income individuals. For a tax to be a good tax it needs to be efficient where efficiency is both an administrative concept and an economic concept. I pointed out in my remarks this morning that this tax completely and utterly fails to meet the test of efficiency both administratively and in broad economic terms.

It is a fact that, in order to be put in place, a tax needs to meet the test of being simple, understandable and easy for Canadians to deal with, but it is very clear that this tax does not do that, and I believe I have illustrated that this morning.

One final point I would make is that lest members opposite—and particularly the 24 new members—think that these views are the views simply of a Liberal, the conclusions I have just reached are conclusions that are supported by people in all walks of life, representing all political parties in all regions of the country. The fact is that the tax does not work economically. It does not tax Canadians equally. It is not practical and it simply does not work. Canadians across this country deserve better and we are going to try to give them better, which is why we decided to defeat this tax and why this party has said that if we are in power following the election, we will get rid of the tax.

We are not alone in this view. The Premiers of British Columbia, Alberta and Ontario, none of which are Liberals, are sufficiently opposed to this tax that they are taking the federal government to court. Premier Filmon in Manitoba has expressed some severe reservations about it. Premier Devine, of course, has flipped-flopped on the issue, depending on how much federal money he was promised. Premier Bourassa saw the GST for what it was, a cash-cow, and he jumped on board. Premier McKenna recently expressed doubts about it. Premier Wells and Premier Ghiz have both expressed concerns about it and, of course, we know that the Premier of Nova Scotia was opposed to it, at least until he got appointed to this place. Therefore, it seems to me, and I say this to members opposite, that the views of those of us who are opposed to this tax are not simply the views of partisan Liberals; they are in fact the views of 85 to 90 per cent of Canadians. They are the views of the elites, whether they are leading business organizations, academic organizations, consumers' organizations or poverty organizations; they are the views of the premiers of every single province of this country with the exception of the Province of Quebec; and they are the views of Canadians who have looked at this and said to themselves repeatedly that this tax is an unmitigated disaster. It is exactly for that reason that members on this side of the house came to the conclusion that the committee ought to recommend that the bill be defeated, and it is precisely for that reason that members on this side of the house intend to vote against the bill on third reading.

[Senator Kirby.]

• (1220)

Some Hon. Senators: Hear, hear.

Hon. Joyce Fairbairn: Honourable senators, if I could paraphrase the late great star, Bette Davis, I would say, "Fasten your seatbelts. It's going to be a bumpy ride." I say that from a personal perspective because I know the next while will be a bumpy ride for me because it is my turn to join with each other senator who opposes the GST, Bill C-62, and to try to put together, in one final speech, the reasons for that opposition.

Senator Frith: One, but maybe not necessarily final.

Senator Fairbairn: Certainly, in this particular phase, I have to put together the reasons for my opposition and the concern about how the GST has moved its way through this chamber; and also to express the views of Canadians who have remained consistently strong in their protest over the last year or so.

It may also be a bumpy ride for my friends opposite on the government benches only because I know they have reached the point where they do not want to hear about, speak about or even think about this tax any longer. They want it passed.

Senator Frith: No applause.

Senator Fairbairn: They have shown that through their virtual silence in this long debate; through their acquiesence in procedures that have never been used before in the Canadian Parliament to force this bill ahead; and they have shown that through their votes to defeat the ten amendments which were moved by Liberal senators, Reform Senator Stan Waters and Independent Senator Ed Lawson. Yet, the GST is probably the most widely unpopular piece of legislation ever brought before the Parliament of Canada.

Senator Frith: I thought you were going to say "wildly."

Senator Fairbairn: It is probably the most wildly and widely unpopular piece of legislation ever brought before the Parliament of Canada.

Forget for a moment that well over 75 per cent of Canadians are against this tax. Forget for a moment that millions of

Canadians have signed hundreds of thousands of letters and petitions. Forget that thousands of telephone calls have been made to all of the nearly 400 politicians sitting in both the House of Commons and the Senate to protest this tax. Forget for a moment that every social organization in this country from the churches to anti-poverty organizations to native organizations to northerners to the small business community are opposed to this tax. Forget for a moment that witness after witness after witness came before the Senate committee which travelled across this country and in the north during the summer, and came prior to that to the House of Commons committee and said, "Don't bring in this tax." Consider only what will happen if this tax goes through.

As stated in the federal budget last spring, by 1991 to 1993 Canadian consumers will be paying almost $21,935,000,000 more in tax every year with this new 7 per cent tax on consumption. With a population of roughly 26 million, that works out to an average of some $843.65 each. Or some $3,374.60 for a family of four. Some will pay more and some will pay less depending on what percentage of their income is expended on the now taxable goods and services they purchase.

According to the government plan, starting on January 1, 1991, the manufacturers' sales tax will be eliminated and, as a result, Canadian businesses will pay $20,430,000,000 less per year in tax.

The accounting firm of Peat, Marwick, Thorne testified before the Standing Senate Committee on Banking, Trade and Commerce, which studied the GST, that approximately 75,000 businesses will no longer pay the tax and that that works out to an annual tax saving of $272,400 for each business. We are told those savings will be distributed to all other businesses and consumers in the form of lower prices. Some will, of course, save more and some will save less depending on the size of the business and the products they deal in.

Honourable senators, I recite these figures because I think it is important for us to realize the size of this shift of the tax burden. It is a shift from the corporate sector onto the backs of ordinary Canadian consumers. The sum of $20 billion collected annually by this new tax, as estimated, is about the same as that collected in indirect taxes by all ten provincial governments put together and that, according to Statistics Canada, was some $21.6 billion in 1989. I am sure all senators will agree that this is not an insignificant amount of money.

Let us make no mistake about what the government is attempting to do here. This is a massive change in our tax system, a change which I do not believe the Canadian people deserve to have foisted upon them in this manner.

Throughout this whole debate the people of this country have really been misled by their own government. Someone suggested to me the other day that it makes the Nixon years in the United States seem like a period of open government. Never has the art of deception been used with such dogmatic rightness of purpose than it has been used by this government to try to force this tax on all Canadians.

• (1230)

Honourable senators, in this house we have witnessed some of the harshest moments perhaps in Canadian parliamentary history. Our debates have been rough, but that is nothing new for democratic assemblies, particularly in Britain and the United States, in comparison to which we might be considered timid. The dictionary of parliamentary language offers a great deal of latitude, I suspect, to cover the unexpected and the unintended in the heat of political battle. However, not often does our language or our tactics descend to the purely personal.

I will not belabour this point unduly, as it has been raised at least twice in this chamber by opposition senators. However, I do want to express my own deep regret at words used in accusation by the Leader of the Government in the Senate, Senator Murray, against Senator Molgat during angry moments in this house on the night of November 22.

The apology elicited from Senator Murray that night paled in insignificance to the damage he caused in falsely maligning Senator Molgat. Unfortunately, it did not match in any meaningful way the message which was conveyed on television, radio and print throughout this country. Each of us in this chamber is a fair target for political invective, mild or harsh. However, the personal comments of Senator Murray that had no base in fact are now etched in the public mind as a vignette of this debate.

Senator Molgat, who is a respected member of this house, deserves better than that. Senator Murray, who is also a respected member of this house, is certainly capable of a far greater effort to clear the public record than he chose to make. I have made a point of mentioning this today, honourable senators, because those comments maligning Senator Molgat have been mentioned to me by numerous people from the area that I represent, and elsewhere, as a value judgment against him. It is very sad that a special effort was not made by Senator Murray to extend the apology as widely through the same media that reported the charge.

In a sense, this is part and parcel of what has been happening during this debate, which has ranged over the past many weeks since September 25, 1990, when we returned from the summer break. What has happened to this place is perhaps that this Senate is no longer viewed as a truly democratic institution. Many people say—and perhaps all senators will have had this argument over the years—that it never was a democratic institution, because we do not come here as elected members, representing precise constituencies, with the exception of the senators who are here from Quebec. We come here because the Prime Minister of the day appoints us. How we get here is one thing. There is considerable debate about that, as well there should be. I think—and many senators think—that we should be elected and, thus, directly accountable for the use of our extensive powers. However, that is for another debate.

The fact is that we are placed in this chamber to do a job, and a major part of that job is to review legislation. Our job is to read it, perhaps amend it, and even reject it based on

whether or not we think it is a good law or a bad law. We are supposed to listen also to what Canadians think. That is our obligation and responsibility as senators. We do that, normally, under the rules of the Senate. However, in the last two months the rule book has been torn up and, figuratively speaking, thrown out the window.

I recall—and I believe all senators will recall—the events of October 4, 1990. Perhaps it would be useful to think back on those moments and the effect that they have had, not just on the debate on Bill C-62, but perhaps, in the longer term, on the whole way that this house will operate in the future.

Senators will recall that at that time senators were out of the chamber for a period of time, with the bells ringing as a result of a motion that had been moved by Senator Frith. Then, late in the afternoon, the Speaker of the Senate, Senator Charbonneau, wrote a letter to Senator Murray, Senator MacEachen, Senator Doody and Senator Frith. Senator MacEachen was out of the country at the time. Carbon copies of the letter were sent to Senator Phillips, Senator Petten, Senator Molson, Senator Lang, Senator Lawson, Senator Pitfield, Senator Everett and Senator Waters. This correspondence was not conveyed to any other individual senators, to my knowledge, either on the government side or the opposition side.

Senator Charbonneau indicated to the people to whom he wrote:

> In my opinion, in light of the failure of the mechanisms established by political parties within the Senate to assemble senators for a division within a reasonable time, I will be stopping the division bell and will proceed to put the question now before the Senate at 5:30 p.m. this day.

Senator Charbonneau went on to say that he had taken this decision, after much reflection, to protect the rights of individual senators to perform their duties.

Honourable senators, I can recall that Senator Frith received that letter at approximately 5:05 p.m. and, after very swift and necessary consultations, was in the process of responding to it in writing. He realized that there would not be enough time to send it by messenger, so it was his intention to deliver it directly to the Speaker in this house. He was in the process of signing the letter and coming down here to the chamber just before 5:25 p.m. when we heard the order that the doors be locked. When we got downstairs, they were locked. The vote had been taken. As we came in, the order paper was being raced through, almost to the point of reaching the item on the GST.

● (1240)

Honourable senators, we have gone through a long and angry discussion about the events of that day. I will not dwell on them at any great length. They clearly provoked an outburst from this side, many of whom had not even received the word until well after the vote was taken. Events took place that I think it is fair to say none of us are proud of. In fact, all of us were sincerely distressed that those events ever had to take place. However, they were in response to a severely and sincerely distressing occasion, the likes of which had never happened in Canada before in either house or, as far as we know, anywhere, particularly in our Commonwealth or in the United States, namely, where a vote was taken in which only one side of the chamber participated.

The atmosphere that prevailed following that occasion has been a difficult one in this chamber. I would venture to say that it is only because of a fairly deep-rooted pattern of what could be called collegiality that we managed as well as we have. Another part of it is cooperation, which takes place normally every day between the leadership in this place and the senators in this place. Only because of that were we able to work out the provisional rules under which we are now operating.

However, it is very difficult, as all senators know, to get the message, good or bad, out of the Senate concerning what is happening here. Sometimes that is very sad, because there are often fine debates in this chamber. There are outstanding discussions and reports out of our committee system, but we have a great deal of difficulty getting messages to the Canadian public through the media from this chamber. In this case it has slowly been getting out that something rather extraordinary happened here during the course of this debate. I would quote from Jeffery Rose, the head of the Canadian Union of Public Employees, who said:

> Our institutions are set up for people who can exercise power with self-control. We've had 125 years of cautious progress out of respect for the public.
>
> What we're seeing now is the collapse of our institutions because a government failed to exercise that self-control and that respect for the public.

Mr. Rose referred to the Prime Minister as:

> . . . a radical reformer who is confronting our national institutions to the breaking point. The man is not a democrat. He deserves to be judged by history as a very, very destructive force in democracy.

One of the questions that arose from the events of October 4 in the minds of Canadians, who, after all, are the ones who are most deeply concerned as individuals about the GST, is: If a government does not respect the rules as they apply in this country's Parliament, how can it expect the citizens of this nation to respect either this Parliament or the laws made by it? If the people do not respect their own Parliament and the laws that it makes, they are unlikely to respect or accept a bill that they find as abhorrent as Bill C-62.

If Bill C-62 passes, I guess we will see whether, by its actions taken here and elsewhere in the House of Commons, the government is really passively giving permission, by its own actions, for forms of civil disobedience never before seen in this country.

Senator Kirby quite properly stated that many of us went into the committee hearings this summer with fairly open minds—at least with an ambivalent mind of where or how far one wanted to take opposition to this bill. I was not on the committee travelling across the country, but I did attend the hearings that took place in Edmonton, which I am told by

people who did travel across the country was probably—which ever way one looks at it—either the high point or the low point of the visits of the committee, given the exchanges of animosity that took place between the witnesses, in particular with senators from the government side. Perhaps most startling was the lively way in which there was audience participation both inside the meeting room and outside in the hall at that meeting.

• (1250)

The thing that struck me, not having been inured to these events by travelling across the country, was the number of witnesses who themselves brought up the question of civil disobedience in terms of dealing with the GST if it were passed. Perhaps through naivete it had not really crossed my mind at that point in time that feelings were running that strongly among what is I think in comparative terms, a population very responsible compared with others. At that time we heard references to the State of California and the type of public protests that were prompted many years ago, back in the 1970s, on the question of taxation under Proposition 13 in that state. Taxpayers of that state rose up. Indeed, they had their way.

I suppose all of us will have memories of this debate and the presentations made before the committee. One memory I have in particular has to do with two elderly women who sat in rapt attention for two days and who were on the list to appear at the very end of the hearings during the walk-on session. The walk-on session is something which I think the committee very rightly instituted, something which enabled individuals who were not attached to official groups to come forward and to speak for five minutes to offer their views and concerns. The two women about whom I speak came up individually and spoke as seniors on behalf of their particular seniors' group. This took place in the City of Edmonton. At the end of her remarks one of the women looked at all the senators—and Senator Hastings will remember this in particular—and she said quite bluntly, "I am not going to pay this tax. What are you senators going to do about it?" This was in a public forum. The media were present and the venue was perhaps somewhat intimidating. But that is what she said.

I spoke to these two ladies afterward to commend them for their courage and for their interest in sitting through two long days of hearings which were very difficult and then to come forward on their own to make a presentation. They told me that they had been talking about the tax for quite a while in their groups and that they were very concerned. They told me that in whatever way they could they were not going to pay this tax. However, one lady said, "We had not decided when we came here whether or not we were prepared to go to jail". She told me that she and her friend had talked it over the night before and had decided they were prepared to go to jail. That is the story of only two very nice senior citizens in this country. However, it is indicative of the extremes to which this tax has prompted Canadians to go.

We understand well in this chamber the feeling of the extremes because, as I said earlier, we have gone to some pretty heavy extremes on our own, particularly on October 4 when there was that one-sided vote and the lock-out. Before I leave that subject I wish to read again into the record some comments made by the former Commons Speaker, Jeanne Sauvé. These comments were made at a difficult time in proceedings in that chamber back in 1982 when there was a bell-ringing episode of not a few hours but of two weeks. This was an episode over the energy legislation which the Conservative opposition argued should be split. It was an omnibus bill. I remember that the government eventually responded and divided the bill into several parts. I remember the bell ringing in particular because the Speaker of the House of Commons after the first few days allowed that there would be a single symbolic type of bell which would ring while all the others would be silenced. That single bell rang for two weeks. It was located right outside my office door when I worked with Mr. Trudeau. Thus, I have a very strong affinity with the difficulties of operating under such conditions.

There was a lot of pressure on Madame Sauvé to do something. There was nothing in the rules that was of any help to her. Yet, a lot of people said, "Do something. Cut off those bells". At the end of the episode at the House of Commons she told the house why she had refused to cut off the bells. She said:

> What would have been the consequences of an arbitrary decision that did not derive from any of the rules approved by this House nor from a precedent with any relevance to the present situation? It would have meant breaking with an age-old practice that has proved its worth. How can the Speaker make sure that all members available to take part in the division are in the House? Is it the responsibility of the Chair or the Whips? What would prevent the Speaker from setting the time of the division in other circumstances? The Chair would have set a precedent that might create even greater confusion in the case of a minority government. In any event, such action on my part would have been open to allegations of partiality. Clearly, the Speaker must at all times be impartial.

Those were wise words made after an extended period of pressure, probably unlike any pressure that any Speaker has suffered here in this place or in that place in the last several decades.

• (1300)

We compare her attitude with that of Senator Charbonneau on October 4. As senators will know, some senators were sufficiently concerned about the actions of Senator Charbonneau on that night and the almost helpless position that would put members of this chamber in if it were used as a precedent again now or in the future with other governments, with other senators—it is a feeling of helplessness because there is no recourse to a vote conducted by only government members of the chamber—that they decided a course of action. As this very difficult debate commenced and continued through its next phase, which is in effect the third phase we are in now, it was felt by some senators that perhaps others who value and

respect the rules and traditions of Parliament should be invited to watch what has been taking place and will take place in the Canadian Senate.

Senator Molgat, Senator Buckwold, Senator John Stewart, Senator Stan Waters and Senator Ed Lawson sent a letter to the head of the Commonwealth Parliamentary Association of Canada, Mr. Girven Fretz, Member of Parliament, House of Commons. In the letter and factum attached, the senators set out the position which had occurred in this chamber. I do not want to read the whole letter or factum, but I will read part of it. It is the part that concerns the actions of the Speaker and I quote from page 5 of the factum attached to the letter to Mr. Girven Fretz:

> The position of the Speaker of the Senate is not comparable to that of the Speaker of the House of Commons; rather, the Speaker's position is similar to, but not the same as, that of the Lord Chancellor in the House of Lords. Under the *Constitution Act*, 1867, s. 34, the Speaker of the Senate is a government appointee. He (she) is allowed to take a partisan position in debate, and may vote to support a party position; consequently, the Speaker never has been vested with discretionary power by the Senate.
>
> The rules of the Senate do not confer on the Speaker the right to decide whether or not a *prima facie* case has been made when a breach of privilege has been alleged. Nevertheless, Speaker Guy Charbonneau has arrogated this right to himself. This he did on October 4, 1990.
>
> The rules of the Senate provide that divisions are not to take place until the Government Whip and the Opposition Whip enter the Chamber and indicate that they are ready for the vote. At five o'clock on October 4, 1990, Speaker Guy Charbonneau wrote to four senators (the Leader of the Government, the Deputy Leader of the Government, the Leader of the Opposition, and the Deputy Leader of the Opposition), with copies to the six independent senators, stating that he intended to conduct the pending division, for which the Whips were preparing, at 5:30 p.m. that day. By writing his letter he recognized that he was acting contrary to the rules and practices of the Senate. He failed to notify the vast majority of the senators by letter. At 5:25 p.m. he ordered that the doors of the Chamber be locked and proceeded to conduct the division although no member of the Opposition was present.

This appears in Senate *Hansard* of October 4, 1990, at page 2343. Later it was revealed by Senator Michael Pitfield, an independent, that Government supporters had been told in advance what Speaker Charbonneau intended to do.

That is contained in Senate *Hansard* of October 4, 1990, at page 2343, and October 9, at pages 2426-7.

> Immediately following this vote, 30 Liberal senators, over a period of eight hours, raised successive questions of privilege concerning the propriety of the Speaker's action. Allegations of collusion between the Speaker and the government were made, and were not denied by either the Speaker or the Leader of the Government in the Senate. Not a single government supporter rose during this debate on the question of privilege to defend the actions of the Speaker. Upon the conclusion of the debate the Speaker rose, not to address the question of privilege and explain or defend his unprecedented action, but to call the Orders of the Day. The Speaker's conduct, and his refusal to explain his actions, precipitated an unprecedented response by the members of the Opposition, which had the effect of suspending the consideration of all business, though the Senate continued to sit.

[Senator Fairbairn.]

And as I said earlier, this unprecedented response and the circumstances which led to it, I am sure, are regretted by all.

The other point I would like to touch on very briefly is that in spite of the shock that went through all of us, both because of the Speaker's action and the explosion it generated, all of us I think were hoping there would not be an occasion where such an overt action would prompt any similar kind of explosion. However, on November 22 there was again an explosion and, in this case, it was the situation when the Liberal senators had concluded the debate and the vote on the last of eight amendments that they were able to move as a result of the provisional rules that had been hammered out through the good offices of Senator MacEachen, Senator Murray, Senator Frith, Senator Roblin and Senator John Stewart.

• (1310)

At the end of the final amendment, clearly, the issue of the rights of independent senators to move amendments was at issue. This had been noted even as the provisional rules were agreed to weeks before. The question was raised immediately, "What about the independents?" At that time Senator Murray had indicated, yes, they would have the right to proceed. He had noted that it was not possible for either him or Senator MacEachen to impose their negotiated or provisional rules on people who were not part of their caucuses.

At any rate, it would have appeared that Senator Murray's resolve had weakened. On the evening of November 22, after Senator Waters had indicated for two days he would be on his feet to immediately seek the floor to move an amendment, and Senator Lawson indicated the same—Senator Murray, as anticipated, was up on his feet although not as quickly—

Hon. Colin Kenny: Would you allow a question? Did you say that immediately following the vote, 30 Liberals, over a period of eight hours, raised successive questions of privilege concerning the propriety of the Speaker's action; that allegations of collusion between the Speaker and the government were made and were not denied by either the Speaker or by the Leader of the Government in the Senate; that not a single government supporter rose during this debate on the question of privilege to defend the actions of the Speaker; and that at the conclusion of the debate the Speaker rose not to address the question of privilege and not to explain or defend his actions but to call the Orders of the Day? Can you explain why no one on the other side got up and tried to defend him? Can you explain why he did not get up and defend himself? Why were we the only people who spoke?

Senator Fairbairn: Thank you for the question which flows directly from the material I was reading earlier. On looking back on that occasion, I suppose the essence of the matter is that this whole action on the part of the Speaker had been one in which the government, the Leader of the Government and the Prime Minister, were very much involved and that, therefore, in their minds there was no reason to defend the action they took to hold a vote in those circumstances. I presume that the state of mind was that there was no need to explain or defend an action that was intended to get on with passage of this bill. It is hard for me to answer that question because I obviously cannot get into the minds of the people opposite.

Senator Kenny: My impression was that they were embarrassed and that they felt that if they said anything they would simply prolong the debate and that they could not defend what they were doing. You cannot defend the indefensible. It is best just to keep your head down and take as much of the heat as you can because every time you stand up you are drawing attention to the fact that you have done something wrong and improper. I think that explains the silence that we are witnessing today. They do not have anything to say because they hoped to just sit us out. How do you feel about that, Senator Fairbairn?

Senator Fairbairn: I think that is evident. I suppose that back in the balmy days of October 4 there was an expectation that this debate would fizzle out in a short period of time, particularly if some very dramatic and decisive action were taken which, in effect, turned out to be an interference with the Rules of the Senate as they had existed for a very long time. Whatever the case, obviously that did not occur and here we are today still debating and arguing this bill in the third reading process.

As you know, a very similar occurrence took place on November 22. If anything, I think it was more restrained, but another fundamental rule of the Senate, which had been clearly understood for many years, Rule 26, all of a sudden became unclear and had to be reinterpreted against a new background.

As a result of that the efforts on behalf of Senator Molgat to have the Speaker recognize Senator Waters and his right to move a motion on behalf of himself as a representative of the Reform Party were unsuccessful. Senator Molgat was not recognized but Senator Murray was. Part of the reason given for the recognition of Senator Murray was that the Chair, as a courtesy, always recognizes one of the party leaders before anyone else which, again, is not stated anywhere in the rules. Indeed, in a very tight situation, particularly when independent senators who do not have the support of caucuses or advisers or what have you, are trying to maintain their position as senators equal to any of us, it would seem to me that at that point in time the Speaker should have been even more scrupulous in adhering to the Rules of the Senate, not less.

This discussion, again instead of moving the process ahead, resulted in prolonged discussions and negotiations over a period of almost four days, which eventually did permit Senator Waters and Senator Lawson to move an amendment. However, ironically, I would think in the view of the government who were very anxious to cut off as much as possible any debate on this issue, this, in fact, extended the length of this debate. I must say, happily, it did, in the end, preserve the rights of the independents in this chamber to take an equal part in the proceedings and the debates, but it was a difficult moment for them.

Honourable senators, at the very beginning of my remarks I wanted to talk about the procedures and the difficulties we have had in this place. It has turned this issue, in a sense, from a straight legislative battle over a bill into something much more fundamental. The second part of the issue now becomes the state of our democratic processes in this institution on Parliament Hill as we have known them and as Canadians have known them and had faith in them for a very long time.

• (1320)

I have worked on this Hill in one capacity or another for more than 28 years. This certainly was a serious occurrence. Often, when things are procedural, they become internalized here on the Hill and only the people on the Hill understand them or care about these fights. Everyone else says, "Why don't you get on with things?" The strange aspect about this is that people across the country are beginning to ask questions about what is guiding us and the democratic spirit that is perhaps faltering as a result of actions that have taken place here.

I would now like to turn to the tax in Bill C-62. I do not think anyone has argued that the old manufacturers' sales tax is a good tax. There are certainly many things wrong with it. People have been saying that through many budgets and many of the years that I have been on this Hill. The lobbyists have come here and said, "For God's sake, do something about the manufacturers' sales tax in some way."

However, to say that in order to assist 75,000 businesses we have to immediately put hundreds of thousands, if not millions, of Canadians in greater economic difficulty is nonsense. It is like saying that the only way to cure a headache is to cut off your head. Even the government agrees that Canadians will pay more with the GST than they did before the GST. They know as well as anybody else does that the $20 billion that business saves by not paying the old tax will not all be passed along to consumers in the form of lower prices.

In the 1990 budget, government experts assumed that inflation would go up by only 1.25 per cent and that this increase will happen only in the first year. Most other experts say that it will be much higher. The Senate committee report on the GST summed it up very well. Even though the report became a controversial document, I hope that honourable senators have read it. I went through it in a fairly brisk way in the beginning, but as this debate went on I read it in more detail. It is a very good report.

I would like to read the part of the report that deals with the GST. The first part of that section is about the minimum estimate.

> The government estimates that introduction of the GST would result in a one-time increase in the Consumer Price Index (CPI) of about 1.25%. While several economic "think-tanks" concur with this estimate, it has been criticized on at least two grounds. First, the Government's 1.25% estimate assumes that the savings from removing the current Federal Sales Tax would be fully passed along to consumers. Many groups believe that this assumption is unrealistic and fails to take into account a number of special circumstances including inadequate inventory rebates and regulated or uncompetitive markets.
>
> Second, the Government assumes that organized labour is either naive or is powerless to address a reduction in the purchasing power of its wages. According to the information received by the Committee, members of organized labour are well aware that the GST would reduce their real income and are extremely skeptical about the Government's price estimate. This is already being reflected in new labour contracts that contain GST protection in the form of cost of living allowance clauses and fixed wage increases. To the extent that labour is successful in obtaining further wage hikes because of the GST, this will feed into firms' cost structures and result in higher prices. In the real world, expectations are crucial but there is no indication that the Government has built a wage response into its price impact estimate.
>
> A realistic appraisal came from the Chief Economist of the Conference Board of Canada, Mr. J.G. Frank who told the Committee regarding the Board's own price impact estimate of 1.4% and the Government's 1.25% forecast, "I would say to you, again candidly, that is a lower bound estimate. That is the minimum you can expect, and it goes up from there based on how those two assumptions are at odds with reality."

Hon. Joan Neiman: Senator Fairbairn, just to bolster what you are saying, a neighbour of mine had some work done by Ontario Hydro a week or two ago. The man who was there happened to be a union steward who had just completed negotiating next years's contract.

He mentioned that the 7 per cent GST is built into their contract. There is also another 6 per cent for the inflationary cost to themselves over the year, plus 1 per cent for negotiating the contract. I did not realize they did that, but he said that all the union people to whom he was talking at that time in Ontario were doing exactly the same thing. Are you aware of that happening across Canada?

Senator Fairbairn: Thank you, Senator Neiman. That is a vivid way of illustrating that the 1.25 per cent assumption was really blown out of the water the moment it was made. I have read a number of briefs that came from labour organizations in every part of this country, covering hundreds of thousands of Canadian workers. Obviously, it goes back to the whole idea of fairness. In their mind, fairness is levying a tax on the assumption that it will bring down prices, which is a perilous assumption. The other assumption is that the working men and women of this country will not either ask for wages or expect those wages to be negotiated by their unions.

• (1330)

Already there are a number of major contracts in Canada now under negotiation. Very definitely they have built into them a GST component. In effect either way the 1.25 per cent rate, as the chief economist of the Conference Board of Canada said, was certainly a lower bound estimate. Certainly in the last several months many other economic voices in Canada have indicated that a more realistic increase in the inflation rate, taking all these other things into consideration, would be more like 2.5 per cent. In fact, in preparing for this speech I have even read—and I will get this at some point—that other groups have suggested that it could go as high as 3 per cent.

Senator Neiman: Can we expect the settlement made by Ontario Hydro to be passed along quite shortly to the public in the form of higher rates?

Senator Fairbairn: Yes. As Mr. Frank concluded, these assumptions—that is, the full pass-through of FST savings and no wage price inflationary spiral—are key to the government's estimates of the price impact of the GST. As you have so clearly pointed out, that falls short of taking into consideration the reality of other real forces in the economy.

That was found under the heading of "Price Effects of the GST." Again, honourable senators, I am quoting from the report of the Standing Senate Committee on Banking, Trade and Commerce. The next section deals with removing the federal sales tax. It states:

> In estimating the impact of the GST on the overall price level, it is important to assess how the price of individual goods and services are likely to react. The application of the GST will affect relative prices by raising significantly the price of services and other items that currently bear no direct federal sales tax. The brief received from Informetrica Limited indicated that the GST would raise the price—

This relates to part of your point as well, Senator Neiman. It goes on to state:

> —of recreational services by 8.0%, restaurant, hotel and tavern services by 7.4%, natural gas by 7.3%, electricity by 6.8%, women's and children's clothing by 5.9%, footwear by 4.8% and so on.
>
> In order to achieve a small overall price increase from introducing the GST, the prices of other goods currently subject to Federal Sales Tax must fall when that tax is removed. It has been suggested that the price of automobiles, furniture and household durables that now contain the Federal Sales Tax will decline once this tax is removed. However, for this to happen, manufacturers, wholesalers and retailers will have to lower their prices to reflect the elimination of this tax. Much of the debate about the price impact of the GST centres on whether firms will actually pass on to consumers the savings from

the sales tax reduction or whether they will simply increase their price markups.

The Government's assumption that 100% of the saving from eliminating the current Federal Sales Tax will be passed through to the consumer does not depend on the good graces of business, rather, it is believed that competition will force firms to pass on the cost savings. In competitive markets—

And that should be in black letters here.

—firms that attempt to use such an opportunity to increase their profit margins are likely to be undercut in price by their competitors. Michael McCracken suggested to the Committee that there is a significant degree of competition in Canada which has been enhanced recently by the Free Trade Agreement and the appreciation of the Canadian dollar.

However, Mr. McCracken and others also expressed concern that the regulated sectors of the economy including the telephone company, the electric power utilities, the transportation sector and the food sector regulated by marketing boards might not make the appropriate price adjustments immediately. As Mr. McCracken cautioned, ". . . the CRTC, the National Transportation Agency and the various marketing boards—need to be sensitized to this situation. They need to ensure that, on January 1, someone has done the necessary calculations and provided the information necessary to make the appropriate price adjustments. If they do not do it or if they do it six months after the fact, that could create a problem."

Professors Jack Mintz and Thomas Wilson expressed doubts about the extent and speed of the price reductions from removing the current sales tax. In their brief to the Committee they state, "Finance Canada has estimated that the GST will raise prices by about 1.25 percentage points, assuming that competition will force Canadian business to pass on the savings arising from the elimination of the FST. However, no allowance has been made for possible differential short-run impacts of sales tax reform on prices in industries which are not highly competitive or which are subject to regulation."

This quote comes from a paper called, "Alternatives to the Goods and Services Tax", which was released in August of this year. The report further states:

Other witnesses were skeptical of business passing on the savings from removing the current Federal Sales Tax. The Canadian Union of Public Employees (CUPE) has developed its own estimates of the price impact of the GST based on different assumptions about the degree of pass-through of savings. According to CUPE estimates, if 50% of the FST saving is passed on, the price impact of the GST would be about 2.8% while a 30% pass-through rate would raise prices about 3.4%. CUPE believes that even if organized labour does not attempt to protect their real wages through increased wage demands, "the cost of living impact of the GST can be expected to be in the neighbourhood of three percentage points—far in excess of Mr. Wilson's estimate of 1.25 per cent."

• (1340)

That is far in excess of Mr. Wilson's estimate of 1.25 per cent.

Not only labour groups have expressed scepticism about the reduction in certain prices as the FST is removed. Representatives of the Canadian Home Builders' Association told the House of Commons Standing Committee on Consumer and Corporate Affairs and Government Operations that they expected about two-thirds of the savings from the MST to be passed through to the consumer. While a number of companies provided that Committee with verbal assurances that they would pass along the savings, some firms indicated their intention to maintain the same absolute dollar markup on merchandise. Maintenance of the same dollar markup on a lower cost implies an increase in the percentage markup. In their report on the GST, the Consumer and Corporate Affairs Committee states, "We believe that for the consumer to benefit fully from the elimination of the FST, business should not increase their percentage markups after the GST has been implemented, given that operating costs have been reduced.

That quote is from the report of the House of Commons Standing Committee on Consumer and Corporate Affairs and Government Operations entitled *Living with the GST*. It is dated June 1990.

An important consideration in whether firms are able promptly to pass along any savings from the elimination of the current Federal Sales Tax is that the sales tax embedded in inventories be removed. The Government has designed a rebate scheme to compensate firms for Federal Sales Tax paid on inventory purchased prior to the introduction of the GST on 1 January 1991.

The rebate percentages are based on estimates by the Government of the average amount of tax paid by business on various categories of goods. The general rebate of 8.1% covers most types of inventories with the following rebates for particular goods: 11.1% for motor vehicles; 5.6% for building materials; 2.8% for mobile homes and modular building units; 2.5% for small grocery and convenience stores; 1.4% for propane; and a per litre amount for gas alone and diesel fuel to be made public in December.

As the Government has designed these percentages to reflect the average sales tax component in inventories, the rebate provided to some firms will obviously exceed the amount which they actually paid while the compensation to other firms will be less than the tax paid. In general, the tax content in a merchant's inventory is likely to vary according to the trade level and the number of stages in the production chain.

For instance, the sales tax in the inventory of a wholesaler that purchases directly from the manufacturer could amount to 11.9%. The proportion of a retailer's inventory

> accounted for by Federal Sales Tax would tend to be lower reflecting other price markups at the wholesale level. This will also tend to vary according to the price markup on a particular product and the number of trade levels between the manufacturer and the retailer. In addition, inventories held at great distance from the point of importation or manufacture will have a relatively low FST content because transportation costs to the retail market are not directly subject to FST.
>
> Complicating matters still further is the fact that some products are taxed at the wholesale level rather than at the manufacturer's level. While the Government has decided to increase to 11.1% the rebate provided to automobile dealers, this has not been extended to other industries, such as cosmetics, which are also taxed at the wholesale level. The Committee also heard from the Canadian Importers Association, autoparts dealers, building supplies dealers, pleasure craft dealers and a furniture retailer that the 8.1% rebate would fail to fully compensate for the tax content of their inventories.
>
> Only if firms receive a full rebate for the tax paid on their inventory, will they be in a position on January 1, 1991 to reduce their prices to completely reflect the removal of the Federal Sales Tax. Where the rebate is inadequate to compensate firms for the tax content in their existing inventories, they can hardly be expected to reduce their prices fully until the old inventory is sold. Thus, even where firms intend to pass along any savings it may be some time until the expected price reductions on certain goods materialize.
>
> At a cost of $19 million, the Government has established a GST Consumer Information Office (CIO) within the Department of Consumer and Corporate Affairs to monitor the implementation of the GST. Primarily, the CIO's purpose is to provide public information on price increases and decreases as the GST is introduced and the current Federal Sales Tax is removed. However—

Senator Davey: Senator Fairbairn, do you have any additional information on that Consumer Information Office? The other day in Question Period I asked Senator Murray if he could give me some information on who were chosen, and how and what they were being paid. I still have not received that information from him. To be fair, it has only been about a week since I asked the question. However, do you have any additional information as to what is the purpose of this office and when it was started? In your opinion, is it very useful?

Senator Fairbairn: I do not have additional information. I suppose it is too early to say whether it is useful or not. Your question to Senator Murray was an interesting one. Perhaps if Senator Murray has received an answer to the question he would want to transmit that answer. I would certainly be more than pleased to include it in my remarks this afternoon.

Senator Davey: What is the date to which you are referring?

Senator Fairbairn: What I am reading from here is the report of the Senate Standing Committee on Banking, Trade and Commerce. The report came out on September 25. The Consumer Information Office was established prior to that time.

[Senator Fairbairn.]

Senator Davey: My question to Senator Murray was prompted by the fact that they appointed ten or twelve, or maybe even fifteen, new members to the board about a week or ten days ago.

Senator Fairbairn: It would be interesting to know what they do and to get a better idea of exactly who are there and how they operate. As I said, if you have the information, Senator Davey, I would be more than pleased to include it in my remarks, or perhaps you would be able to include it in yours.

● (1350)

The report continues:

> Primarily, the CIO's purpose is to provide public information on price increases and decreases as the GST is introduced and the current Federal Sales Tax is removed. However, the CIO can also investigate consumer complaints about firms' pricing practices and inform the public of any irregularities.
>
> A body like the CIO, which has no formal powers to roll back prices, is likely to have little influence on the behaviour of prices when the GST is introduced.

And I think that is similar to situations in the past where there have been very worthy people involved in watchdog committees which, because of lack of teeth, as it were, have been unable to give any force to their public moral suasion. And, indeed, that is a sentence that comes up here:

> Any power the CIO might have would stem from its ability to exercise moral suasion with companies and trade associations and to inform the public of irregular pricing practices. Even here, its ability to affect prices is limited. Publication of the names of businesses that are believed to be guilty of pricing abuses would leave the CIO open to the risk of legal action for defamation, according to testimony received by the Consumer and Corporate Affairs Committee.
>
> The Consumer and Corporate Affairs Committee also heard that in most cases the amount of FST embedded in the price of a product is virtually impossible to determine. Beyond that, the CIO will only be able to monitor a fraction of the huge number of products on the market. Finally, as already indicated, some firms simply will not be in a position to reduce their prices immediately due to inadequate rebates on existing inventories. Monitoring these firms, or attempting to persuade them to lower their prices, would be adding insult to injury.

I will go on to the next section of the committee report—and I am glad to see Senator Buckwold here. It is music to his ears, I am sure, to hear these words again.

Senator Buckwold: An inspiration!

Senator Fairbairn: I am sorry that Senator Neiman is not here at the moment because she expressed in her question a

few moments ago some concerns about labour demands, and that is the next section of the report I want to refer to at this point.

> The failure of firms to quickly pass through savings from removing the current FST could cause the initial price increase from the GST to exceed the Government's 1.25% estimate. GST-driven wage increases reached in anticipation of the tax could also affect the size of the initial price hike. Whether this "one time" increase escalates into a wage-price inflationary spiral will depend on the results of subsequent wage negotiations and the extent of provision for cost of living allowances. As indicated, organized labour is sceptical of the Government's price forecasts and expects substantially larger price hikes due to the introduction of the GST. These expectations are crucial because they form the basis of labour's wage demands in upcoming negotiations with management. If labour is convinced that the GST will raise prices by, say 3.0%, it will seek wage increases to offset that amount. The labour groups that the Committee heard from appeared to be taking an aggressive stance toward upcoming wage negotiations, not only as a result of the GST, but also because they perceive that past wage increases have not kept pace with inflation.
>
> To the extent that unions are successful in negotiating higher wage settlements in anticipation of the introduction of the GST, this will feed into firms' cost structures and affect the realized price change. However, it is important to distinguish between wage settlements that provide a fixed increase in anticipation of the GST and increases in the form of cost-of-living allowance (COLA) clauses that take effect with a lag. The first type of wage increase has an immediate impact on firms' cost structures. COLA clauses, on the other hand, affect wages with a lag since these calculate wage increases based on the previous period's inflation rate. In this way, the initial price effect of the GST could result in higher wages in subsequent periods that feed into further price increases.
>
> In a forthcoming article in the Canadian Tax Journal.

—and I believe, Senator Buckwold, that this article has been published under "Alternatives to the Goods and Services Tax". It was published following the release of your report. The article itself was presented in advance to the committee:

> Professors Peter Dungan, Jack Mintz and Thomas Wilson of the University of Toronto estimate the impact of the GST on a number of economic variables. Building a wage response into their model, the authors assess that the GST would raise the Consumer Price Index by 1.7% in 1991,

—considerably higher than the 1.25 per cent the government has estimated.

> 2.2% in 1992, and 2.5% in 1993.
>
> In the August 1989 Goods and Services Technical Paper, the Government acknowledged that increased wage demands could derail its own estimates of the GST's price impact. "The challenge that Canadians face is to realize these benefits as quickly and as smoothly as possible. This can be done if there is no inflationary response to the one time increase in the price level due to the introduction of the GST. Inflationary price and wage behaviour would, on the other hand, threaten sustained economic growth and delay the achievement of the economic benefits that the GST makes possible.
>
> The Minister of Finance told the Committee that it is not surprising that the labour movement is trying to use the GST as a bargaining tool but that it must recognize what a company can afford to pay. The Minister states, "If a company agrees to a wage settlement that is higher than it can afford to pay, if it accepts the argument that there ought to be a higher wage settlement as a result of introduction of the GST, that would be a mistake on its part, and I think most companies operating in the Canadian environment understand that.". . .
>
> Notwithstanding the Minister's comments, there is evidence to suggest that labour groups are having some success in incorporating GST protection in their wage contracts. For instance, the Canadian Auto Workers have obtained GST-linked COLA clauses for customer service workers at Air Canada and for workers at Boeing and DeHavilland Aircraft. It also has achieved increased cost of living protection in recent contract negotiations with Ford Motor Company. The Canadian Union of Public Employees is advising its members to go after a 9% wage increase to provide insulation from the GST. Other labour unions are also seeking protection from the GST either through fixed wage increases or by means of COLA clauses.
>
> A major concern is the reaction of monetary policy to any GST-generated price increase.

• (1400)

The Governor of the Bank of Canada told the committee that a one-time price increase could be accommodated by monetary policy, but that what monetary policy must guard against is the risk that the initial price increase will trigger successive demands for compensating wage and price increases. He said that should an inflation process take hold, it would greatly damage our economic prospects and that, therefore, monetary policy must be prepared to offer strong and early resistance to any such development. These comments by the governor indicate his resolve to take early action to prevent a one-time price effect of the GST from escalating into a wage-price spiral. It is uncertain whether the governor will consider recent wage settlements including cost-of-living protection in labour contracts as indicative of increased inflationary pressures. However, it is clear that if higher wage demands raise the underlying rate of inflation as opposed to a one-time price increase, the governor is prepared to neutralize these with monetary policy. Other price pressures, such as the recent escalation in world oil prices, also threaten the Bank of Canada's zero-inflation target at this time. This report, honourable senators, was written in September, but it says that unfortunately, with the country on the brink of a recession—

which we now know is upon us—and the prime interest rate currently at about 12.5 per cent, any attempt to wring inflation out of the system through tighter monetary policy would only heighten the threat to the Canadian economy.

That was the section of the report that I felt was worthwhile reading since it touches on the various aspects of price effects of the GST.

If average non-expert Canadians want to keep track of how they themselves are doing financially with this new tax, they have to take the time to calculate the percentage of the old tax they now pay on every product and service consumed; they have to keep track of how that price changes as a result of the removal of the old tax; they have to calculate the exact amount of the GST paid every month, day and week; they have to calculate the change to see if they are spending more or less under the GST; and, of course, Canadians will pay more, a lot more. That is the primary reason that they are signing petitions, writing letters and telling us to stop the tax.

Consider what the government is asking Canadians to accept. This is not an annoying little increase in the tax on cigarettes and alcohol. This is not an annoying little increase in the tax on gasoline or a special tax on a single commodity or on a single service. This, honourable senators, is a tax on everything and it will rain down on the heads of every consumer literally dozens of times a day.

On a lighter note, I recently came across a document in my "in" basket which outlines how Canadians will all be forced to live under a new tax. It is a bit on the lighthearted side but it, nonetheless, captures, perhaps very realistically, how this tax will affect individuals. It is called, "A day in your life under the GST." It begins with a quote from George Orwell—"*Nineteen Eighty-Four*—it was a bright, cold day in April and the clocks were striking 13." It then says that in the new world of the GST big brother won't be just watching you, he is going to have his hand in your pocket every time you turn around. A day in your life under the new GST will look something like this: You wake up, you shut off the new alarm clock for which you have just paid 7 per cent more. You brush your teeth. You paid 7 per cent more for the brush and for the toothpaste. You take a shower, you paid 7 per cent more for the soap, for the shampoo, for the towel and everything else in the bathroom. You dress the children for school in new shirts, pants, socks, coats, hats and shoes you just paid 7 per cent more for. You hand them their school books and you paid 7 per cent more for the books too.

If you can still afford it, you drive to work. You have a flat tire on the way. It costs you 7 per cent more to repair it. You park the car in the lot, 7 per cent more for parking. Take a coffee break, 7 per cent more for the coffee and 7 per cent more, if you can afford the snack.

In keeping with trying to build up your economic situation, you buy a lottery ticket for the Saturday draw, 7 per cent more. You collect money for a going away gift for one of your co-workers, 7 per cent more. Have lunch, pick up a sandwich, 7 per cent. A bowl of soup, 7 per cent, a cup of tea, 7 per cent, dessert if you can indulge in it, 7 per cent and you go back to work and try not to think of how ripped off you feel.

You might slip out for a haircut, and it might not make that much of a difference on Parliament Hill, but in some of the other establishments you will pay a hefty 7 per cent more.

Senator Buckwold: A clip joint.

Senator Fairbairn: On the way home you stop for gas, you pay 7 per cent more. I should tell you, Senator Buckwold, that my husband, Mike Gillan, was noting to me on the weekend that he had just filled the tank of our car and that the week before it cost $25 to fill that tank and on the weekend it cost $33. On top of that the projected 7 per cent is a real blow. This article goes on to say that if you stop at the hardware store on the way home for a can of paint to paint the rec room, you will pay 7 per cent more and 7 per cent more for the paint brush and the screwdriver.

Then, looking at the children, you pick up, perhaps, a hockey stick, a football glove, a Barbie doll, 7 per cent more.

Dog food and cat food will cost 7 per cent more.

If you have been in the habit of giving them treats, I suppose you would pick up a tin of Snausages and a tin of Pounce and they would cost 7 per cent more. However, those kinds of treats will undoubtedly become a luxury. In fact, maybe owning a dog or a cat will become a luxury.

Senator Buckwold: You will have to pay for the veterinarian services.

Senator Fairbairn: I do not even want to think about the veterinarian services. Having five animals myself, it is bad enough without the 7 per cent.

Senator Simard: Don't start a war.

Senator Fairbairn: On the way home you stop for a take-out pizza or chicken or quick dinner for yourself and the family, 7 per cent more. If you take your youngest child to an early show—one of the current favourites is *Teenage Mutant Ninja Turtles* or *Fantasia*—it will cost you 7 per cent more. Popcorn and snacks will cost 7 per cent more. If you take one of your children to gym class it will cost 7 per cent more; another child to a computer course, it will cost 7 per cent more.

• (1410)

Then, when you return home, put the children to bed and sit down and write your cheques for the utility bills, the gas bill will cost 7 per cent more, the oil bill will cost 7 per cent more, and the electricity bill will cost 7 per cent more. The cheque to the plumber who fixed the leak in the bathroom sink will cost 7 per cent more. Postage stamps for the envelopes that you are mailing the cheques in will cost 7 per cent more.

You sit back in your new chair, which was 7 per cent more, to look at your television set, another 7 per cent. A better idea might be to read one of those books that cost 7 per cent more. If all of this is too much for you and you have some kind of a seizure and have the misfortune to die, that will cost you 7 per cent more because this tax even applies to funerals.

The only way you can avoid paying the GST is rather depressing. You can stop eating anything that is not defined as a basic grocery. You cut back on new purchases of clothes or shoes; you can unplug your phone, television, fridge, lights, furnace, and, whatever else, do not die. When you are sitting there in the dark you might offer up a silent prayer, to this point tax free, that the Senate will defeat this outrageous new tax nightmare.

One could write a similar kind of tale as people face the Christmas season. Charles Dickens' ghost of Christmas-yet-to-come could not have invented a gloomier picture than what is being inflicted upon us with the prospect of this tax.

Senator Buckwold: Scrooge Wilson.

Senator Fairbairn: Should the tax go through, it will be in full flight by next Christmas, at which time you will be paying 7 per cent dozens of times a day as you go out to prepare for the Christmas season. It will apply to everything. All those special things that we buy for our homes at Christmas will cost 7 per cent more.

Hon. Peter Stollery: May I ask a question?

Senator Fairbairn: Certainly.

Senator Stollery: I suppose there will be a budget at some point in this coming year, would you not say so, Senator Buckwold?

Senator Buckwold: That is the history, yes.

Senator Stollery: We have a deficit that seems to be increasing because of the interest rates. People are talking about a deficit well over the $30 billion deficit we have been running continually for some time. The *Ottawa Citizen* has a very interesting article in today's paper regarding the increasing deficit. It says:

> As the economy plunges deeper into recession, an economic think-tank warned Monday the federal deficit will soar by $8 billion next year to more than $35 billion.
>
> Prime Minister Brian Mulroney hinted he may consider an NDP proposal to establish an all-party committee to look for solutions to Canada's economic woes.
>
> "We are in difficult economic times and obviously any good, concrete proposals will be looked at," Mulroney told the Commons.
>
> But Finance Minister Michael Wilson again ruled out any quick drop in interest rates, saying "we've had increasing inflationary pressures."

I am not making these predictions. This is an article by Eric Beauchesne.

Senator Fairbairn: Are the consultants Ernst & Young?

Senator Stollery: It does not say, but it predicted the deficit will rise by almost $8 billion next year to $35.5 billion, the unemployment rate, now at 8.8 per cent, will climb to 9.7 per cent, while the GST and high oil prices will push the inflation rate up to seven per cent.

You said that next Christmas the cost of everything will be 7 per cent more, compounded of course by whatever your provincial tax may be. Have you given some thought to the fact that the government may have to increase the GST, if, in fact, it is passed and goes into effect? Those are big ifs, of course.

Prime Minister Mulroney said:

> We are in difficult economic times and obviously any good concrete proposals will be looked at.

Do you think that one of the proposals that the Prime Minister would be inclined to look at—and I certainly would if I were the Prime Minister, having established the goods and services tax—would be the 7 per cent or do you think that in the first budget, having to deal with a possible $35 billion deficit, one of the first places the government will look in order to increase their revenue will be at the 7 per cent?

The government claims that the tax at the moment is revenue neutral. It came out at 9 per cent, so they have lost 2 per cent. Do you think the first thing they would want to consider is getting rid of a revenue-neutral tax and in fact collecting money for the deficit? Do you have any thoughts on the realistic chances that the GST will be only 7 per cent a year from now, if it is actually passed and goes into operation?

Senator Fairbairn: Thank you for the question, Senator Stollery. Let me start by expressing the hope that it will not be passed and in effect.

I suppose one would be forgiven for feeling that in the back of the government's economic closet there is a plan already set out for 9 per cent tax, because that is what it was initially supposed to be. It was pulled back to 7 per cent, perhaps, to make it more politically palatable.

As the recession takes hold, in a few months things will be infinitely worse than they are now. For many months leading up to the recessionary statistics that we have seen recently, many economists have been saying that this is the wrong time for this tax. The history of the value-added tax in many countries—and I will get to that later in my speech—has been to increase it rapidly in some cases; in some cases after waiting for one or two years. If I am not mistaken, I think Japan is still at 3 per cent-and it went through hell bringing in its GST. I think it lost a couple of prime ministers along the way.

• (1420)

Senator Buckwold: It is at 3 per cent.

Senator Fairbairn: Yes. At the moment it has not been raised.

Senator Stollery: Of course in England it is 15 per cent, isn't it?

Senator Buckwold: Tell him about the increase in New Zealand in four years.

Senator Simard: What does that prove?

Senator Buckwold: It proves that you are awake.

Senator Fairbairn: At any rate, the possibility is certainly there. But whether it is an increase in the GST or other

mechanisms the government has, certainly when we face next Christmas we will be under more stringent conditions one way or another, whether it is through the GST or something else.

Even if the government is totally wedded to this particular form of the tax, there is a certain logic at this point in time in withholding it for a period of many months until the economy and the people of Canada are in a better situation to receive it.

Senator Stollery: Would you not say that by that same logic the government would be wise not to go ahead with it at this point? But if they do go ahead with it—that is, if they do as they appear to be determined to do—by following the same experience of every other country that has imposed this tax, do you not think that this is the first place that the Finance Minister will look in his next budget to raise some money? Do you not think that this will not likely be a 7 per cent tax by next Christmas, but the very minimum that we can look forward to is the 9 per cent tax that they started off with?

Senator Fairbairn: You would make an excellent lawyer, Senator Stollery, in leading witnesses. I am not prepared to say that it is likely, but it would not surprise me to see it raised. I suspect that there could be a brand new raise in the tax by a brand new minister.

Senator Stollery: That is an expensive Christmas pudding for next year.

Senator Fairbairn: We may chuckle about Christmas, but it may be the only time of year that there is a great deal of joy in the land. Rightly or wrongly, it is the time of year that has grown over a long time to be less and less of a religious observance and more and more of a commercial occasion. Rightly or wrongly, this is portrayed through television and all the media. It is not an insignificant thing to think of all of the extra things—leaving the idea of gift giving aside for the moment—that North American families have come to regard as normal and commonplace.

You start with your basic Christmas trees. They get more expensive every year without a GST. You then get into all the things that you put on them to make them attractive for your home and your children. One by one, whether it is icicles, snow spray, decorations or whatever, they will all come under the extra tax.

Last night my neighbourhood was a blaze of Christmas lights. They are all up now. They will also be part of that extra expense, as will Christmas wreaths. This is just a portion of the whole myriad of things that you have to purchase before you even start to get into what are genuine parts of the Christmas spirit, namely, the giving of gifts to people who are close to you and your families.

Senator Buckwold: When you hire a Santa Claus will you have to pay 7 per cent tax, for example?

Senator Fairbairn: You would be a good person to hire for Santa Claus, Senator Buckwold.

Senator Stollery: What about the Christmas pudding? Is it taxed or is it considered a food?

[Senator Fairbairn.]

Senator Fairbairn: You would have to phone the GST phoneline to have a reading on that. That might be an interesting thing to do. Had I had more time, I would have found out that information.

I noticed in an article the other day which emanated from Philadelphia that someone had taken the trouble to take the Christmas carol entitled "The Twelve Days of Christmas" and had placed a price tag on everything from the partridge in a pear tree to the ten lords a-leaping and the however many ladies dancing. It occurred to me that if you go through all the kinds of items—

Senator Stollery: I suppose it would depend on whether or not you bought a large Christmas pudding or whether you got it in—

Senator Fairbairn: Or whether you purchased the ingredients and made it?

Senator Stollery: No; or whether you bought it in a small package. I suppose it could then be considered candies or food. Do you think the same regulations that apply to candy and chocolate bars apply to Christmas pudding?

Senator Buckwold: As long as it was six servings or over you would pay no tax.

Senator Fairbairn: Then you would not get a small pudding.

Senator Stollery: Then you would get one large Christmas pudding.

Senator Buckwold: But you would not pay any tax.

Senator Steuart: Is that with or without hard sauce?

Senator Fairbairn: You would pay tax for the hard sauce. I am sure of that.

At any rate, honourable senators, what we are talking about here—and you can go through all of the kinds of things that children want, whether they be skates, hockey sticks, helmets, dolls, or the rest of it—is that the price is moving up with every item. We talk about that in terms of ourselves or in terms of middle-class Canada, which has developed these traditions and has been able to accomplish them over the years.

• (1430)

I ask honourable senators to take a look at the impact of the tax not on middle class Canada but on the very poor. It will be horrendous, particularly at this time of year. I am talking about that very large and almost totally unrepresented group of people in our society who some sociologists call the underclass. We like to think of the underclass as being segregated to the streets of New York or other big American cities. However, honourable senators, in every city of Canada we are now developing our own underclass, and all the new kinds of services and institutions that have become necessary to deal with them. We are talking about street people who do not even have homes to go to, let alone gifts to buy. They will be turning to the soup kitchens such as those provided by the Salvation Army and the food banks which are now a permanent feature of our society. We are talking about the bag

ladies whom we see more and more of in our streets, especially now amid the rush of Christmas shopping all over Ottawa. We are talking about the rural poor who are hidden far away from those food banks and those soup kitchens. They have not even recovered from the last recession. In many cases, if we are talking about the farm community, as you know, Senator Buckwold, in Saskatchewan in many cases debt has forced farmers off the land in droves, or they are barely hanging on, battered down by droughts, interest rates and the vicious subsidy wars which are being fought by other countries and depriving Canadians of having viable prices for their grain at a time when there has been a relatively decent crop for the first time in years.

On top of everything that is going on here and what we are debating in this chamber today, we have only to look at the national news every night to see that the difficulties and the near riots in Geneva are of such moment as to share the headlines with the Persian Gulf activities. Just before I came into the chamber I was in the Senate Reading Room watching the news in which one of the representatives attending the meetings in Geneva said that the whole GATT discussions could collapse within two hours as a result of the failure to come to grips with the agricultural problem. With the exception of one or two incidents on the Hill a few years ago, one involving tobacco farmers and another involving dairy farmers, we do not have Canadian farmers taking to the streets as they were in Geneva forcing a violent retribution from the police.

With the underclass about which I am speaking we are moving into a situation in which Canada will not be immune from this type of social strife. It comes back again to how much individuals will bear. If we are thinking of the single mother on welfare trying to scrape together enough to feed, clothe and shelter herself and her children, we see that they can barely do it now, without facing a world in which she may, if she has the skill, the time or the energy, have to get into rebates and tax credits. I personally very sincerely believe that on the day that you have to purchase item by item individual things for your family it is little comfort to know that down the road you will receive a cheque, somewhat after the fact.

This is also true of elderly pensioners who can barely manage on a tiny pension cheque which is eroded constantly by inflation. These are the people whose voices are not being heard in this debate. To a large degree they are not heard very often in Canada because they are the ones who have neither the opportunity nor the strength to come out to protest on Parliament Hill or to present briefs to committees. They cannot do that because they are working at two or three jobs every day trying to keep their heads above water. These are the people whose voices ought to be listened to more attentively by all politicians than they are today.

One brief to which I would like to refer, because it speaks for these people, was presented in early July in Charlottetown to the Standing Committee on Banking, Trade and Commerce. It is not a long brief, but it says perhaps more elegantly and eloquently than I what these Canadians are suffering and will suffer. I wish to quote from the brief of the Social Action Commission from Charlottetown, Prince Edward Island:

> The GST will hurt people on low incomes more than proponents of the tax care to admit. A single parent with two children with a $15,000 income will pay $735 in GST while receiving $580 in tax credits. This family, already in poverty by national standards, will be $155 poorer. A one-earner family with two children and an income of $15,000 yearly will be even worse off. This family will pay $938 on the GST while receiving tax credits of $580. The Ecumenical Coalition for Economic Justice states:
>
> > The real value of the tax credit will diminish over time as the result of inflation. Specifically, these credits will increase only by the amount which annual inflation exceeds 3 per cent—rising one per cent if inflation is 4 per cent, 2 per cent if inflation is 5 per cent, and so on. In other words, so long as inflation exceeds 3 per cent—and it has every year since 1971—the credit's real value will decline by 3 per cent each year. Single people living on government pensions or welfare payments, most of whom are women, will suffer a further income loss. Some provinces intend to deduct from a single person's welfare cheque the value of any tax credit they receive under the GST.

I find that very hard to believe.

Senator Frith: What do you find hard to believe?

Senator Fairbairn: That some provinces intend to deduct from a single person's welfare cheque the value of any tax credit they receive under the GST.

Senator Frith: One has already backed off.

Senator Fairbairn: I hope they will all back off.

● (1440)

> Moreover, a quarter of those who live in poverty do not file income tax forms, which must be filed in order to collect the tax credit. High income earners are much less affected because they spend a smaller portion of their income on goods and services. Their savings and investments will not be touched by the GST.
>
> . . . the Social Action Commission agrees with the positive alternatives to the GST made by the Pro Canada Network. The many alternative proposals would have particular benefit to Atlantic Canada, a region which stands to lose the most by this regressive tax.

The GST will hurt people on low incomes more than proponents of the tax would care to admit. A single parent with two children with a $15,000 income will pay–

Senator Simard: Wrong.

Senator Frith: Senator Simard is limited to one word, one word every six hours.

Senator Simard: As long as she got the message.

Senator Frith: Say it again so he can't say "wrong" for another two or three hours.

Senator Fairbairn: I will continue: The GST will hurt people on low incomes more than proponents of the tax care to admit.

Senator MacEachen: That's right.

Senator Frith: He says that's wrong, therefore, he does care to admit it, is that right?

Senator Doody: Wrong.

Senator Fairbairn: Well, I think Senator Simard cares about those low-income Canadians. For instance, a single parent with two children with a $15,000 yearly income will pay $735 in GST, and this family, already in poverty, will be $155 poorer.

Senator Spivak: Excuse me, Senator Fairbairn, what did you say that income was of the single parent?

Senator Fairbairn: A single parent with two children with a $15,000 yearly income will pay $735 in GST while receiving $580 in tax credits which is a gap of $155. That, Senator Spivak, was contained in a brief by the Social Action Committee in Prince Edward Island.

Senator Buckwold: I have a question just for clarification. The Social Action Commission, I think it was.

Senator Fairbairn: The Social Action Commission, pardon me.

Senator Buckwold: The Diocese of Charlottetown, this would be a religious group, I would presume. Would you be able to tell us what religious group this was for the Diocese of Charlottetown? I believe it would be the Catholic group.

Senator Fairbairn: I believe so, Senator Buckwold. They have been quoted in the brief as well. They are obviously working with other religious denominations because they are quoting the Ecumenical Coalition.

Senator Frith: Anglicans have a diocese, too.

Senator Buckwold: In your opinion, then, would you be able to trust the statistics that have been given in that region as well as you might trust the statistics from the Department of Finance of the Government of Canada?

Senator Fairbairn: Let me put it this way, Senator Buckwold, I have a great deal of confidence in the statistics that are presented by the Social Action Commission from Charlottetown, Prince Edward Island. I suspect that the closeness of its work to the individuals that it speaks about in that community would give them a pretty basic idea of the accuracy of the figures about which they are talking. When you ask me about the Department of Finance, I do not think the Department of Finance wilfully runs around trying to dispense inaccurate figures, but sometimes when you are closeted with your charts, your papers and your experts in an isolated, hermetically sealed room in the Department of Finance, you tend to come out with such aberrations as the GST which makes an assumption of national averages which would have the Minister of Finance suggest that the GST will advance the cause of northerners by the same average as it will the cause of those in southern Canada. That is patent nonsense. Basically, I would bet my nickel on the reality of the figures of the Social Action Commission in Prince Edward Island.

[Senator Frith.]

To continue with their brief, they say:

> The Pro Canada Network has proposed several alternative ways to raise needed revenue. Progressive taxes in which the wealthy pay a higher percentage of their income than the poor is one such obvious way. For example, in 1987, 93,000 corporations, or one in three of all profitable companies, paid no tax at all. Their profits amounted to $27 billion that year. A total of $1 billion to $2 billion could be raised by instituting a minimum 20 per cent tax on profitable corporations.
>
> In 1988 corporations in Canada owed the federal government $36.1 billion in deferred taxes. These taxes are the equivalent of interest free loans. By charging interest on deferred corporate taxes at current interest rates, and by eliminating over time the special tax breaks which give rise to deferred taxes, the government could raise from $4 to $5 billion.
>
> In 1989 only 1.7 per cent of corporations were audited by Revenue Canada. Every dollar spent on audits to corporations adds $17 to revenue recovered. Clamping down on corporate cheaters could raise as much as $3 billion without creating a whole new layer of bureaucracy.
>
> Under the current tax system, 80 per cent of the cost of such items as lavish private parties to company boxes at sports stadiums are tax deductible for businesses and professionals. The elimination of this particular tax would raise an additional $1 billion. Another $1 billion could be raised by eliminating tax breaks on money borrowed for corporate mergers and acquisitions, and by tightening tax rules for multinationals and real estate developers. The elimination of the manufacturing and processing tax credit would raise another billion dollars.

Senator David: Where are these statistics coming from, the last one you were giving us, the billion dollars?

Senator Fairbairn: These statistics, Senator David, come from the brief which was presented to the committee by the Social Action Commission in Charlottetown, Prince Edward Island.

Senator David: You believe these statistics more than those of the Minister of Finance?

Senator Hastings: Yes. Who believes him?

• (1450)

Hon. Thomas H. Lefebvre: Would Senator Fairbairn permit another question? Another report was issued yesterday that may be of interest to our colleagues and it can perhaps test the validity of this one. I am referring to an article in this morning's *Gazette* and the headline is, "GST report warns of damage to North—Ottawa urged to set up credits for poor, home buyers". It is printed under the byline of Keven Ward of the Canadian Press. The article states:

> Ottawa's proposed GST would be particularly damaging to economies in northern regions of Canada's prov-

inces and the territories where costs are already high, according to a report made public yesterday.

To offset the impact of the goods-and-services tax, the federal government should set up GST credits for institutions, new home buyers and low-income families in northern regions, the report said.

It also suggested reducing taxes to combat higher heating and transportation costs . . .

The report by Ernst & Young was commissioned by the provinces and the territories last year at a conference in Val d'Or.

It studied the impact of recent tax measures taken by the federal government on the northern economies of Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, Labrador and the territories.

Ontario's northern-development minister, Shelley Martel, tabled the report in the legislature and called it proof of the need for Ottawa to help the North's fragile economy cope with the GST.

"This federal tax grab is being imposed on a region whose residents can least afford a reduction in their take-home income," she said.

"I want to emphasize that the GST on its own is the wrong tax at the wrong time for Northern Ontarians."

Ernst & Young's report was also critical of the federal Burnelle Commission on the northern tax allowance because it recommended limiting tax deductions to the extreme northern regions of the country.

Senator Fairbairn is known for her interest in the people of the North and of the poor in Canada. She may have missed this report because she does have a lot of material with her. So much material is coming out now condemning the GST from people who have a lot of credibility that it is very difficult to keep up with it. I thought I would bring this to Senator Fairbairn's attention to see if she would like to comment on it.

Senator Fairbairn: Thank you, Senator Lefebvre. I appreciate your reading this into the record. As Senator Lefebvre says, so much is coming out it is hard to keep up with it. The report that he referred to has obviously had a large enough impact on its release yesterday that it is being given prominent play in a number of newspapers. I have here the *Globe and Mail* that I was going to read from. Senator Lefebvre has saved me and honourable senators from hearing this again. There is also a very good story by Richard Mackie in the *Globe and Mail*.

Senator Doyle: Who was that?

Senator Fairbairn: I am sure Senator Doyle will remember that he is the son of Victor Mackie who I used to work with many years in the Parliamentary Press Gallery. He does a fine job.

Senator Lefebvre: Senator Doyle used to sign editorials with him.

Senator Doyle: Not quite.

Senator Fairbairn: Honourable senators, as I was mentioning earlier, the whole question of the North is one of the truly most vulnerable areas of the GST. Later on in my remarks I will spend some time on that issue partly because so many people did come to visit us, and because recently, when we were moving an amendment on the North the mayors and representatives from the Inuit areas in northern Quebec, Labrador and the Arctic came here. It is vulnerable because, again, there are assumptions made here in Ottawa—and this is by no means new—that what makes sense here is easily computed into the rest of the country on an equal basis. But the reality of Canada is that it is completely different in every part whether it is resources, culture, climate, geography or whatever. As you move away from the centre and you take in that fundamental linkage in the history of this country, which is transportation, you will find a different reality and a different strength in how this tax will cut.

If Senator Lefebvre will stay around I will have a few comments to make on the North which will reflect the views of people who live, work and govern in the North.

Senator Lefebvre: I would not miss it.

Senator Hastings: We will all be here.

Senator Fairbairn: Honourable senators, I want to go back to my discussion of Charlottetown, P.E.I., which is far away from the centre and a beautiful part of this country and finish with the brief by the Social Action Commission who told the Senate that, in their view, the wealthy should be made to pay their fair share. They said:

> In 1950 individuals and corporations paid roughly the same share of federal government revenue—28 per cent each. Today tax revenues from individuals account for 47 per cent of this revenue and the corporate share has fallen to around 10 per cent. Since Michael Wilson became Finance Minister in 1984, Canada's income tax system has become increasingly unfair. Canadians have witnessed a reduction in the number of income tax categories, a drop in the tax rate for the wealthiest and increasing tax rates for lower and middle-income Canadians. This is in addition to a number of across-the-board flat surtaxes. A genuinely progressive income tax structure would establish more brackets for high-income earners and progressively higher rates that could raise between $2 billion to $4 billion more a year.
>
> Taxing capital gains would raise $500 million in revenues. Restoring the federal tax abolished in 1971 on estates and inheritances would raise $1 billion to $2 billion in new revenues. The introduction of a tax on net wealth, which already exists in 12 OECD countries, could earn an additional $1 billion to $2 billion.

• (1500)

> In addition, Canada is one of the few countries in the industrialized western world that does not have a comprehensive tax on luxury items.
>
> There are other valid ways to overcome Canada's deficit problems. It is estimated that a 3 per cent drop in interest

> rates would cut the cost of servicing the debt by $5.1 billion in the first year, rising to $10 billion per year within four years as existing debt is refinanced. Such a cut would still leave Canadian interest rates above U.S. levels. An interest rate cut would also stimulate a slow economy and therefore indirectly increase revenues. The end result would be a more just and sustainable Canadian economy.

The commission continues:

> The federal government's failure to deal with high and rising unemployment is resulting in a further loss of public revenue. Every 1 per cent reduction in the unemployment rate would lead to an increase in production of 3 per cent and an increase in federal revenue of $4 billion to $5 billion.
>
> The above examples, when added together, amount to a minimum of $24.6 billion and a maximum of $36.5 billion in additional revenues each year. These figures prove that the deficit problem has been greatly overstated.

The commission goes on to say:

> The GST is one of a series of anti-Atlantic region measures imposed by the federal government. The Conference Board of Canada estimates that 280,000 jobs will be lost in Canada if the GST is implemented. If this figure is averaged out according to population, Prince Edward Island will lose 1,400 jobs. This will have an even greater impact than the removal of CFB Summerside. The GST, together with the removal of the base and the cutbacks in regional development programs and VIA Rail, will have a devastating effect on this province.
>
> Furthermore, the destructive Bill C-21 would now be law if it were not for the ability of the Senate to hear the distress signals sent out by so many Canadians. We hope and pray that neither the GST nor Bill C-21 will ever become law.

Honourable Senators, this brief was presented in July, before the addition of the eight extra senators to the Senate, which had Bill C-21 and the clawback bill whizzing through this chamber earlier this fall. Judging from this brief, that would be very sad news indeed for the Social Action Commission. The commission goes on to say:

> The well-being of this region is at stake. Low income families are already paying $628 more in federal sales tax than in 1984. A 7 per cent sales tax on hundreds of new goods and services, such as electricity, home heating fuels, clothing, footwear, haircuts, housing transactions, and associated services will overtax the already overburdened.
>
> Over 17 per cent of families on Prince Edward Island earn less than $15,000. Other Atlantic provinces have even more startling statistics.

This should interest Senator MacEachen. It says:

> Nineteen per cent of families in Nova Scotia, more than 23 per cent of families in New Brunswick, and over 26 per cent of families in Newfoundland earn less than $15,000.

[Senator Fairbairn.]

> A tax which places a greater burden on lower income Canadians stands in stark contrast to the gospel preferential option for the poor.
>
> The GST represents a corporate windfall. Under the old federal sales tax approximately 50 per cent of the tax was passed on to consumers. Corporations paid the other half. The GST places the whole burden on the consumer. Returning any portion of the manufacturers' sales tax savings to customers is entirely voluntary.
>
> Mr. Wilson claims that the removal of the manufacturers' sales tax will make corporations based in Canada more internationally competitive. However, it was also Mr. Wilson who raised the MST from 9 per cent to 13.5 per cent.

Senator Stollery was asking whether or not I thought Mr. Wilson would be inclined to raise the GST. As this brief from the Social Action Commission in Prince Edward Island notes, it is Mr. Wilson who raised the manufacturers' sales tax from 9 per cent to 13.5 per cent. If his trend line is any indication, the GST would follow the same upward movement.

Senator Stollery: Would you have any ideas about the possible increase in the GST from 7 per cent to 9 per cent, if the GST unwisely is put into operation? I cannot help but continue to reflect on the article by Eric Beauchesne.

For everyone's information, the group who did the predictions mentioned in this article is Informetrica. They are suggesting that the deficit will rise to $35 billion next year.

Senator Buckwold: What is the date of this article?

Senator Stollery: This is dated December 4. The Prime Minister himself has said:

> We are in difficult economic times and obviously any good, concrete proposals will be looked at.

It seems to me that you might be able to enlighten us as to what kinds of proposals the Prime Minister would be looking at. There is an increasing deficit. The Minister of Finance has to deal with this increasing deficit. He has the problem, as I know you are aware, of the feared Tokyo real estate crash, which concerns the international financial community, because of the tremendous over-value of the Japanese property market. If it crashes, as many people think it will, the Japanese will be taking their money home. As Senator Buckwold, Chairman of the Banking, Trade and Commerce Committee, is very aware, that is another pressure on international interest rates. Never mind the local Canadian pressures, there are large international pressures that the government has to be concerned about. After all, it is not in control of the Japanese property market, where prices for small pieces of land in central Tokyo have become astronomical. It is worth millions of dollars. Thousands of people, if not tens of thousands of people, companies and so on, have borrowed against these inflated property values. If that market crashes, which a lot of people think it will, what will that do to inflation in Canada? The interest rates will be affected and that will add even more to the deficit. The Prime Minister is quite right to be interested, finally, in what other people's ideas might be about reducing

the deficit and our grave financial situation. It is the first time that I have ever heard him say that he might be interested in listening to some other people's opinions. At the same time he has the unemployment problem.

• (1510)

I should like to know whether, from your vast reading on the subject, you can give us some indication of when and by how much the GST can be expected to be raised in the coming year—that is, 1991?

Earlier you talked about next Christmas and the situation for people doing their Christmas shopping. As you know, Senator Fairbairn, and as Senator Buckwold, a merchant himself, knows, 60 per cent of the retail business is done in the two months before Christmas. We are not just talking about things dangling on Christmas trees; we are talking about the economic backbone of the trading economy, which takes place between November 1 and Christmas Day. What kind of situation and perspective—that is, financial landscape—do you see for next year, if this tax goes into effect? In particular, what date do you think we can expect the budget? By how much do you think the tax will be increased? I do not think anyone believes that it will survive even one budget at 7 per cent because it is such an obviously simple way for the government to raise revenue. I am sure that Senator Buckwold knows about this. I do not happen to recall what each percentage point is worth on the GST.

Senator Buckwold: It is now $1.5 billion.

Senator Stollery: Senator Buckwold informs us that it is around $1.5 billion. So that if it went back up to 9 per cent, the government would be looking at another $3 billion worth of revenue. If we are going to the European levels of GST—and the one that comes most quickly to my mind is the British one of 15 per cent—this is an enormous amount of money. It could have a tremendous impact on this economic fiasco which seems to be upon us. It is not all of the government's making, but the government has certainly been doing its share to make it as bad as possible.

Do you have any more thoughts on that subject?

Senator Buckwold: Before Senator Fairbairn answers, I wish to ask a supplementary question. It is the same question, but I wish to relate it to the provinces. Not only do we have the federal goods and services tax but we have something unique in Canada, namely, a provincial tax in all provinces except Alberta—

Senator Stollery: And they are all different.

Senator Buckwold: —with a retail consumption tax not on services. I will come to that in a minute to get your comments on it.

When you talk about the 15 per cent tax in the United Kingdom—that is, a goods and services value-added tax—there is no provincial or state tax in addition to it. Canada is quite unique. That is one of the major problems with this tax, namely, that we have the duality of taxation which is not blended. One province, Quebec, has indicated that they are ready to come on board. What the *quid pro quo* was, I am not sure, though. I do not even think that the people from Quebec realized what they were getting into either, although the book people suddenly came alive and Quebec has withdrawn its support from that at least.

In Quebec the arrangement is that their present tax, which I understand is 8 per cent, will stay at 8 per cent for the first year. But it will only apply to goods. The following year, at the beginning of 1992, they will move into the entire range of tax on services. Because they are broadening the base or the scope, that tax will be reduced to 7 per cent. Some people from Quebec think, "Isn't that great? We will have a lower tax than 7 per cent." Keep in mind that that tax will also be extended to services.

You will recall evidence in the committee that services today represent about 60 per cent of the expenditure of an average family. Not all, but a good part of that will be taxed. The impact is unbelievable when you combine the two tax bases. Keeping in mind Senator Stollery's question concerning the impossible increase, and considering that we have a duality of taxes, it is not a question of what the increase will be but how much Canada can afford to pay in consumer taxes when you add both of them together. If the tax continues to be added for a period of time, the provinces will probably come on side whether they like it or not, if only to raise money. It is a great thing to be able to tax the taxi ride, the admission to a theatre, the funeral that we talked about—

Senator Hastings: And providing the hearse.

Senator Buckwold: —and anything else that they see fit to do.

In Newfoundland the provincial tax is now 12 per cent. It was indicated to the committee, and is still maintained, that the 12 per cent will be added to the 7 per cent. In other words, the provincial tax will be on top of the 7 per cent. That will also take place in most of the maritime or Atlantic provinces from what we are told. The reason, again, is money. They are desperately anxious to have money. If the base is higher—

An Hon. Senator: Then the federal government is cutting them down on it.

Senator Buckwold: Correct. They are cutting down on it. When you look at an effective tax rate on consumer goods in Newfoundland of 20 per cent—because that is what it is, namely, 7 per cent plus 12 per cent on top of the 7 per cent—and compound it, you are up to 20 per cent.

In answering Senator Stollery's question about what you think the rate might be, perhaps you could answer my question. In view of our competitive position vis-à-vis the United States and other areas that people shop in—especially in the U.S.—and keeping in mind that 95 per cent of the Canadian population is within driving distance of American shopping, how high can we put a consumer tax on goods and services in Canada and still maintain a retail business?

Senator Fairbairn: That is quite a mouthful from both of you.

Senator Hastings: Yes. They were good questions.

Senator Fairbairn: Yes, they were excellent questions.

● (1520)

Senator Fairbairn: That is a fair challenge to the imagination to respond. I will do so partly with a comment. I think Senator Buckwold made a fundamental point when he asked how much more can people be expected to pay or how much can they actually pay. That is central to this entire debate. I said in a speech recently in this chamber on an amendment by Senator Waters, which amendment would have postponed the tax for a year, that it is almost insulting to have government spokespeople suggest that Canadians should start tightening their belts. Canadians have been tightening their belts progressively for a very long time now. Whether or not Statistics Canada indicates that a recession is just beginning, people in many parts of Canada have been tightening their belts in what they believed was a recession for some time now.

The other point is that in comparison with other countries we are very different for two reasons. Senator Buckwold pointed to the first one. It is that of all the countries which have a value added tax in some way, Canada is the only one which has this dual tax system. That is staggering when we think of people in Newfoundland having to pay the combined taxes. Consider the people of Quebec. Until recently I was obsessed with the price of books. I was thinking that the people of Quebec for the first time would be paying 15% tax on a book. When we consider that that applies to clothing, shelter and other items, then, something has to give. The people will not be able to pay. Perhaps union contracts will keep the heads of others above water, but there are many people who do not belong to unions and do not have year-round jobs but instead have seasonal jobs.

The other thing we are not doing in this country is giving any indication as to where, if this rise is coming under very desperate economic circumstances, the relief is to be found. In other countries income tax has been lowered. There is no indication that that will happen in Canada. That is a partial response to your question. Something simply will have to give. There are a great many people in this country right now who are still very sceptical about the government and what it plans to do with this tax even if it is passed. They think that it will not come into force for some period of time. They think that because, first, it is not ready and second, because of the recession. There is a suspicion among some retail businesses that that will be the case.

Senator Buckwold: A minister has said that already.

Senator Fairbairn: Minister Hockin very recently may have let the inner cat out of the bag, even though his comments were repudiated almost immediately by Ministers Jelinek and Wilson.

At any rate, as far as raising the tax is concerned, I begin by saying that I am not even sure the tax will be applied. If the tax is applied, then it is inevitable that it will be increased. The obvious hike will be to 9 per cent since that is what the government started off at.

[Senator Hastings.]

You have to remember, Senator Stollery, that the Prime Minister is all over the map on this issue. He has talked about the fact that perhaps the tax on books and bibles will be lifted. He was even caught by the enthusiasm of the moment when he responded to some student in British Columbia when he said that they would review that. I do not think that people in Canada—

Senator Stollery: Why would they review it after and not before?

Senator Fairbairn: Exactly. I do not think that Canadians are prepared to give them the luxury of the benefit of the doubt on taking their word that perhaps down the line the tax will be removed. In fact, I think that Quebec has put the government right on the spot with what it has done concerning books. It understood very quickly that this whole thing is nuts. They are withholding their tax on books for a year and possibly longer in the hope that the government will recant. I think Gerrard Levesque said when he made his announcement, that it was in the hope that when—and I say if—the GST comes in, that it will force the federal government to withdraw the tax on books. I do not have a lively enough imagination to know when or how much the government will increase the GST by, if it is approved. However, I believe like every other Canadian that the GST will not go down. I believe that it will definitely go up.

Senator Stollery: I cannot help but be intrigued by the implication of Senator Buckwold's question vis-à-vis this increase in tax and its effect on Canadian merchants. As honourable senators well know, we went through the free trade debate a year ago in this place. We have been monitoring it ever since. The tax is already as high as 20 per cent in Newfoundland. We will be looking at a 25 per cent sales tax in Newfoundland, which includes the GST on top of the sales tax, in the very near future. In Ontario, where I come from, we will be looking at a very high tax. What will happen to the merchants who live within a short distance of the border? What will the implications of the Free Trade Agreement be on them? I think that the average Canadian believes that part of the Free Trade Agreement gives the citizen the right to go over to the U.S.—and I am not sure that I agree with it—to buy things. At some stage, under this agreement, down the road one will be able to cross the border to buy things and bring them back to Canada without paying any duty.

This poses another administrative question. Does this mean that if this situation involves a large number of people who do their shopping across the border, as opposed to a selective few who do their shopping now, that these people will be involved in a situation such as that concerning New York and New Jersey. In New Jersey there is a whole big shopping area on Highway 17 across from New York City. There are no state taxes in New Jersey which is a big deal in New York. On a given Sunday there are thousands of people who go to these places because they save about 8 per cent on average in taxes. As you know, in the U.S. there are also municipal taxes added to the state sales tax. Let us say that that whole shopping area is based on the fact that New York State shoppers go across to

New Jersey to this vast warehouse area to cut-rate stores to do their shopping. If that starts up in Canada, what will happen? Do we then have to establish an even more onerous customs check than we have, because now the customs officers, I suppose, have a system of stopping cars and checking the contents, but they cannot possibly check all the cars at the most heavily-travelled border points, we are told, in the world, where millions of people cross during a year.

● (1530)

Senator Fairbairn, I wonder, given this increase that we are predicting, what is this going to do at the borders? Are we going to have to bring in an entirely new level of customs checks not, ironically, for the duty, because the duty will have been done away with by the Free Trade Agreement. In fact, what is far worse than the duty, a massive tax regime is being substituted that does not exist across the border.

I suppose the idea is that when one comes into Canada and has bought something outside of Canada one is supposed to pay the provincial taxes and the federal GST tax. I assume that is the way it would work. But how is it going to policed? How are they going to process the millions of visitors who cross yearly between Detroit and Windsor, between southern Ontario and Buffalo, between Ottawa and Ogdensburg, between Quebec and Burlington, Vermont, and in British Columbia? How are they going to deal with this?

Do you think the government has thought this part of the proposal through? This is going to put a huge strain on the Customs and Excise people at the border. They are certainly going to have to increase their numbers. They are going to have to stop every car because everybody is going to be doing it, and I use the example between New York and New Jersey because it is not far from here and many of us have been there. Have you any thoughts on that problem as this tax increases during the year?

Senator Fairbairn: I would suggest, Senator Stollery, that some of these issues probably have not been anticipated in any depth whatsoever by the government. It is interesting that you should mention border crossings because it was either this morning or yesterday morning that I heard a radio report that traffic was becoming so heavy from Canada down to the United States, all across the country in the border areas, that their customs people are now thinking of charging a passage fee just to go across the border. That is a whole new element. I certainly have not heard or read of any major thoughts on that, but it is one that would add a whole new dimension and, indeed, it would need a whole new bureaucracy to deal with it.

However, we are talking about people who can afford to do that kind of thing, who can afford to hike over the border and do their shopping in the United States, and I think probably, just to return to the conclusion of the brief from the Social Action Commission in Prince Edward Island, that's fine for those people, but the people whom this commission is speaking for are people who would never be able to afford to get as far as the border to take advantage of this kind of situation.

In the concluding part of this brief, the commission states:

> The GST will replace the MST and make up the shortfall in Customs and Excise revenues caused by free trade.

It is interesting that they should say that just after Senator Stollery's questions. He is psychic, he anticipated the continuation of this brief. The brief states:

> To achieve this, the federal government is willing to allow such destructive side effects as lowering farm income, lowering wages, cutting social programs, increasing inflation and continuing high interest rates.
>
> The government claims that inflation will rise by 1.25 per cent if the GST is passed. We agree with researchers who claim that even if 50 per cent of MST savings are passed on to consumers, inflation will increase by more than twice the government's estimate. Associated costs will increase the inflation rate by approximately 3 per cent.

This figure is not that different from those of the other people who appeared before your committee, Senator Buckwold.

The commission goes on to say that:

> The alternatives we propose would curb that inflation threat. Furthermore, the inflationary effect of the GST is predicted to push the Canadian economy into a recession.

As I said earlier, this brief was presented early in July, and even without the GST we are already pushed into a recession.

> The disappearance of 165,000 jobs in manufacturing, (8 per cent of the Canadian manufacturing work force) is but one example of the downturn already evident in the economy.
>
> We disagree with Mr. Wilson that Canadians must choose between paying the GST or suffering deep cuts in public spending. The alternatives we have outlined prove that Mr. Wilson's claim is false. The government has chosen to protect the wealthy at untold and unnecessary expense to low and middle-income Canadians. This is a grave injustice.

The commission notes:

> Pope John Paul II stated in Mexico that there is 'a social mortgage' on the means of production. Capital and technology must be used for constructive rather than destructive purposes in the development of peoples.

That is the conclusion of Pope John's remarks. The brief continues:

> There are constructive alternatives which respect the principle of social mortgage. Please reject the GST in favour of a progressive tax system which ensures that the needs of people on lower incomes will finally be attended to by making the wealthy pay their fair share. We ask also that you ensure that any new tax system be, above all, equitable, especially with respect to having wealthy Canadians and the corporate sector contribute their fair share.

That concludes the brief by the Social Action Commission for Charlottetown which I think made a very thoughtful

contribution to the hearings of your committee, Senator Buckwold, when you were in that province.

● (1540)

Senator Stollery has repeatedly asked as to whether or not this tax will stay at 7 per cent if it is put in place. He asked me to use my imagination and tell him when and how and by how much it would rise. I have to confess that I cannot put my thought processes into the government's mode on this tax, but anyone who has watched the current Minister of Finance in action since 1984 knows that we have had no less than 32 separate tax increases.

Senator Lefebvre: How many?

Senator Fairbairn: Thirty-two.

Senator Lefebvre: That must be a record.

Senator Stollery: I have a question for Senator Fairbairn: If I heard you correctly, you said there had been 32 tax increases, is that correct?

Senator Fairbairn: That is right.

Senator Stollery: I recall that when this government was elected there was a provision that was part of the election platform to allow every person a $500,000 capital gain tax-free.

Senator Kenny: A chicken in every pot!

Senator Stollery: It was a $500,000 chicken in every pot. Could you tell us what happened to that $500,000 chicken and how long was it before it was killed or, should I say, plucked?

Senator Fairbairn: I cannot give you the answer to that, Senator Stollery, but there is no question that all the other chickens are coming home to roost with this particular tax.

Senator Kenny: And that is nothing to crow about.

Senator Lefebvre: They are real vultures.

Senator Kenny: They laid eggs.

Senator Fairbairn: Never did I know we had such farmyard expertise here outside of the agriculture committee.

Since 1984 we have seen income tax rates going up and up and up; and we have also seen the removal of indexation protection over 3 per cent. We have seen countless new taxes in the form of user fees in our national parks, in our national museums, and in a whole range of new areas. When it comes to taxes, this current government has boldly gone where no others have gone before.

Let us look only at the old manufacturers' sales tax to get some idea of what the government and the minister may have in mind. In 1984 the manufacturers' sales tax was 9 per cent and that, coincidentally, as I mentioned before, was the same percentage that was proposed for the GST when it was first introduced. As you will recall, that 9 per cent manufacturers' sales tax was referred to by the Minister of Finance, Michael Wilson, as "a silent killer of jobs." How many times did you hear him say that the MST was, "a silent killer of jobs"? According to the minister, that 9 per cent tax was just about the most horrible thing that had ever hit the tax rolls of this country. It was just about the worst nightmare for our manufacturing sector that ever was. It stifled growth in addition to killing jobs. It hurt our exports. The list of its sins is too long for me to recite today, even in a speech of this length.

Now, a normal person hearing the minister say all those nasty things about the MST would have thought, quite naturally, that the first thing on the minister's list of priorities would be to get that tax rate down as fast as he could. Can you imagine how surprised Canadians were when almost the first thing he did was not to lower the MST but, instead, to raise it. He did not raise it just once, he raised it on four separate occasions. It went from 9 per cent to 13.5 per cent. In fact, honourable senators, the Minister of Finance turned the MST from a silent killer to a mass murderer of jobs.

Some Hon. Senators: Oh!

Senator Neiman: You made them sit up and take notice.

Senator Fairbairn: It seems to have charged some senators out of their slumber.

It is almost as if the minister were saying to Canadian businesses: "I think this is a really bad tax, but I don't think you guys realize how bad it really is, so I'm going to show you. Take that, and that, and that, and that! Now, don't you agree with me that it should be eliminated? Don't you agree with me that we should be socking it to the consumer directly instead of to you guys in the corporate world?"

It is small wonder that spokespersons for big business have been tripping over each other in the race to the microphones to denounce the 13.5 per cent manufacturers' sales tax and to welcome the new 7 per cent tax on everybody else except them.

Will the minister raise the tax after it is brought in? I ask and Senator Stollery asks. Given his record, honourable senators, Canadians can be forgiven for wondering what else he has in store. His response to this very question was very interesting. In reply to the Chairman of the Standing Senate Committee on Banking, Trade and Commerce on May 22, 1990 he said: "No finance minister could provide a precise answer to such a question. Circumstances change; the world changes." Well, he can say that again.

The minister cast further doubt on his intentions when he went on to say that nearly 60 per cent of the countries which have a similar tax have, in fact, raised that tax substantially since it was first brought in.

Honourable senators, if the Minister of Finance raised a tax that he hated on four separate occasions over the past six years, what is he going to do with a tax that he really likes? It boggles the mind. Canadians can be forgiven if they suspect, as do I, and I believe as do a lot of other senators on both sides of this house, that if the Minister of Finance has his druthers that tax will go up to 9 per cent or 10 per cent. Perhaps it will go even higher before he is finished with it. On the other hand, if the tax goes through, Mr. Wilson may be finished with it before it starts its upward rise. Honourable senators should know what the experience has been in other countries which have a value-added tax. Some countries have already been

mentioned, and I should like to draw your attention to a few other countries. Senator Stollery was talking about the United Kingdom, which began its GST at 10 per cent and now it is at 15 per cent. A number of other countries also raised their rate, and I will list a few right now.

● (1550)

Argentina raised theirs from 16 to 18 per cent, which is a small increase. Austria raised theirs from 8 per cent to 20 per cent. Belgium had a slight increase from 18 per cent to 19 per cent. Brazil started at 15 and raised theirs to 17 per cent. Denmark began at 10 per cent and it is now at 22 per cent.

Senator David: Over how many years?

Senator Fairbairn: Senator David, it came in at the end of the 1960s at 10 per cent and is up to 22 per cent now. That is a long period of time. It is also a very hefty raise.

France's GST has drifted up from 13 per cent to 18 per cent. Germany has raised their tax from 10 to 14 per cent. Ireland has raised their tax from 16 per cent to 25 per cent. Luxembourg has raised their tax from 8 per cent 12 per cent. Mexico has raised their tax from 10 per cent to 15 per cent. The Netherlands is similar to Denmark. Over that similar period of time, they have raised their tax from 12 to 20 per cent. Again, that is a big jump. New Zealand came in in 1986 at 10 per cent. Last year it was up to 12.5 per cent.

Senator Buckwold: That is a 25 per cent increase in four years.

Senator Fairbairn: That is right. In his testimony before the committee, the minister explained that in most countries when they brought in a value-added tax like the GST, they also lowered their income taxes. He neglected to explain to the committee why he was not doing the same thing. We have not heard a word about that.

As I said a few minutes ago to Senator Buckwold, everything cannot keep going up on the tax side and the price side, and down on the other side without an explosion of some sort in this country. Time and again during the committee hearings people were talking about civil disobedience.

Senator Stollery: Honourable senators, I have two questions that come to mind. Most of us are aware that the Scandinavian countries are highly taxed countries. They have become so expensive that people do not go there as tourists because it can be a crushing experience. These high taxes make it impossible.

My first question is this: Is there any evidence as to how devastating this is on the tourist industry? The tourist industry is more important to Canada than other countries because we lose so much of our foreign exchange because of the severity of the winters and the closeness of the United States. One of the means to offset that is our own tourist trade into Canada.

The example would be what happened to the Scandinavian countries between, say, 1950 and today with their tourist industry because of the high costs. I have another question. If you have an income tax system such as in Sweden, we are told that, not so long ago, you could end up paying more income taxes than you earned. There were a couple of famous tax rebellions by individuals. They were paying 102 per cent taxes. Those countries, as an offset to the GST, lowered the income tax, which everyone agreed to.

It has occurred to me that it is a bit strange that there was not more controversy in some of the other countries on that interesting list that you have read to us who would have objected to the abandonment of the progressive tax system. Is this not a transfer of the progressive system? You have just said that there is a transfer going on generally in the western world from the progressive tax system to the sales tax system and to taxation of the poor. I cannot understand why more people are not objecting to this.

I did not realize that all of those countries had this value-added system. Every one of them lowered the income tax system when they brought this in. What a condemnation of society that we seem to be developing in the western world and in Canada.

Could you possibly enlighten me on my two questions?

Senator Fairbairn: Senator Stollery, there may well have been over the years a hue and cry in some of those countries. We know about the cost of living in some of those countries, and I will get into some thoughts on that a little farther on in my speech. In many of these countries the income tax was brought down. Of course, in these countries they also do not have a dual tax system.

The other point you mentioned was tourism. Again, I will touch on that later. However, in parts of Canada this is a major and growing industry. I think of my own province of Alberta. The summer before last I was in Alberta listening to the tourist industry on the question of the VIA Rail cuts, that marvellous cross-country train that went through Banff and the mountain passes to Vancouver.

● (1600)

The tourist industry was out in force explaining what the loss of that route would do to their business from abroad—not only from the United States but also from Japan and all sorts of places. In the tourist industry, unlike a lot of other places, their packages start selling almost five years in advance. Right now people will be making decisions about travelling in Canada based not solely on that specific instance. That is a place that they will no longer travel to because it is no longer available—but when they take their savings and look at where they wish to go in the world and see that our tourist industry is being touched by even the threat of this new tax, tourist operators will have to make some value judgments now as to what they can expect from people outside this country.

When our friends were here from the North you heard—and I will go over some of that later; perhaps if I do not come to it before six o'clock, then later this evening—about the absolute fear in the North about what this would do to a fragile but potentially extremely exciting industry that is just starting to grow on its own in northern Canada. You know more about that than I do because you are up there doing all that exciting canoeing, and that kind of thing. You know the kinds of expenses that are involved in doing the exciting kinds of

exploring of northern Canada that you have done. If you are coming from outside the country, they are even worse. This tax and the impact that it will have at a tough time on industries that show such promise in our country is quite frightening for them and quite debilitating for all of us.

To get back to the Minister of Finance and what he was saying before the committee, the question always comes up about the timing of the GST. So many times I have heard from other senators and from witnesses that the timing could not be worse. That is borne out in spades by the kind of information that has been coming out this fall.

Most Canadians believe that the best time for this tax is never, but here we are in the midst of what we are told is a real made-in-Canada recession, a recession that has been brought on by the now somewhat or thoroughly discredited policies of the current Minister of Finance. Instead of trying to make it easier for Canadians to weather the storm, he will make it a lot harder by bringing in a tax on everything.

This is a government that has unapologetically followed a policy of high interest rates and a high dollar when many economists and many of the government's big business friends have been telling them lately that it is the wrong thing to do. In the part of the country that I come from in the west, the question of the dollar and the question of interest rates just adds to all the other non-man-made disasters such as the drought one year, and floods or both the same year, grasshoppers, and God knows what, on top of things that they have no control over. The farmers in my part of Canada cannot understand why, given the hurt that is done to that industry already, the whole question of the high interest rate has not—over the last five years and, in particular, the last couple of years—been seriously considered by the government in a way that would enable them to exist in this industry.

Honourable senators, far away from the farmlands and the ranchlands of this country we go into our supermarkets and are quite happy to buy reasonably priced foods at prices comparable to those in other countries. But one day we will walk into those supermarkets and either there will be a much higher cost to pay for Canadian food or we will find that the food is coming from other countries of the world because our farming industry, our ranching industry, our poultry industry and our dairy industry have basically wound down. It will not be the fault of the farmers of this country. It will be the fault of us and our levels of government that have failed to see what those very damaging policies have driven that industry into. Senator Olson knows a great deal more about that than I do, having spent his life involved in the farm community. But even from where I sit the evidence is clear. The need is very desperate.

In spite of these kinds of messages, the government has not listened. It was just last Saturday that all the speculation ended surrounding the silly game of, "When will Michael Wilson admit that there is a recession? Will he ever admit that there is a recession? Is there a recession?"

Senator Lefebvre: Has he mentioned the "R" word yet?

[Senator Fairbairn.]

Senator Fairbairn: Yes; he has finally mentioned it. I will put on the record the reason why he has mentioned it, Senator Lefebvre. This quote is from one of my favourite newspapers, the *Globe and Mail*. It tells us on December 1, 1990, under the headline "Recession becomes official."

Senator Lefebvre: Wow!

Senator Poitras: Do you know what it is?

Senator Lefebvre: He is only six months behind Canadians, you mean.

Senator Fairbairn: More than that. At any rate, I will put this on the record. It is a clear and factual story by Drew Fagan of the Parliamentary Bureau here in Ottawa. It states:

> The recession became official yesterday—

That was on November 30—

> as the economy shrank 0.3 per cent in the third quarter because of continued weakness in business investment and modest consumer spending.

● (1610)

> The contraction marks the second consecutive quarterly decline in Canada's gross domestic product, which is the technical definition of a recession.
>
> The results released by Statistics Canada yesterday were not as bad as many economists had expected. On an annual basis, the economy shrank 1.0 per cent, compared with widespread expectations of a decline of about 2.0 per cent.
>
> As well, Statscan adjusted its figures for the second quarter, ended June 30, to a decline in economic output of 1.2 per cent on an annual basis, compared with a previously announced 1.6 per cent drop.
>
> Nevertheless, there was little sign of economic strength, and no signal that the trough of the recession has been reached.
>
> "You would have to be an outrageous optimist to say that this is now the bottom," Douglas Peters, chief economist at the Toronto-Dominion Bank, said yesterday. "This is not going to be as bad as the 1981-82 recession, but it's still going to be the second worst recession we've had since World War II."
>
> The last recession went on for six quarters and resulted in a total contraction in the economy of 5.3 per cent.
>
> It is generally believed now that this recession will last about 15 months with the second quarter of 1991 being the final period of weakness before a return to economic expansion. The total contraction in the gross domestic product this time, economists say, likely will be about 2.0 to 2.5 per cent.
>
> Patti Croft, an economist at Burns Fry Ltd., noted yesterday that the sudden spurt of business activity that brought the economy out of the 1981-82 recession likely will not be repeated in mid-1991. Instead, it will be a slower recovery, she said, as consumers and businesses methodically regain the confidence to spend and invest.

> Statscan said yesterday that the gross domestic product tumbled 0.8 per cent in September, the largest monthly decline since the recession began in April.

Thus, in the minds of Statistics Canada, if not in the mind of Michael Wilson, we have been in a recession period since last April.

> That result, added to the 0.4 per cent fall in economic output in August, marks the worst back-to-back monthly economic performance since April, 1982.
>
> It also helped erase the small economic growth recorded in the first three months of 1990.
>
> Because this economic downturn has been anticipated for more than one year, companies have been careful to pare inventories and do not have the stock that burdened many businesses in 1982, she noted. As well, companies have been faster to lay off employees at the first sign of economic trouble.
>
> But the widespread prediction of a return to economic growth next summer, which was supported by Finance Minister Michael Wilson yesterday, is predicated on two key factors. One is that the Persian Gulf crisis will be resolved with a return to lower oil prices . . .

That is a moot point. We do not know about that.

> . . . the other that the apparent U.S. recession will be short and relatively mild.
>
> "If you tell me that war will break out, the Canadian recession will be longer and deeper," Mr. Peters said. "In that case, it could easily be as bad as the last recession, and in Ontario and Quebec it would be worse."
>
> A few months ago, most analysts believed the economy would grow marginally in the last three months of 1990, as consumers tried to beat the Jan. 1 onset of the goods and services tax by shopping early. But yesterday's results, particularly the September figures, indicated that that won't be the case.
>
> Economic figures already released for October, such as increases in unemployment and inflation and depressed retail sales and housing construction, are considered indicative of a particularly weak fourth quarter.
>
> "There really isn't anything driving the economy," said Fred Morley, senior policy analyst of the Atlantic Provinces Economic Council. "The situation seems to be getting progressively worse right now."
>
> In the past, the onset of a recession has led to greater government spending as Ottawa tried to stimulate the economy in the absence of private sector investment. But Mr. Wilson ruled out that strategy yesterday, pointing to the government's continuing need to limit the federal deficit.
>
> According to Statscan, corporate profits have slipped for six successive quarters and that has led to a decline of 3.2 per cent in business investment in plant and equipment in the third quarter ended Sept. 30. After a three-year investment boom, the total business spending on plant and equipment has dropped 4.9 per cent in the past two quarters.
>
> Export performance was also weak. Shipments of goods and services slipped in the third quarter to $162.5-billion from $166.6-billion in the second quarter.
>
> "Exports, although they grew in the first half of the year, have been generally listless as the U.S. economy has slowed," Statscan said.
>
> Consumer spending constitutes the third major engine of economic growth after business investment and exports. It grew by 0.3 per cent in the third quarter after a decline of 0.4 per cent in the previous three months.
>
> But Statscan noted that the third quarter increase was marginal compared with the jump of 3.4 per cent in over-all disposable income. That came after large income tax payments depressed disposable income in the second quarter.

● (1620)

> However, the personal savings rate jumped to 11.5 per cent in the third quarter from 9.6 per cent three months earlier.
>
> "Household spending behavior has become more cautious," Statscan said. "Increasingly, decisions about major purchases involving housing, automobiles and other durable goods are being deferred."

So that story gives you a good snapshot of the economic situation here in Canada. On the same page under this story there is a similar story from Washington that states that the U.S. government's economic forecasting gauge yesterday belatedly signalled the likelihood of a recession that most economists believe already has begun. Three consecutive declines in the U.S. Commerce Department index, and U.S. President, George Bush, at a news conference, confirmed the bad news and attributed at least part of the economic weakness to the Iraqi invasion of Kuwait and the subsequent disruption of world oil prices.

That gives you a fairly good indication of the state of the recession and it updates statistics I gave when I was giving a speech, again, I believe, it must have been on Senator Waters' amendment, a week or so ago.

The one thing that is not referred to in those stories is the bankruptcy figures which have come out very recently. It is reported that 5,922 consumers and businesses declared bankruptcy last month, which is up by almost 61 per cent from October of 1989. Those figures showed a sharp increase in bankruptcies in the month of September and in the first ten months of this year the figures from the Department of Consumer and Corporate Affairs indicate that 33,938 consumers—

Oh, hold the phone.

Senator Hastings: Order.

Senator Fairbairn: Would that be for you, Senator David?

Senator Hastings: Is the Prime Minister calling?

Senator Doyle: No, John Turner.

Senator Hastings: Hello, hello? Somebody answer the phone.

Senator Fairbairn: Just to restate, I was talking about in the first ten months of 1990, 33,938 consumers and 9407 businesses went bankrupt in Canada, which is a 40 per cent rise over the figures for the same period in 1989.

Another indicator is retail sales. A survey was released in October and, for instance, in British Columbia retail sales companies were asked for their attitude about the GST and the response indicated that 77 per cent of the retailers in that province expect sales to decrease after the 7 per cent GST is implemented. This is because of consumer perception of higher prices and also consumer resistance to the tax, and that fits in with some of the comments we have heard even on the question of civil disobedience.

The *Ottawa Citizen*, on the same day as the story I read from the *Globe and Mail*, printed the type of headline you would expect for a declaration of war, "The Recession is on". "The question is: how long will it last and how tough will it get?" I won't repeat the statistics because they are the same in this article as in the other one, however, there are some comments I would add to the record.

> "People are terrified of losing their jobs and their homes", said Michael Marzolini, president of pollsters Insight Canada Research Ltd. "The last recession left deep scars."
>
> The first to feel the pinch are the poor who were only just recovering from the last recession, said Lise Corbeil Vincent of the National Anti-Poverty Organization.
>
> "They lose their jobs first because they have the most fragile hold on employment."

Senator Kenny: Senator Fairbairn, would you entertain a question?

Senator Buckwold: If it is an entertaining question.

Senator Kenny: We know that the goods and services tax will slow economic growth and cost Canadians jobs. The Conference Board of Canada predicts that the Gross Domestic Product will fall by 5 per cent in 1991, that consumers' real disposable income will drop by 1.9 per cent below what it would have been but for the goods and services tax.

The Conference Board also predicts that the total employment in 1991 will be lowered by 72,000 jobs as a result of the new tax. These job losses are predicted to hit the service sector hardest because it is more labour intensive. I think these are the people you were talking about. In particular, the report predicts that the tourism industry will be devastated and, moreover, the board's predictions are based on the most optimistic set of assumptions possible, namely, that wages will not increase in 1991 in response to higher inflation, that the Bank of Canada will not raise interest rates, and that businesses will fully remove the 13.5 per cent manufacturers' sales tax before adding the 9 per cent goods and services tax.

I was wondering how you saw this tax affecting employment, and particularly tourism in the province of Alberta. As the chamber knows, Alberta is particularly dependent on tourism. Could you comment on that for us?

Senator Fairbairn: Yes, perhaps just to make a couple of comments following on comments I made in response to Senator Stollery. Both he and Senator Kenny, who worked in the oil-related industry in Alberta, will know that certainly oil and gas is the backbone industry in that province, but also in recent years it has been a very volatile and fluctuating industry. Alberta in the last decade and a half has been very much looking to diversify its economy so that it will not be constantly based on the fluctuation in the price of oil or gas, which is often out of our hands, as it is today because of events in the Middle East and the situation in the Gulf.

As Senator Kenny will know, the tourist industry in the province of Alberta was particularly hit by VIA Rail cuts. As I said earlier, the glorious cross-country train that went through Banff and the Rockies to Vancouver is no more. That cut in itself affects all of the tourist industry in Alberta because that train drew so many people there, and to parts of Alberta where tourists would not normally go. That was last year. This year it is the GST. And the tourism industry in Alberta is absolutely beside itself. This has been an industry which has been on the rise and it is an economic challenge in an effort to fill that—I do not want to say "vacuum."

• (1630)

Senator Kenny: After the Olympics.

Senator Fairbairn: Yes. It was also hoped that it would give some stability to the area. If we take care of our environment—which is a moot point in Alberta—we have one of the most glorious tourist areas in Canada in the Rocky Mountains. This has been seen as the stabilizing factor and the potential future for the economy of Alberta. This is one of the reasons that the government of Alberta is almost apoplectic about the tax and why it has taken the matter to court. They see this as a severe attack on the strength and viability of the tourist industry in that province.

In answer to your question, this is a major blow to that part of the country.

Senator Stollery: I have a supplementary question. This will have a devastating effect on the tourist business in Alberta which has already been hit so terribly by the cancellation of railway services. As I understand it, there has been an increasing number of Japanese tourists visiting Alberta, as well as tourists from the offshore. Has any consideration been given to a system of rebates. I know that Senator Buckwold will have this information.

Although the Alberta government does rely heavily on the petroleum and grain industry, I would imagine that in the future tourism would benefit the area of Jasper and Banff and would be a high employer of people. I know that other countries which have instituted high tax regimes often come up with some kind of a scheme so that when a foreign tourist buys a service he can receive a rebate. In some countries in Europe when a tourist buys something in a shop he will receive the tax back upon leaving the country. Of course, he has to fill

out a form and surrender it to the customs authorities and so on.

Have there been any discussions between the federal government and the Alberta government about implementing some system to deal with this problem in Alberta? As we all know, Japanese tourism is an important source of foreign exchange in terms of Japanese currency. We sell Japan all of our natural resources such as timber, grain and sulphur but this is a way in which we actually have some real foreign exchange.

Has a system been devised or contemplated that would allow tourists to receive a rebate on GST paid when they leave the country?

Senator Fairbairn: I know of no discussions specifically with the Province of Alberta. Perhaps Senator Murray could help you on that score.

Senator Buckwold: Perhaps I might be allowed to indicate that the government has made some concessions in that regard.

Senator Fairbairn: Senator Buckwold says the government has made some concessions.

Senator Buckwold: Perhaps I could be allowed to put the government's case.

Senator Frith: Make your statement in a form of a question.

Senator Buckwold: My question would be whether Senator Fairbairn is aware of the fact that the government has made a concession to the tourist industry. Tourists who spend the equivalent of $20 in tax on goods, not on hotel accommodation or on meals, but on the actual goods that are purchased, they can then fill out a form, as you would overseas in the United Kingdom, and receive a rebate. As long as the tourist has paid more than $20 in tax he will be rebated. However, that does not help insofar as the very major expenditures of the cost of hotel rooms and transportation are concerned.

Senator Fairbairn: I was not aware of those details and I thank Senator Buckwold for them.

I would like to return to some of the comments that were made following the statistics that came out at the end of last week which caused the headlines to indicate that the recession is now on in Canada. Mike McCracken, the President of Informetrica in Ottawa, in comments following the release of these statistics indicated that the outlook is pretty bleak. He said that we have the first signs of panic in both the business and consumer sectors. That is very worrisome. This is going to be a significant recession. Certainly the second worst since the war, said Ted Carmichael who is the Senior Economist with Burns, Fry.

To conclude some of those thoughts on the onslaught of the recession, I would just like to share with senators the words of Don McGillivray in his business column which appeared in the *Ottawa Citizen* on Saturday, December 1. McGillivray writes:

> If Mike Wilson goes down for the count in this recession, I think I know what his last words will be: "It's not as bad as 1981-82."
>
> The finance minister said it again and again Friday . . .

That was Friday, November 30. The article goes on:

> . . . after the news from Statistics Canada that economic output had dropped for the second quarter in succession.
>
> "We are certainly not anything like 1981-82," Wilson told Opposition Leader Herb Gray. "We're not in the same type of recession as 1981-82," he told Steven Langdon of the New Democrats. And a minute or two later, he was saying again that the state of the economy is not "anything near what we were in 1981-82."
>
> This recession, so far, has lasted eight months. The 1981-82 recession lasted 18 months.

● (1640)

> If Wilson means the economic damage of eight months of this slump is not as great as that of a year and a half of recession last time, he's right.
>
> But neither he nor anyone else can tell what next year will bring. It was the third and fourth quarters of the 1981-82 recession that brought the sickening economic plunge.
>
> We'll know better how bad a recession it is in three months or six months.
>
> Some of the factors Wilson cites as ground for optimism are straws.
>
> Take, for example, his frequent assertion that "we went into 1981-82 with interest rates in excess of 21 per cent. This time the peak in the interest rate was 14 per cent.

Senator Corbin: Senator Fairbairn, will you permit a question?

Senator Fairbairn: Yes.

Senator Corbin: Since you are touching on the subject of interest rates, I would like to know your views on the matter as they relate to interest rates and credit card costs.

We have received today in our offices a December report which says that Canadian consumers spent over $381 billion on goods and services in 1989. Imagine the repercussion of that amount in terms of the GST.

The press release also says that many Canadian consumers used their credit cards to make these purchases. Studies show, however, that only half of these consumers usually pay off their credit card balances in full each month.

Earlier today, after I had shovelled out my driveway, I looked at the local newspaper and read some comments pertaining to the GST. These columns are written for the so-called benefit of the people out there who do not know too much about the GST and the provisions of the bill. These columns tend to facilitate the understanding of the impact of the GST on the average person.

One of the points that I picked out is that there would be no GST on credit card transactions. Nevertheless, there is an impact in terms of consumer costs in the use of credit cards. You would certainly be aware that Master Card, which is used by the Bank of Montreal, Banque National, Canada Trust, Supercharge, Coopérative du Crédit du Service Civil, Niagara Credit Union, Shell, Royal Trust and Vision, has interest rates

on an annual basis that range from 21.5 per cent for the Bank of Montreal; Shell, Royal Trust, and Vision have 22.5 per cent annual interest charge down to 19.25 per cent for Niagara Credit Union.

Visa has comparable interest rate charges. They are in the same bracket, but they do not go as low as some of the Master Card syndicated users. Visa is used by Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Central Guarantee, Centre Desjardins, Laurentian Bank, Montreal Trust, Royal Bank, Toronto Dominion Bank and Vancouver City Savings.

Those interest rates in the bracket of 19.25 per cent up to 21.75 per cent are considered to be moderate. However, the true consumer credit card, that issued by Canadian Tire, for example, charges an interest rate of 28.8 per cent annually. Eaton charges 28.8 per cent; Home Hardware charges 28.8 per cent; Hudson's Bay charges 28.8 per cent; PetroCanada 24 per cent; Sears charges 28.8 per cent; Simpsons charges 28.8 per cent; Ultramar charges 24 per cent.

Senator Simard: Question!

Senator Corbin: Woodwards charges 26.4 per cent; Zeller's charges 28.8 per cent.

Another category of credit cards is charge cards that have an even higher interest rate. American Express, besides having an annual fee of $55 per card, has what they call a late penalty rate of 30 per cent annually. Diner's Club, which also has an annual fee of $55, has a 24 per cent late penalty rate.

I will stop there. I could go on, but every honourable senator could study this in the peace and quiet of his or her office.

Senator Simard: Question!

Senator Corbin: The question was put at the beginning of this recitation, in case some honourable senators were not in the chamber when I began the question which I am now pursuing.

The government of the day has decided that there will be no GST on credit card transactions. Do you know why that is so? Referring again to those columns I was reading earlier today, in some cases officials in the either the Department of Finance or Department of Revenue say that the administration of the GST on credit cards or charge cards would be too complicated and, therefore, they did not think they should bother with it.

Nevertheless, the immorality of the high interest charges on credit cards is an issue in itself. I should like to put that in the earlier context of what this does to the tourist trade.

I do not think I would ever break Senator Simard's record for interrupting other speakers, so I will just ignore him.

Senator Simard: You would think the preamble would come before the question, not after it.

● (1650)

Senator Corbin: Senator Simard, you know that Senator Doody, Senator Phillips and Senator Murray told every one of you to keep quiet and not to interject, heckle or ask questions. You can do what some of your colleagues were doing earlier in the sitting—that is, go play cards in the corner—but please leave me alone.

Senator Simard: I was playing cards, too.

Senator Fairbairn: Is that what you were doing?

Senator Poitras: They told you to ask questions.

Senator Corbin: I never needed a hint by anyone over there in terms of doing my duty as a senator—never. I do not intend to solicit any hints today, or ever. I am a senator of many years of experience and I will continue doing what I think I do best on behalf of the people of New Brunswick, whom I happen to represent.

Senator Simard: Isn't there a rule, though, Mr. Speaker, that says one senator is allowed to speak once?

Senator Corbin: You do not talk to the Speaker.

Senator Simard: I will address it to my colleagues.

Senator Corbin: Senator Fairbairn, as I was saying—

Senator Simard: There is a rule that unless it is a question—

Senator Corbin: As I was saying, because Senator Simard has not been recognized by his party to have the floor—

Senator Simard: —until he has made his speech.

Senator Corbin: I will relate my comments to the concerns that you expressed earlier in terms of the tourist trade.

Most tourists use a credit card when they travel. I certainly do. I do not want to have too much cash on me. I have cash plus a credit card, which will carry me over if I ever run short of cash.

In any case, the GST will already be charged on your credit card purchases. That can tally up to quite a substantial number of dollars when you travel, because you will be paying the GST on your hotel, on telephone calls made from your hotel room, on meals, on your air ticket, your bus ticket, and a number of other things. I do not suppose that senators will be charged the GST when they use their railway pass, but there are few opportunities now for senators and members of the House of Commons to use their railway passes since that government over there discontinued much of the passenger service in this country. It really does not count for much any more.

I should like to have your views—since you were talking about the negative impact of high interest rates—on these grossly higher, unfair and immoral credit card and charge card rates. Please tell us in your view why the government decided not to charge the GST. Would it be, for example, that they did not want to interfere with the high interest rate charge on credit cards? That is one way for the government to keep the dog at bay, namely, by not adding to the concerns of those big companies the additional annoyance of a GST on credit card transactions. I realize that this is a circumvoluted question, but I made it plain talk so that simple-minded senators on the other side of the house would understand what it is all about. Please forgive me for taking so long to put the question.

Senator Fairbairn: Not at all, Senator Corbin.

Senator Lefebvre: The background is important.

Senator Fairbairn: I have not had an opportunity to read that release, but I share your concerns on the rates of interest that are charged. One can only speculate that, as you have indicated, the government itself said that it would not levy the tax on these charges because of the complicated factors involved.

I must take you into my confidence, Senator Corbin, and tell you that, given my Scottish background, I take a very dim view of credit cards. In fact, probably if I had my way, I would keep my money in a sock. I myself never had a credit card until I became a senator and discovered that, travelling as much as one does back and forth, it is quite difficult and very unwise to keep that amount of cash in your pocket.

Senator Corbin: Would that be because senators are required to travel on days when banks are closed, for example, on weekends and Sundays? In other words, that is the nature of our work. Therefore, a credit card comes in handy at such times. Would that be one of the major factors?

Senator Fairbairn: Absolutely. We have become so trapped by the credit card mentality in North America, and probably elsewhere, that your credit card is almost your open sesame wherever you go. It becomes an essential tool of transaction and travel.

One of the reasons why I have a dim view of the credit card mentality is that I have seen a number of people who I know very well, who in all other ways are intelligent, responsible people, who go off the track in their use of credit cards. With interest rates such as they are on credit cards, very well-meaning people can swiftly find themselves in extremely difficult situations and overwhelming debt situations by using that tiny square of plastic to buy them a way of life that they are not able to afford.

If you are looking for some kind of enthusiastic response from me on that question, I find that in a basic way perhaps it is necessary in the economic society that we live in today. It is certainly fraught with a great deal of difficulty, particularly for people who are just on the edge and use the credit card as a means to live the kind of life that they would like to live. The only way that you can get out of it ultimately is, perhaps, by death. But sooner or later you have to pay. Personally, I find it a dangerous and unsettling part of our economy in North America. I may be in a great minority and I may be old fashioned, or whatever—

Senator Corbin: No. You are not old fashioned; you are avant-garde.

Senator Fairbairn: In that sense I think it is a potentially destabilizing influence within our society.

I should like to carry on with the subject of interest rates by reading this column by Don McGillivray. Don, as you know, is definitely—

• (1700)

Senator Simard: Liberal!

Senator Fairbairn: No, Senator Simard. He calls them as he sees them.

Senator Simard: He sees a Liberal all the time.

Senator Fairbairn: No, no!

Senator Simard: We know that.

Senator Fairbairn: You have not followed him for as long as I have followed him. We bear as many arrows from Don—

Senator Simard: He is consistent.

Senator Fairbairn: Yes, he is. We bear as many arrows and scars from Mr. McGillivray as you do.

Senator Simard: He is a Liberal—

Senator Fairbairn: He may be critical of the current government, but he is certainly not consistently Liberal. He is consistently critical of government.

At any rate, on the subject of interest rates, he has talked about Finance Minister Michael Wilson hanging his hat on the fact that this recession is not as bad as the recession of 1981-82. Mr. McGillivray points out in his article that we have only been through eight months of this recession while the other one went on for 18 months. He states that the latter part of the last one was the really punitive part for the people of Canada.

Speaking of interest rates he states:

> Wilson knows that it's the real interest rate, not the nominal interest rate that is the killer. Real rates are calculated by subtracting inflation from the nominal rate. In 1981, the real rate was at an economy smashing level of about eight per cent. This year, it has been about nine per cent.
>
> There's no guarantee there that this will be a milder recession.
>
> Wilson often claims interest rates have been reduced by close to two percentage points from the peak of 14 per cent in May. Actually it's more like one and a half percentage points. The prime lending rate at the banks is 13.25 now compared to 14.75 in May.

Senator Balfour: How about 21 per cent?

Senator Fairbairn: He is going to get to that, I am sure.

> But even if the drop were two points, it would be much less than the reduction in lending rates in the early part of the 1981-82 recession.
>
> We had a tight-fisted Scrooge of a central bank governor then in the person of Gerald Bouey. But Bouey was not quite as fanatical about high interest rates as John Crow is.
>
> In the first eight months of the 1981-82 recession, the bank rate came down by more than five percentage points from its peak. And the prime rate at the commercial banks dropped more than six percentage points.
>
> Bouey, in other words, did three times as much to cure that recession as Crow has done in the same stage of this.

Another scary thing about this recession is that the man who is about to send inflation climbing with his goods and services tax is the same Michael Wilson who says interest rates will be further reduced only "if we are confident we can keep our inflationary pressures under control."

Statistics Canada's new numbers suggested that Wilson's own spending is not exactly under control.

It's starting to climb as a proportion of the gross domestic product, which means that we can expect the finance minister to quit citing how well he's doing in restraining spending as a percentage of the GDP.

In the third quarter of 1990, federal spending amounted to about 18.1 per cent of the GDP. That's higher than it has been since 1986. Other levels of government are holding their spending steady as a percentage of GDP or even reducing it a bit. So the bulge in federal spending is the main reason total spending by all governments is up.

In the latest quarter, it was 44.6 per cent of GDP compared to 44.1 per cent in 1988. An increase of half a percentage point may not seem much. But it's $6.8 billion or more than $250 of extra spending for every Canadian.

You ain't seen nothin' yet.

That is an article by Don McGillivray from the business pages of the Ottawa *Citizen* of last Friday.

Senator David: Is the interest on the debt comprised in those spending figures?

Senator Fairbairn: That is not stated in the article, Senator David.

Senator Simard: Don't ask a loaded question.

Senator Fairbairn: Don't ask me to fathom Don McGillivray's mind.

Senator Balfour: I thought you were going to deal with 21 per cent.

Senator Fairbairn: I was hoping that Don would.

Senator Davey: It is not 21, it is 14.

Senator Fairbairn: Honourable senators, from those statistics on the weekend—

Senator Davey: I must apologize to Senator Balfour. I thought he was talking about the Prime Minister's standing in the polls. Senator Fairbairn was talking about the interest rate.

Senator Lefebvre: The Prime Minister is at 12 per cent.

Senator Fairbairn: At any rate, getting back to the GST and the government's policies on it and looking at the type of statistics that have come not from Mr. McGillivray but from Statistics Canada, it is clear that this is a government that cannot be swayed by reason, by Statistics Canada or by the very real evidence that its economic policies are in part helping to destroy the economic stability of the country rather than to fix it. I believe this is a government that is so hidebound by its own ideology and that it is so convinced of the rightness of its position that anyone who dares to question its conclusions is branded as knowing nothing.

It appears that Canadians are incapable of understanding the fine points of the GST. One of the most infuriating aspects of the debate over the new tax has been the way the Minister of Finance and the Prime Minister have refused repeatedly to pay any attention to what the people of this country are saying about the tax.

Senator Lefebvre: Senator Fairbairn, would you entertain a question?

Senator Fairbairn: Certainly.

Senator Lefebvre: As a long-time journalist and a follower of polls perhaps you could help me out, since I am not an expert on these matters. In the by-election that was held in Sainte-Marie the Tories received 8 per cent of the vote. In the by-election held in Oshawa they received 4 per cent of the vote. In Beauséjour they do not even have a candidate. So that amounts to zero, using new math. Is that how the Conservatives add up to 12 per cent nationally?

Senator Fairbairn: That is a very difficult question to answer.

Senator Hastings: They are now called the other party.

Senator Fairbairn: I understand that in Senator Hastings' province and mine they are at 3 per cent.

• (1710)

Senator Hastings: They are listed under "others".

Senator Fairbairn: As a matter of fact, Senator Lefebvre, as I move relentlessly along, I have a section in my remarks that is devoted to a kind of survey of the latest polls and statistics.

Senator Lefebvre: I am looking forward to it.

Senator Fairbairn: I will get to that a little later if you are still here.

Senator Lefebvre: Around midnight? I want to be here.

Senator Hastings: February the 4th.

Senator Fairbairn: As I was saying—which prompted Senator Lefebvre's intervention—the government really dismisses criticism, any criticism, by saying that no one likes taxes, so the millions of complaints that Canadians have about the GST are not really valid, only the experts can comment.

Senator Corbin: We don't mind paying taxes, but we would like something in return.

Senator Fairbairn: It is like an architect saying that everyone always complains when my building falls down, but what do they know, they are not architects. It is that kind of mentality.

Senator Corbin: And it matters.

Senator Fairbairn: It does matter what people say because it is the people who are going to be paying the new 7 per cent tax on everything. They are the experts. They know exactly what this tax will mean to them and their pocketbooks. As I said

earlier, this is not a minor sort of attack on smokers or drinkers.

Senator David: Attack is right.

Senator Frith: And other sinners.

Senator Fairbairn: Now, Senator David, you of all people should be thinking about this tax and thinking about quitting smoking.

Senator David: No, I am talking to the government.

Senator Fairbairn: You have to set an example to others, particularly Senator Barootes. This is not just a tax on smokers or drinkers, and it is not just a one-cent adjustment on the price of gas for drivers. It is not just another attempt to take away from old age pensioners their inflation protection. This tax is all pervasive and, as I said at the very beginning, it is gargantuan. It is $20 billion per year. That is a lot of money which we will all have a lot less of if this tax goes through.

One does not have to be an architect to know that a lot of Canadian households are going to be very strained. Some of them may collapse under the weight of the accumulation of this tax on top of everything else they are paying. You do not have to be an expert in economics to know that bringing in this tax, particularly during the early part of a recession, is a form of madness.

Let us look at the history of how this tax came to be, and I do not believe anyone would really call this a proud history or a noble one. It is little more than a form of deception on the part of the Minister of Finance and the government. Shortly after the 1984 election, the government undertook what it claimed to be the most extensive tax reform since Confederation. This is something that new Ministers of Finance often do. I can remember Mr. Benson was conducting the biggest tax reform since confederation—

Senator Corbin: That was a real one.

Senator Fairbairn: —and there were probably a lot more Ministers of Finance as well. His was not the biggest tax reform. The interesting part about all those other tax reforms, which indeed caused in their own way—

Senator Corbin: What about John Crosbie's reform in 1979?

Senator Fairbairn: It was so brief it is hard to remember.

Senator Hastings: They have all been defeated at the next election, haven't they?

Senator Fairbairn: One thing that is noteworthy about the tax reforms in the past is that they, too, prompted an outcry of sorts from the public—nothing in comparison to this one—and they were changed, all of them were changed. They were adjusted. The government compromised and they were changed. The government responded to what it heard from the same kinds of Canadians all of us have been hearing from.

Senator Corbin: Except that the 1979 reform was made by the people.

Senator Fairbairn: Well, as I said, that was such a brief span that it is hard to remember, although I do remember very well the details of December 13, 1979. In any event, at the beginning we all heard from the current Minister of Finance as to how he and his colleagues were going to radically alter the tax system to make it better, fairer and simpler for all of us. I think all Canadians were given the impression that tax reform would mean less taxes for those who could not afford them and more taxes for those who could.

We were led to believe also that the Minister of Finance and his band of reformers were going to go through thousands and thousands of tax exemptions for business and for the rich and slice those exemptions down to a very few. We were all led to believe that the inequities in the system, which discriminated against those who live in the regions and those on low and fixed incomes, were going to be eliminated, and we were all led to believe that we would soon be entering a whole new age of fair taxation.

Under the current government of Mr. Mulroney, which we have come to know so well, it is not what the government says it will do, it is what the government actually does that is important to the country. What has it done? Senators may recall that one of the very first acts of this government was to attempt to withdraw inflation protection from the pension cheques of elderly Canadians.

Senator Frith: It is not only what you do, but it is what you try to do.

Senator Fairbairn: Honourable senators will remember as well the incredible public outrage in response to, in my view, a totally unjustified attempt to take from the elderly. I guess that unwarranted attack on the elderly marked really the last time in the history of this government, given the fight that was put up by the seniors, that the views of Canadians were actually accepted by the government, for whatever reason, and I think some would say there might just have been a cynical political reason that the government reversed itself on this tax. In fact, we witnessed some of the most colourful and passionate demonstrations on Parliament Hill by seniors and others who were opposed to this tax. Who will never forget the words of that one little protester who said to the Prime Minister, "Before the election you promised us everything, then, right after the election, it was bye, bye, Charlie Brown."

• (1720)

Senator Frith: "You lied to us, Prime Minister."

Senator Fairbairn: Yes, that is right. The government very wisely backed down from that attempt. The very attempt gave us a very clear signal about where the government wanted to go in terms of taxation and of the kind of society that they wanted to build in this country. That first attempt at a raid on the pension cheques of the elderly failed; but the government later on was able to do by the back door what they were not able to do by the front door, and that was to bring in the clawback provision which has just been passed by the Senate with the help again of the newly appointed eight extra Conservative senators.

As honourable senators will know, we, on this side, did not support the clawback. In fact, I, personally, received as much mail on the clawback legislation alone as I did on the GST, and I received a heck of a lot of mail on the GST.

Part of this was that the clawback is a reflection of the kind of mode government policy is moving into. The clawback is an outright attack on the universality of social programs which have been hard fought for and hard won on behalf of the less advantaged in this country and particularly, in this case, the elderly people of Canada who contributed from the earliest days to what they believed in the end would be a full pension cheque.

The government's clearly right-wing agenda for change also included a whole slew of other changes to this tax system. All of these were designed to take money out of the hands of low- and middle-income Canadians and to put money into the hands of the wealthy and big business. It is, honourable senators, the old trickle-down theory of Ronald Reagan and Margaret Thatcher and the argument goes something like this: If rich people and big business are given the room to grow, it will eventually trickle down; it will trickle down to the low- and the middle-income groups in our society and make them better off. The theory it leaves out, of course, is that it is not big business and it is not the rich who create jobs and opportunities in this country. It is the small business sector and middle-income entrepreneurs who are the job creators and the generators of wealth in our Canadian society. Instead of helping to lighten the burden on low- and middle-income Canadians, the government has done nothing but add to the burden on those sectors.

Honourable senators, I mentioned earlier the tax increases which have been brought in by this government for individuals since 1984. I will just drift through them here for a few minutes. This is a chart of major tax increases for individuals introduced by the Conservative government from 1984 to 1989. The first part of this is indirect taxes, sales and excise taxes. The increase in the federal sales tax was from 9 per cent to 10 per cent in October of 1984; from 10 per cent to 11 per cent in January of 1986; from 11 per cent to 12 per cent in April of 1986; and from 12 to 13.5 per cent in April of 1989. There has been a steady and relentless increase in the federal sales tax which I would say bodes ill for the future of the GST if it shoudl ever come into effect.

There was then the extension of the federal sales tax to new items. In July of 1985 it was extended to candies, soft drinks and pet food. In July of 1987 it was extended to snack foods, which a number of our young people almost survive on, and in January of 1988 a 10 per cent federal sales tax was introduced on long distance telephone calls and cable services. Then, in June of 1989 that sales tax for long distance calls and cable services was increased again from 10 per cent to 11 per cent. Then, in January of 1988 there was an increase in the federal sales tax from 8 per cent to 12 per cent on paint, wallpaper, toys and handicrafts.

There were repeated increases in federal sales and excise taxes on gasoline. It was increased by two cents a litre in September of 1985; one cent a litre in January of 1987 and one cent a litre again in February of 1987. There was an increase in federal sales tax on leaded gasoline to equal the sales tax on unleaded gasoline in April of 1987. Honourable senators, on it went, one cent a litre in April of 1988; one cent a litre in April, 1989; one cent a litre on unleaded gas in April, 1989; and one cent a litre in January of 1990. That has been the increase in federal sales and excise taxes on gasoline.

Senator Stollery: Since when have these increases come into effect?

Senator Fairbairn: These major tax increases, which are indirect tax increases on the sales and excise tax have occurred between 1984 to 1989. The ones you were asking about just now on gasoline took place from 1985 to last January.

Again, in respect of indirect taxes, there has been an increase in federal sales tax on alcohol and tobacco. The first increase was in May of 1985; the second one in February of 1986; the third one in February of 1987; the fourth one in January of 1980; and the fifth one in April of 1989.

In direct taxes, income taxes, we have the following statistics: First is the elimination of the Registered Homeowners Savings Program in May of 1989. Then there is the elimination of federal tax reductions for low-income Canadians in January of 1986. Then there was the de-indexation of the personal income tax system, family allowances and tax credits in January of 1986. There was then the temporary 5 per cent and 10 per cent surtaxes on personal income from July, 1985 to December, 1986. Then there was the permanent general 3 per cent surtax on all personal income taxes in July of 1986.

● (1730)

Changes to the marital exemption occurred in January of 1986. The increase in general surtax from 3 per cent to 5 per cent on all personal income taxes occurred in July of 1989. There was a surtax of 8 per cent for high-income Canadians imposed in July of 1989. The clawback of old age security pensions and family allowances occurred in April of 1989. There has been a steady march upwards from 1984 in both the indirect and direct taxes by this government.

The impact of these new taxes on average Canadians has been, in some cases, incredible. When you add them up and include the potential GST, a family with two children in which both parents work and earn a total of $45,000 will have seen their taxes increased by over $3,400 between 1984 and 1991. That is an incredible amount for a family with two children. That is definitely living on the edge.

In the last few years, I think it is safe to say that under this government it has cost much more to live in this country. But Lord help you if you dare say to the government that this kind of thing is not the right economic policy to be pursuing at this time or, in fact, at any time. Once again, the government is not interested in listening to what the people of this country are saying. They are not interested in discussion or debate. It is, as it has been with a number of issues, including Meech Lake, "my way" or "the door way".

One has to reflect that if there had been some kind of effort at accommodation on these issues, the Canadian people might have been farther ahead. Quite frankly, the Conservative government would have been much farther ahead instead of being down at 14 per cent in the polls at the moment.

Over the last several weeks many of us have had cause to reflect on the extraordinary events which have taken place in this chamber against the backdrop of the wave of democracy which has flooded across Eastern Europe, washing away decades of closed dictatorships. Whole systems collapsed because their governments refused to take into account the voices of their own people. We have prided ourselves on the strength of our democracy and its institutions, which are supposed to represent the voice of Canadians. Yet, who is listening to that voice? Is our Prime Minister listening? Is the Minister of Finance listening? Is the Leader of the Government in the Senate listening? Are they listening to the people who gave them the reins of power? Are they hearing the advice and the appeals for change?

After all, honourable senators, there is nothing sinister about compromise. This is a country so vast in distance and so different in climate, geography, resources and culture that it never would have survived as a country without compromise by successive leaders. Compromise is not a sign of weakness. It is a sign of strength in Canada. But today's leadership rejects the word.

Senator Simard: Words, words, words!

Senator Fairbairn: Compromise, I suggest, Senator Simard, is far more than a word. It is the kind of glue and foresight that has kept this country together. As I say, it is not a sign of weakness in Canada; it is a sign of strength. But people in this government simply dismiss any criticism of the new tax by saying that we, the people, do not understand it and that if we did we would be all for it.

Unfortunately for the Prime Minister and for the Minister of Finance, we do live in a democracy. Their tactics in the House of Commons and in the Senate notwithstanding, the people of Canada do understand this tax. They understand it perhaps better, in a sense, than the Prime Minister and the Minister of Finance because they will live with it in everything they do. They certainly understand it better, I would suggest, than many of the senators opposite in this house.

The government is now paying a price for having misled Canadians from the beginning about what this tax really was all about. There has been much talk about the claim by the government that the GST was a major issue in the 1988 election campaign and, therefore, they have a clear mandate from the people to move ahead on it. Some people, myself included, who travelled a great deal across the country during that campaign certainly say that this was not a major issue in those seven weeks.

I would like to bolster that comment by reading an article that was written by Linda McQuaig. She was the author of *Behind Closed Doors: How the Rich Won Control of Canada's Tax System*, which is an excellent book. She is a former reporter with the *Globe and Mail*. Her column, which appeared in the *Globe and Mail*, on October 17, 1990 is entitled "Keeping the public in the dark." It says:

> One of the most misleading statements coming out of Ottawa these days is the contention of Brian Mulroney's government that the goods and services tax was part of its 1988 election platform.
>
> The government is advancing this theory now, of course, in an effort to suggest that it was elected with a mandate to impose the GST. Even if the electorate is now overwhelmingly opposed to it, the theory goes, the public elected the government knowing full well of—even presumably endorsing—the GST.
>
> This is a considerable distortion of what happened. It is true that the government had indicated in vague terms in its 1987 tax-reform documents its intentions to replace the Manufacturers Sales Tax with a new sales tax. But the government went mum on the subject during the 1988 campaign. This silence was with good reason.

• (1740)

> The new tax was going to benefit only a small segment of the population—primarily manufacturers, who had long disliked the existing sales tax and would enjoy a much lighter burden under the GST. Indeed, some $4 billion of the sales tax burden was to be transferred from the corporate sector to the household sector.
>
> So the government saw no particular advantage in mentioning the new tax to the general public during the election campaign. It was bound to raise suspicions that the tax would be used to soak additional revenues out of the public for the ongoing war against the deficit.
>
> For the Tories there was no advantage in turning the GST into an election issue. Everybody who would like the new tax—manufacturers, business economists, tax experts—already knew about it. The rest were better kept in the dark.
>
> So the government was set to let the issue slumber throughout the campaign, even though the GST was a central part of the Tory plan for its second term and all was in readiness to set the wheels for the new tax in motion as soon as the votes were counted. Everything was going according to plan when Don Blenkarn stumbled on to the scene.
>
> Mr. Blenkarn, the feisty Conservative chairman of the House of Commons Finance Committee, was scheduled in the early days of the election campaign to make what promised to be one of its dullest appearances. He was to address a tax conference at Osgoode Hall Law School in Toronto. The event actually had nothing to do with the election, having been booked months earlier.
>
> In the course of the day-long session, Mr. Blenkarn told the audience of economists and tax experts that the government planned to collect billions in additional revenues through the GST.

This evoked little interest: The tax specialists in the audience already knew it. But when Mr. Blenkarn's comments about the additional revenue raising potential of the new tax were reported the next day on the front page of the *Globe and Mail*, the cat was out of the bag. The increase that only experts were supposed to know about was now in the hands of the electorate—a dangerous place indeed. So how did the government react? If it is true, as the Tories now maintain, that the government had "campaigned" on the GST, surely its response would have been to say, "Yes, Mr. Blenkarn is right, the new tax will raise considerable extra revenue and this is necessary for deficit reduction." They would have said then what they are saying now.

But both Prime Minister Mulroney and Finance Minister Michael Wilson were quick to deny the accuracy of Mr. Blenkarn's comments, insisting that he did not speak for the government.

As the issue percolated over the next few days—Ontario Treasurer Robert Nixon piped in with comments about how Ontarians would find themselves paying a lot more sales tax—the government repeatedly denied that the new tax would raise any additional revenue.

Mr. Wilson insisted that it would be "revenue-neutral"—that is, would not raise additional money. It was not a vehicle for deficit reduction. With the government's assurances, the issue died.

Since the election, Mr. Wilson has been more frank. On CBC's Morningside radio program last month, he told host Peter Gzowski that the GST would raise additional revenues for deficit reduction.

"But I thought it was revenue-neutral?" Mr. Gzowski said. Mr. Wilson replied: "Well, no, it helps us get the deficit down." So much for honesty on the election trail.

The government now argues with ferocity that the GST is really the only option for reducing the deficit—choosing to ignore other fairer options, such as a detailed proposal developed by Osgoode Hall tax professor Neil Brooks to abolish regressive sales taxes altogether and raise the lost revenue through modest increases in the income tax. This option, which the government has refused even to consider, would save Canadians hundreds of millions in administrative costs alone.

The Tories now concentrate their fury on the evils of an unelected Senate, insisting that the shenanigans in the upper chamber are blocking the will of Canadians to have the GST put in place. But Canadians never endorsed the GST—not now and not during the election campaign.

Is the Senate really blocking the will of the people, as the government suggests, or simply blocking the will of the government, on an issue where the government was less than honest at the one time when Canadians were in a position to register their opposition?

Could it be that the Conservatives don't trust an informed Canadian public to make the right decisions, that they believe the only way to put their policies in place is sometimes to circumvent the will of the people? Are the antics in the upper chamber the real threat to democracy?

That concludes the column written by Linda McQuaig.

Senator Davey: I have a couple of questions arising from the article that you read, which is a fascinating article. I suppose the article explains why Mr. Blenkarn has never been in the cabinet.

Senator Fairbairn: Yes; exactly.

Senator Davey: He has been around here a long time. In fact, I have known him a long time. I have been with him on endless airplanes. He is a charming and smart man. I have always wondered why someone of that stature—and I think he has a great deal of financial knowhow—has never been in the cabinet.

Senator Fairbairn: He is too forthright.

Senator Davey: The question I want to ask you concerns our friends opposite and their attitude towards the GST.

The GST is enormously unpopular everywhere, anywhere you go. Yesterday afternoon I was stuck in a snow storm on St. Clair Avenue in Toronto. I was driving along in a lower income retail area. To my astonishment there was a grey sign which said: "No to the GST." It was a fairly large sign. It was not put up by the Liberal Party, or by us, or by any of our friends, but it was there. It was in every store window along both sides of St. Clair Avenue. To me that is a measure of how unhappy Canadians are with the GST.

I have listened to you a great deal today and have learned a great deal. These people do not care that the GST is so unpopular. My question to you is: Is it that they don't care, or is it perhaps that they do not know? Could you express an opinion on that?

Senator Fairbairn: Well, Senator Davey, I would not even attempt to try to speak for any one of the senators opposite. I just cannot believe that not only the feeling of the Canadian public but the reasons behind their feeling is not clearly known to each and every one of us in this chamber and in the other chamber. It has been articulated in continually growing anxiety and, now, real anger for over one year. It has been reported in every facet of the media over and over again. Every poll indicates that opposition among the public of Canada from coast to coast to coast ranges between 75 per cent and 85 per cent. None of the enormous efforts at so-called "selling the tax" has moved that opposition.

● (1750)

One of the reasons is that this is an issue that the public themselves not only understand but believe. They tell me, as I am sure they tell everyone in this chamber, that they believe they are the experts on this tax, especially in terms of how it will affect them. How it affects them ultimately has to say a great deal about how it affects the country.

We have received many thousands of petitions on the matter. In one way or another we have received petitions from probably millions of Canadians. We have tried to reflect upon

some of them in this house. Yet, there are millions that were not presented to this house. I cannot believe that there is not one member on the government side of this chamber who did not receive any petitions at all, any phone calls, any letters or any representations from any groups.

Having said that, I cannot believe that each of us does not understand the public feeling toward this tax, along with the strength of that feeling and its consistency. I can only conclude that in this, as in other measures, in recent years there is a feeling that one courts the public before and during an election campaign and, once a secure majority government is obtained, the public becomes insignificant in the establishment of government priorities and government policies. It is extraordinary. It makes our democracy pretty hollow when you have this many people consistently and strongly urging change.

It is true that people would like the tax to come out in another way, a way yet to be explored. There are alternatives which I will get to later. However, Canadians are asking for change. They are asking for amendments. They are asking for compromise. They are asking for reassurance. What they get is this: "We won a majority and you can turf us out if you don't like what we do in four or five years". Others have said that this is a tyranny of democracy. That is a very apt description of the situation. There is no way that all of us can remain either untouched by, truly indifferent to, or ignorant of the feelings of Canadians on this tax.

Senator Davey: So the public knows that the government does not care.

Senator Fairbairn: That is right. As usual, Senator Davey, you simplify matters greatly.

I am glad that you asked me the question that you did, since I was just getting into the whole area of how not only the government has not been forthright with Canadians on this issue but how it has treated them like children. They have been treated as if they do not need to know, or as if they only need to know one way and nothing that is contrary to that way. One does not have to be an economist or an accountant to figure out that shifting $20 billion worth of taxes off corporations and on to the backs of consumers will mean an increased tax burden for individual Canadians. That is pretty simple. Because Canadians were expecting fair taxation it took them a while to come to the realization that this tax was going to hit them, and hit them very hard.

The reason it took that extra time is that the government deliberately told us all a completely different story about what the tax was all about. We should take a look at what the story was at first.

When the Minister of Finance first talked about the idea of this tax he talked about it as being revenue neutral. A great many Canadians on hearing that thought that what he meant was that there would be no change. The Minister of Finance did nothing to explain to Canadians that his concept of revenue neutral meant revenue neutral only to him. He meant to say that as far as the books of the Government of Canada are concerned, there would be the same amount of money coming in with the new tax as there was with the old. That statement was and is totally wrong for three reasons.

The first reason is that the minister's last budget states that the tax will be used to reduce the deficit. If it is to be used to reduce the deficit, then it is raising more money than the old tax, not the same amount of money as the old tax. The budget even included figures which showed that the new tax would bring in approximately $2 billion more than the old tax, after rebates are taken into consideration. The minister's revenue neutral claim applied only to the federal government and not to individual Canadians. What he did not want to tell us is that it applied to a whole range of new products and all services, products and services that are currently not taxed at all. Therefore, it is far from revenue neutral for individual Canadians. It will cost everyone a lot more every time they open their wallet or write a cheque or use their credit card.

• (1800)

The Minister of Finance made the claim that his new tax would not cost more than the old tax, even as he was raising the old tax. He raised it from 9 per cent in 1984 to 13.5 per cent today. The question is, revenue neutral at what? Nine per cent, 10 per cent, 11 per cent, 12 per cent, 13.5 per cent? Honourable senators on the government side do not have to take my word for that. We also have it directly from Senator Finlay MacDonald. I mentioned before this passage in the testimony that was taken in Whitehorse while the Senate committee was there.

Senator Frith: We would all like to hear it again.

Senator Fairbairn: It was so clear and so open and so honest.

Senator Frith: So beguiling.

Senator Fairbairn: There is no guile involved.

Senator Frith: Beguiling.

Senator Fairbairn: Beguiling all right. It is so absolutely crystal clear from Senator Finlay MacDonald, who is a great communicator, that I thought I would just go over his thoughts again to get the whole question of revenue neutral in a nutshell and to put it aside, perhaps, for all time.

Senator Simard: Why don't you just conclude?

Senator Fairbairn: I just have so much more to say, Senator Simard.

Senator Simard: Just conclude.

Senator Fairbairn: No, no, I have lots more I want to say. I know you want to hear what Senator MacDonald said in Whitehorse because you may have missed it when I read it before.

Senator Simard: We don't miss anything.

Senator Fairbairn: I will bet you were there. You were there hanging on to his every word, Senator Doody, and this will be music to your ears, to hear these articulate words again from Senator MacDonald. He said:

> I do not think we should be conning the witnesses or the people who are here to hear us. It was said a second ago that it has been admitted that this tax is not intended to reduce the deficit.
>
> I will admit it. I admit it as one member of this committee. With all due respect to my leader, I admit that this is the most screwed-up thing that the Government of Canada, my government, has done.

That is pretty clear.

Senator Frith: But he is never here when that is referred to. It's bad luck, I guess.

Senator Fairbairn: He hasn't been here before, but I will mention it to him. Senator Finlay MacDonald went on to say:

> The government has come out with revenue neutrality and they try to explain what it is. They do so after talking about laying this big burden on our grandchildren. They go through all of this performance. Then they say it is revenue neutral. They say it will help reduce the deficit. Well, how in the name of God can it help reduce the deficit if it is to be revenue neutral?
>
> I said yesterday that I did not think this was misrepresentation on the part of the government. It was just a dumb mistake in communications. They didn't know what on earth they were doing . . . Everyone knows that this tax will be a windfall, and that it is intended to get at the deficit. Therefore let us be done with these gags between ourselves about "revenue neutral" and such things as that.

An Hon. Senator: Good for Finlay.

Senator Fairbairn: Well, it was good for Finlay, but it is a troubling thing, what he said, because this has been an important question all along with the goods and services tax. It is the question of revenue neutral or deficit reduction. The troubling thing Senator MacDonald said was that he did not think this was misrepresentation on the part of the government, it was just a "dumb mistake in communications," that they didn't know "what on earth they were doing."

[Senator Fairbairn.]

Senator Simard: What are you trying to prove?

Senator Fairbairn: What I am trying to prove is through the words of Senator Finlay MacDonald, that it is not hard to go one step further and say that the government made a dumb mistake with the GST and did not know what on earth it was doing.

Senator Simard: No, what you miss, Senator Fairbairn, with Senator MacDonald, you have to be able to read between the lines.

Senator Fairbairn: I just did. I was reading between the lines. I know Senator MacDonald.

Senator Frith: And what is between the lines is plain space.

Senator Simard: I asked Senator Fairbairn the question, not you.

Senator Fairbairn: I have known Senator MacDonald, I am happy to say, for a great many years and I think his comments were very profound.

Senator Simard: You don't understand him, that's the problem.

Senator Fairbairn: I do understand him.

Senator Frith: Senator Simard thinks that Senator MacDonald's mind is a blank space because that is what is between the lines.

Senator Fairbairn: But Senator MacDonald has a very, very incisive mind.

Senator Simard: I know he does.

Senator Fairbairn: He has a very incisive and intelligent mind and I am truly reading between the lines of these extraordinary and, I think, quite revealing comments. I am sure that Senator Doody was held enthralled at the moment they were said.

Having referred to that committee hearing in the words of Senator Finlay MacDonald, I want to just speak a moment to the report itself on the question of revenue neutrality and deficit control and the size of government, because I suspect that some of the concerns expressed in the report were a direct result of these very well-reasoned and candid remarks of Senator MacDonald. I would like to read a couple of pages from the report on this question:

> The FST was projected to earn the federal government about $18.5 billion in 1991. Its removal and the introduction of the GST have been described by the federal government as being alternatively "revenue neutral" or "deficit neutral". The Government has also described the GST as an important weapon in the fight against the deficit.
>
> It is possible that the Government has underestimated the yield from the GST. The New Zealand experience indicates that substantially more taxpayers registered than was originally thought to be the case and that revenues per point of tax exceeded original expectations. Whether the original estimates of the Department of Finance in Canada are more accurate than those of the New Zealand government remains to be seen.
>
> Nevertheless, a common concern expressed by witnesses dealt with the "inevitable" increase in the GST rate, consistent with the efficient use of this "cash cow". New Zealand, which only recently introduced its own variant of a VAT, has already increased the rate by 25%

• (1810)

> The Canadian Federation of Independent Business stated that the cost of administering the tax is efficient only when the rate reaches 15%. Indeed, the historical evidence shows numerous examples of increases in the VAT rates over time. Some examples of increases since the VAT's introduction in major industrialized nations are: 8% to 20% in Austria; 10% to 22% in Denmark; 13.6% to 18.6% in France; 10% to 14% in Germany; 12% to 18% in Italy; 12% to 20% in The Netherlands and 11.1% to 23.46% in Sweden. Not only is the increasing reliance on the VAT remarkable as witnessed by the jump in rates, but it is also revealing to note that the original rates in these examples all exceed the proposed GST rate for Canada. Is it then inevitable for the GST rate to climb substantially in Canada?
>
> The Fraser Institute in Vancouver has been a vocal critic of government spending and its growing involvement in the operations of the economy. It has tracked the increasing average tax burden of families since 1961. In a submission to the Committee, the Executive Director of the institute, Mr. Michael A. Walker argued for some kind of tax limitation clause to be attached to the GST. Although the institute supports the principle of a GST, it is concerned about the potential of the tax for raising substantial additional taxes. The National Tax Limitation Committee, a division of the Fraser Institute, believes that "... unless there is constant and unremitting attention focused on the GST, the rate will inexorably creep up and with it the size of government.
>
> This view was particularly prevalent in western Canada. For example, in Regina the Association of Saskatchewan Taxpayers told the Committee that "The GST will not solve the problems of unrestrained government spending—more money available to spendthrifts will encourage them to spend more ... Replacement of the Manufacturers Sales Tax (MST) by the GST is not the reform that Canada needs—elimination of the MST, along with a general tax reduction is what we need." That brief went on to say that "The problems that Canada faces are run-away spending, run-away debt, and run-away taxation ... The solution is obvious. Less. Less government, less taxation, less spending, less regulation and no more debt."

That, honourable senators, would certainly be a utopian world. The report went on to say:

> This same position was presented to the Committee in Edmonton by the Canadian Federation of National and Provincial Taxpayers, and in Vancouver by the Greater Vancouver Libertarian Association who stated that "Even if the new tax was to reduce the deficit or the debt we would be opposed to it because the logical first way to alleviate this sorry state is to reduce government spending, not to soak the taxpayer more."
>
> These witnesses and others who presented similar concerns viewed the GST as leading inevitably to higher taxes. What might initially be a tax reform would ultimately become an increasing tax grab. Indeed, the Minister of Finance has always maintained that the rate might go up in the future if circumstances warrant.
>
> These views are best expressed in an article deposited with the Committee by Mr. Walker in Vancouver, entitled "The GST: A Wolf in Sheep's Clothing." According to the authors, Jean-Luc Mique and Pierre Simard ...

Is he a relation, senator? "A Wolf in Sheep's Clothing." At any rate, according to the authors of this article, both of them from the University of Quebec—

> ... nine out of ten Canadian economists favour the tax because it is a more efficient revenue raising tool than the FST but the vast majority of Canadians don't like it.

> While the orthodox economist believes that governments raise tax revenues to pay for needed public spending, the authors believe that governments spend to curry favour with the electorate. The more tax revenue available, the more they will spend. Thus the GST offers "... the assurance of ever rising rates in the coming years of permanent federal deficits." It is possible, therefore, that circumstances will always warrant rate increases. The features of the GST which supporters view favourably, i.e. the fact that it is efficient and a stable source of revenue, prove to be not a virtue but a vice.

> Every tax imposes an economic penalty on the economy, although some are worse than others. The FST is a case in point. According to the Department of Finance, the removal of an $18.5 billion FST and the introduction of the GST will generate $9 billion in efficiency gains. This is almost 50 cents on the dollar. Since the GST imposes efficiency costs of about 10 cents on the dollar, the average cost of the FST at existing rates is almost 60 cents on the dollar. At the margin, a one percentage point increase in the FST imposes an economic penalty far higher than 60 cents per dollar of tax revenue.
>
> If the GST rate does climb significantly over time, the advantages of this tax reform will tend to be eroded.

The minister, in his promise to Canadians after he talked about revenue neutrality—and we have dispensed with that—said that he was going to remove that bad, old manufacturers' sales tax, that "silent killer of jobs" which was invisible and replace it with the new goods and services tax that would be highly visible. He said that Canadians would now know exactly what they were paying. There would be no more hidden taxes, no more prices hiked up artificially by this hidden manufacturers' sales tax. That commitment lasted just about as long as it took to say it. It was practically the first commitment that bit the dust, just as soon as the final details of the tax were announced.

Suddenly the minister said that it was not possible to make it visible. He could not force businesses to put it on the cash register receipt. So, what happened to visibility? It joined the long list of other "itys" that this government has long since lost-like credibility and believability.

The next great promise of this new tax was that it was going to make the whole system simpler. It was going to be so simple that a child could run the whole system. After being encouraged by Senator Simard, and having tried to read the bill, that promise was nothing more than a cruel joke. Instead of becoming simple, it will mean that every single transaction—

Senator Frith: "Except ye become a little child." That is the salvation of the GST.

Senator Fairbairn: Well, God help us all, Senator Frith. At any rate, instead of becoming simple, it will mean that every single transaction by every single Canadian man, woman and child will now become much more complicated and complex.

Every time you go into a store you will have to deal with provincial sales taxes—if you are shopping in any other province but Alberta—and with federal sales taxes, and whether the new tax is on the total price of everything you bought or whether it is included in the price and whether or not a piece of cheese in a plastic wrapper or a muffin is taxable or tax free, depending on whether or not you buy it in a grocery store, in which case it is probably tax free. But if you buy it at a snack counter it will be taxable, depending on whether or not you want to eat it there or if you want to take it home with you, but if you want to have it heated up and eat it there the tax will apply, etc., etc., etc.

It is simple, all right. Everyone understands it perfectly!

Senator Frith: It is a rap song. Do it again.

Senator Fairbairn: It is a rap. Perhaps I will get the hang of that after all.

Ask any small business person if it is simple. They are the ones who are now receiving hundreds of different forms in the mail from Revenue Canada telling them how to set up an extra set of books to collect and remit the new tax. Some of them have already complained that just collecting the new tax is going to put them out of business.

Recently on *The Journal*, the CBC public affairs program, we all saw the story of two elderly sisters in Nova Scotia who operated a small handicraft business, as a number of people do in the small towns and villages of Nova Scotia, particularly on the beautiful island of Cape Breton, where Senator MacEachen comes from.

These sisters sold things like tea cosies and small knitted and embroidered doilies. They also took other people's handiwork and sold it on consignment. Their operation was as much a social centre of their neighbourhood as it was a business. These two elderly sisters do not think the tax is simple.

In fact, what is happening to them is very sad. They are going to close up their shop because of this new tax. They said they simply will not be able to cope with all the forms and the hundreds of entries they are going to have to make to keep track of how much tax to send to the government.

But the real proof—not only the sentimental proof of real people—the real proof that this new tax is anything but simple is the fact that the government has had to hire 4,000 new tax collectors just to collect the tax. If it is so simple, why do they need so many new people simply to collect it? Do not ask me. You will have to ask Michael Wilson that.

The next revelation that came on this tax came with the announcement of the President of the Treasury Board—

The Hon. the Acting Speaker: Order, order! It is now 6 p.m. The sitting is suspended until 8 p.m.

(The sitting was suspended)

[*Editor's Note: For continuation of proceedings see Issue No. 115I.*]

THE SENATE

Thursday, November 29, 1990

[*Editor's Note: Continuation of proceedings from Issue No. 115H.*]

At 8 p.m., December 4, 1990, the sitting of the Senate was resumed.

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE TAX
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMEND—MOTION FOR THIRD READING—DEBATE CONTINUED

Hon. Joyce Fairbairn: Honourable senators, before the dinner hour, I was in mid-sentence, as it were—

Senator Molgat: When you were rudely interrupted.

Senator Fairbairn: I was discussing events leading up to the GST, how we got to the GST, and some of the early commitments, that are now as dust, on what the tax was going to be or not going to be. We briefly discussed revenue neutrality versus deficit reduction, in which I was enormously helped, as I had been before by the comments of Senator Finlay MacDonald during the hearings in Whitehorse, and we talked about the question of visibility, which began as commitment to a visible tax, which then sort of fell off the table.

I talked a bit about the complexity of the tax and how very difficult it was for people to understand, and also that the tax itself, rather than being a simple proposition, was extremely complex, almost to the point of incomprehension in some parts.

When we adjourned for dinner, I was just beginning to make reference to the announcement of the President of the Treasury Board that the cost of implementing what has been described as a very simple tax—which will now apparently require 4,000 new people to deliver—is now up to $475 million, which is double what the minister originally said it would cost. Almost half a billion dollars to collect this simple tax! Can you imagine the price tag if this were a complex tax? So much for the description of "simple".

As many of you know, honourable senators, the tax is not simple at all. It is horrendously complicated, particularly for the small business people who will have to collect it on behalf of the government. There was another commitment early on by Mr. Wilson that he would give small business a grant of $1,000 to help ease their costs of converting their cash registers and other equipment to collect this simple tax. That promise, like some of the others, also dropped off the table, so there is no real assistance for small business, and that is one of the reasons, I suppose, that so many of them—I guess it is still around 50 per cent—have not yet registered for the tax.

I also want to refer to what the senate committee had to say about the so-called simplicity of the tax, but before I do that, I should like to read an excerpt from Bill C-62, this so-called simple legislation which we are being asked to make the law of the land. I should just like to read a small part of a very large bill, just as an example for honourable senators, I suppose, of what all of us are in for in trying to figure the thing out if, indeed, it should become law. I have chosen for my reading clause 207 of Bill C-62, which you will find at page 121.

Hon. Richard J. Stanbury: Honourable senator, would you please explain it as you go along?

Senator Fairbairn: What I will do, Senator Stanbury, is read it first and then ask you perhaps to adjudicate on whether or not a humble person like myself could indeed even attempt to explain it. This clause deals with the change in the use of real property:

> **207.** (1) For the purposes of the Part, where a registrant who is an individual acquired real property for use as capital property in commercial activities of the individual, and not primarily for the personal use and enjoyment of the individual or any related individual, and the individual begins, at any time, to use the property exclusively for other purposes, or primarily for the personal use and enjoyment of the individual or any related individual, the individual shall be deemed
>
> *(a)* to have made a supply by way of sale of the property immediately before that time;
>
> *(b)* to have acquired the property at that time for use otherwise than in commercial activities of the individual; and
>
> *(c)* except where the supply is an exempt supply, to have collected, at that time, tax in respect of the supply equal to the amount determined by the formula
>
> $$(A \times B) + [C \times (100\% - B)] - D$$
>
> where
>
> A is the tax calculated on the fair market value of the property at that time,
>
> B is the percentage that, immediately before that supply, the use of the property in commercial activities of the individual is of the total use of the property,

C is the lesser of

(i) the tax calculated on the fair market value of the property at that time, and

(ii) the total of the tax that was or would, but for section 167, have been payable by the individual in respect of the acquisition of the property and the tax that was payable by the individual in respect of improvements to the property or, where the individual was deemed under subsection 208(2) to have received a supply of the property at an earlier time, the total of the tax deemed under that subsection to have been paid by the individual at that earlier time and the tax that was payable by the individual after that earlier time in respect of improvements to the property, and

D is the tax, if any, that the individual is deemed under section 190 to have collected at that time in respect of the property.

Now, I used this clause to illustrate that one could understand it only with considerable assistance, along with, I would suggest, one heck of a run on the services of accountants. I know that some people in accounting firms have had to take special training so that they could understand the bill in order, in any way, to explain it to their clients. I have used that as an example to show that, in spite of the declarations of the Department of Finance and the minister, this is not a piece of legislation that is at all understandable to ordinary Canadians. Indeed, I can understand why individuals and businesses find the possibilities of having to deal with these kinds of clauses in the bill totally daunting.

When one thinks of calling up the information number, this is not the kind of clause on which you would ever be able to get any kind of satisfaction.

Senator Stanbury: Honourable senator, I wonder if I might ask a question. It occurs to me that a clause like that is going to require interpretation by somebody at least as capable as Michael Meighen or Michel Cogger or one of the excellent tax or corporate lawyers on the other side. I am sure they will do very well in their practices in interpreting these matters. I suppose the same is true of accounting firms. However, I wonder where even they are going to find out what this clause means, because, from what I can gather, the hot lines do not understand it and the people from Revenue Canada running seminars to explain what these clauses mean are not able to give the answers. Where would you suggest that ordinary people, such as yourself or myself, might go to get some reasonable interpretation that would stand up with the department, and perhaps even with the courts, on such a clause?

Senator Fairbairn: I suspect you are quite right that people like Senator Cogger and Senator Meighen, and perhaps even Senator Austin, will certainly have their legal talents brought to bear on this kind of situation. I frankly do not know where you would go, Senator Stollery, other than to an accounting firm.

Hon. Michel Cogger: You got the wrong senator. He is not Senator Stollery. He is Senator Stanbury.

Senator Stanbury: Thank you.

Senator Fairbairn: I am sorry. I just had so many questions from Senator Stollery this afternoon that I just look over my shoulder and expect him to leap.

Senator Stanbury, I think one would have to go to an accounting firm, and yet, as I say, somebody is going to do mighty nicely out of this because there are not going to be great numbers of accountants across this country who will have expertise sufficient to deal with the complexities of this bill. Indeed, I know there are firms in my home town that are making an investment in some of their accountants by virtually sending them back to school on this thing. I was initially quite surprised at the number of accountants who were contacting me about this tax. I figured that accountants would find this a wonderful new addition to their repertoire, but in fact a number have been coming to me asking if they could have copies of some of the alternatives, such as the single tax or Neil Brooks' proposal, to study because they have reached the conclusion that this is a bad tax themselves.

Hon. Gildas L. Molgat: Senator Fairbairn, would you permit a question? I wonder if you should perhaps ask for Senator Cogger's help in this regard. He must be following your speech with very close interest because he noticed that very small slip between Stollery and Stanbury. Obviously, he has been listening to you very intently. I think, as you read that clause, he must have grasped the real essence of what it was all about, and he should be able to provide us with some in-depth information on the matter.

Senator LeBlanc: He is too modest.

Senator Fairbairn: Senator Molgat, I thank you for that suggestion. I would be delighted if Senator Cogger has been able to come to grips with this piece of legislation. In the future, I would certainly be glad of any assistance or explanation that he could offer, because I know he is very willing.

• (2015)

Senator Molgat: I wonder if he might be prepared to do that now, since we are right on the subject.

Senator Murray: He wishes to speak later in the debate.

Senator Fairbairn: I understand from Senator Murray that he is going to speak later in the debate. I would be grateful, Senator Murray, if Senator Cogger could put that small portion of the property part that I read into understandable language for us.

Senator Cogger: I am looking at it and I will reply in due course.

DISTINGUISHED VISITOR IN GALLERY

Hon. John Lynch-Staunton: Senator Fairbairn, I wonder if you would allow me to interrupt to bring to the attention of honourable senators the presence in the gallery of Mr. Richard

Holden, a distinguished member of the Quebec National Assembly, a member of the Equality Party, and also a member of the Bélanger-Campeau Commission which is sitting in Hull tomorrow.

Some Hon. Senators: Hear, hear!

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE ACT
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMAND—MOTION FOR THIRD READING—DEBATE RESUMED

Hon. Joyce Fairbairn: Thank you, Senator Lynch-Staunton. I am sure Mr. Holden, being a lawyer, is probably very interested in this tax, and there certainly will be a fruitful field for him as the Quebec government harmonizes its tax with the federal one.

Another commentary that I would like to draw to the attention of senators underlines again how difficult this bill will be for ordinary Canadians. It is an article that appeared in the Sunday Edition of the *Toronto Star*. Like so many other Canadian newspapers at this point in time, the *Toronto Star* is preparing a series of articles, as did the *Citizen* on the weekend, in an attempt to examine the tax, tell us how to go about following it and what it means.

This series of articles in the *Toronto Star* began on Sunday and is written by one of its experienced reporters, John Picton. In his kick-off article John Picton begins:

> Confused by the GST? Join the club.
>
> It's a mess!
>
> And it's going to be an absolute paper nightmare.
>
> The federal government's goods and services tax is scheduled to become law in just one month, on Jan.1, 1991, and the general view from grocery distributors to morticians, from builders to auto dealers, is one of utter confusion.
>
> We talked to scores of people to try to get to the bottom of how the GST will affect you, and there are thousands who still don't know how it will work.
>
> In fact, several people who are considered leaders in their fields gave wrong interpretations about the new tax, simply because they don't understand it.
>
> And this despite the millions of government dollars being spent on advertising, hot-lines and seminars.
>
> It hasn't been easy to get the facts on this remarkably complex new tax. I spent six weeks probing, phoning and tracking down experts in many fields. Some said simply that they did not know.

[Senator Lynch-Staunton.]

Today, The Star begins a series of stories—to run daily—on just how the GST will affect our lives.

How it'll cost you an extra $143 for an average funeral; how on a $167 basket of groceries you'll save $1.55; how it'll add about $9,000 on the price of an average new home; how it'll cost doctors, lawyers and other professionals; how Metro officials say it'll kill our lucrative tourism industry.

In some cases, you'll be paying the GST for buying five doughnuts or less; in others, for six doughnuts or more.

The tax will also be levied on Remembrance Day poppies and on the kids' photo with Santa Claus.

Under our present system, we pay a 13.5 per cent tax on a wide variety of manufactured goods and there are about 75,000 manufacturing firms, importers and wholesalers who pay that tax and add it to their prices as a cost of doing business.

Under the GST, most forms of business will be caught in the tax net and an estimated 1.4 million enterprises across Canada will be collecting it, from sawmills and steelworks to the local variety store.

Not that the pain ends there. Some provincial governments are looking at the GST as a windfall and see it as a way of filling their coffers, too.

Former Liberal provincial treasurer Robert Nixon wanted to apply the 8 per cent Ontario sales tax on top of the GST, which would have been a form of double taxation.

So, if an item cost $100, the GST would have added $7 for a total of $107 and the 8 per cent provincial sales tax would have added another $8.56—for a total of $115.56.

That accounting system would have made Ontario an estimated $200 million a year in additional revenue.

New Democratic Premier Bob Rae has said his government will add the provincial sales tax solely on the price of a product before the GST is applied.

Therefore, the price of that $100 product to the consumer will be $115, including the 7 per cent GST and 8 per cent provincial sales tax.

Sitting with their calculators in their highrise offices in Ottawa, Revenue Canada officials haven't missed a thing in their grab bag of taxable items, although business people with revenue of less than $30,000 a year will not have to register to collect it. (If they don't register, they won't be able to claim any refunds, either).

One of the most complex issues civil servants have had to deal with is the definition of groceries.

"Basic" items are tax free, the new law says. Then it gets complicated.

Snack foods are taxable. So are carbonated beverages, confectionery, and ice cream, sherbet and yogurt—but only when packaged in single servings.

Then there are what one accounting firm has described as the "absurd inequities".

For example, a carton of milk bought at a fast-food outlet will be subject to the GST, while a jar of caviar bought at a grocery store will be listed as a basic grocery item and will be tax free.

Also, granola products sold primarily as a breakfast cereal will be tax free, while other granola products will be taxable.

Says the accounting firm Coopers & Lybrand: "Undoubtedly, granola bars will soon be advertised as the latest breakfast meal."

Real estate is included in the GST. Buyers of new homes costing $350,000 or less will get a GST refund equal to 2.5 per cent of the purchase price.

There is a special formula for refunds on homes priced between $350,000 and $450,000, while there is no refund planned on new homes costing more than $450,000.

And there's likely to be increased pressure from landlords for bigger rent increases since they can't claim refunds for the GST paid on the purchase, repair or improvement of residential complexes.

That is the first in this series of articles. Senator Stanbury, you will perhaps wish to follow the articles. The next article was supposed to be yesterday and it was on supermarket shopping. I guess there will be a whole raft of articles. Perhaps we will hear from you on them, senator.

Hon. Richard J. Stanbury: Senator Fairbairn, I wonder if I might ask a question. The distinctions which are drawn—"distinctions without a difference" is probably the way to describe them—between granola bars, cereal, five doughnuts not in a package and six doughnuts in a package must have required some genius on the part of someone in the public service. I would not think that public servants would lay claim to having had that type of genius; it must surely have been Mr. Wilson himself who developed these distinctions and made sure that public servants put them into the bill to make it difficult for people. I cannot quite understand how anyone would have had the audacity to impose some such codification of indistinct distinctions on the Canadian people and expect them to live by it. How can the ordinary grocers in the corner stores, if there are any left, or even the major chains, be sure that they are making the distinctions so that they will not fall prey to those 4,000 policemen who are being hired to go after them?

Senator Fairbairn: That is a good point, Senator Stanbury. Michael Wilson is personally a nice guy, but I would not have thought he would have the capricious imagination to come up with these things; perhaps it was somebody more along the lines of the Prime Minister. Who knows? Perhaps Senator Cogger had a hand in it, because he has a good imagination. At any rate, these are what the accountants are referring to as "absurd inequities". Not only will it be a major task for people who are supposed to be overseeing the administration of this tax, but I think there will be some rather unpleasant arguments at cash registers between the people purchasing and the cashiers, or even small corner store operators, none of whom will be able to in any total way understand why it is that six of one are tax free but five of another are not. That is one reason why the people of Canada, as I was saying earlier this afternoon, have maintained such a fundamental and consistent objection to the tax. They object to the ways it will apply to commodities they will be buying and services that they will be using. But I suspect that is nothing compared to the feeling that they will have if this tax is passed and they find out what these intricate interpretations mean, which will make it even more horrendous than they already think it is.

• (2030)

Hon. Jack Austin: I wonder if you have dealt with the complexity of the definitions of "zero rated", and "exempt", in dealing with these categories that you have been speaking about. That is something that Senator Cogger could help us with when he gives his permitted address during debate on this motion.

I will just give you some additional examples, and this is from Peat Marwick's *GST Quick Facts* document. It talks about some taxable groceries.

> Beverages, other than those that contain at least 25 percent fruit juice, candies and confectionaries, snack foods, single servings of ice cream. Sweet and baked goods sold in quantities of less than six. Single servings of yogurt, pudding or beverages. Heated food, prepared salads, sandwiches and food platters.

Then there is a note,

> Not an exhaustive or specific list, exceptions exist.

And then you could wander through even such a small document with very considerable confusion as you say, and you go to the list of 60 consumer items and how they are rated. Basic grocers are "Z rated." Now you look back at the front:

> Z means "Zero rated" supply. The registrar is not required to collect tax on consideration but still entitled to input tax credits on taxable purchase.

And then you come to unsweetened croissants, and that is also Z rated, which is going to be very exciting.

Senator Fairbairn: What is an unsweetened croissant?

Senator Austin: This is something Mike Wilson apparently favours and when he put these rules together he did not want his unsweetened croissants taxed.

Now pet food is taxable, that means the registrant must collect tax on consideration for supply made in the course of a commercial activity, and is entitled to input tax credits on all taxable purchases.

And then we have a number of items that are exempt; for example, day care is exempt.

> Exempt means that the registrant is not required to collect the tax for consideration but is not entitled related to the input tax credits.

And I wanted to mention some very quick categories. If you are running a grocery business, or a fast food store or any one

of these supplies, just look at this: A carton of ice cream is Z rated. Cookies in a box are Z rated. And fishing licences are T rated and flowers are T rated, but fruit juice is Z rated, but you have to go back and make sure that it contains less than 25 percent. And then ice cream cones are taxable and pet foot, as I say is taxable, and soft drinks are taxable and take out food is taxable, but unsweetened croissants are Z rated.

Senator Fairbairn: Thank you for that—I was going to say elucidation, but in all conscience, it only fills me with almost a sense of despair at the thought, and I say this quite sincerely for somebody like ourselves in this Chamber, that if the tax goes through we are in a position to say, "Well, you know, what the heck", and go ahead. But there are people, many people, to whom those kinds of things are things that they already agonize over buying, and indeed for some of them they would be considered luxuries. Those are the people to whom this will add just another layer of hardship on an already very difficult life. And those are the people that have to exist with this kind of gobbledegook day in and day out, who are counting their pennies on purchases that they make each day. They do not budget by the month or by the week; they budget by the day and indeed by the item. And it is for these people that the tax credits and things like that will not be there in their hands or there to help them on the day they are going through a store trying to get some comparative prices on goods.

Comparative picing is already a difficult thing to do, and with this tax it really becomes that much more difficult in terms of the frustration as well as the payment and the choices people will have to make. I mean, what are we trying to do to the ordinary people of Canada, particularly the ones who are on low and poverty income?

Senator Austin: Well I think your point is extremely well made. If I may add a plea for another group, they are the small merchants of Canada. The people who operate grocery stores in Lethbridge, which is your own region, or those in my part of Canada, are going to find much enhanced costs in trying to track these different categories, and are going to make mistakes and are going to have to hire accountants and are going to have to submit themselves to tax examiners.

Senator Fairbairn: They are going to have to lay off workers.

Senator Austin: They are going to have to try to get those costs under control; they are going to have to add the cost of the administration of the GST to the markup on the product they are selling. And what happens then to the people you have been describing? We are under enough pressure in today's economy with a recession and reduced earning power, without having to pay the higher costs that will flow through the system because of the GST. I would venture to add, Senator Fairbairn, that this will drive many smaller merchants out of business, because the larger people like Safeways have computer systems and automatic checkoffs and can run programs and thus will have a competitive advantage over the smaller merchants. It is no accident that the Consumers Association of Canada is one of the largest centres of resistance to this particular legislation.

[Senator Austin.]

Senator Stanbury: I have just a supplementary question. I assume, Senator Austin, when the poor merchant has to acquire advice from his or her accountants, or lawyers or any other expert consultants that are required, he or she will have to pay GST on that as well.

Senator Fairbairn: Of course. That is true, and I think your point is very well taken. I do know from my home town—and that is no different from any other centre—yes, there will be small operations that are already throwing up their hands, and they are already throwing up their hands because of the pressure that they are under with the recession even before they get to the GST and the whole thought of the GST, if it comes. And these are people who, when you go home and they see you on the street or whatever, will come up and say, "Hang in there."

But there is a point that you did not make, and that is that, faced with these costs, smaller operations wishing to stay viable will also, in order to manage their own books, probably have to let staff go. If you compound that town by town, city by city, it has to be adding to the unemployment situation, which is on the rise in any event.

Talking about small business, Senator Austin, I was just about to read from the report of the Senate Banking, Trade and Commerce Committee the portion about the tax being too complex. The first paragraph I am about to read relates to the difficulties which small businesses experienced in Britain, and I will just read from the report. It is not a large section.

> The GST is not only unfair, it is extremely complex. A multi-stage sales tax, such as the GST, is regressive with respect to compliance by business. A British study found that the cost of complying with VAT . . .

Value added tax . . .

> is 40 times higher for small business as a proportion of sales than for large firms.

And that is exactly what you are saying with the small firms as compared to Safeways or some of the other large chains.

> Businesses making only taxable sales must account for tax paid on purchases and tax owed on sales. However, the complexity increases as the number of zero-rated and tax exempt items are added to the system.
>
> The evidence from a forthcoming book by Professor John Whalley and Deborah Fretz indicates that, "the particular form of VAT". . .

Value Added Tax . . .

> that Canada proposes to introduce is, by international standard . . .

Not just our standards, but international standards . . .

> surprisingly complex". It also has a relatively narrow base and, if European experience is anything to go by, further complications may yet develop, including multiple rates."

And this is a portion contained in a book from these two authors entitled "The Economics of the GST, from the Canadian Tax Foundation" and it has already appeared.

> The complexity of the tax is most evident for small retailers selling food products. The definition of basic groceries is replete with anomalies and it will be up to the retailer to ensure that the tax is applied correctly. Large retailers who have computerized checkout scanners can program their computers to distinguish between taxable and tax-free products. For smaller retailers, these distinctions must be made by the cashier.

● (2045)

You can just imagine the kind of confusion and consternation that that will cause.

> Suppliers of exempt and non-exempt goods and services must apportion their inputs in order to claim input tax credits on purchases used to produce taxable supplies.

I can think of a lot of Canadians who could not get through that process, and I would have a lot of difficulty myself.

> This poses particular administrative difficulties for those who supply both types of goods, such as financial institutions, education institutions, charities and non-profit organizations, and landlords whose complexes include both long-term residential and commercial supplies.
>
> Under any VAT-style tax, the compliance cost for small business is already substantial but the Government has magnified this beyond tolerance by proposing to introduce the GST without folding it and the provincial sales taxes into a single national regime. The Canadian Federation of Independent Business (CFIB) has said that the two-tiered approach is unworkable and has been adamant that the GST not proceed without the cooperation of the provinces. As the CFIB told the Committee, "What this Government is proposing is the absolute worst sales tax in the world. It is the worst system that man could possibly devise." The Saint John Board of Trade indicated that, "small business would face an administrative nightmare." Yet, the federal government has decided to proceed with the tax anyway.
>
> The recent agreement by Quebec to harmonize its provincial sales tax with the GST, although a step in the right direction, is considerably short of a national consensus. Even then, the agreement was reached at the cost of the resignation of Quebec's Minister of Revenue. The premiers of the other nine provinces stated in a joint communique released at the premiers' conference on August 13-14 that they find the GST unacceptable and believe that it should not proceed. The recently-elected premier of Ontario, Bob Rae, has vowed publicly to fight the GST. It has been reported that both Alberta and British Columbia are considering the possibility of a court challenge to Bill C-62.

This report was produced on September 25. Since then, British Columbia and Ontario have joined Alberta in its constitutional challenge to the tax, and I shall say a bit more about that in a few minutes.

> The Organisation for Economic Co-operation and Development has recently commented upon the proposed GST. That organization has concluded that the lack of federal-provincial harmonization is the most serious shortcoming of the new tax, leading to needlessly higher administration and compliance costs. These costs are also raised by failure to tax basic groceries.

Complexity of compliance is harmful to the economy. Resources must be spent in an activity which adds nothing to the goods and services people wish to consume. This complexity is also reflected in the higher administration costs to the Government, which must hire an additional 4000 people and spend an extra $200 million . . .

Senator Stanbury: It is now $350 million.

Senator Fairbairn: That is right. The report goes on:

> . . . to raise the same amount of money that it now collects. This makes no sense.

Again, so much for simplicity. The next big commitment from the government was that they would lower marginal income tax rates for low and middle-income Canadians by 1 per cent, when the tax is brought in, to help offset the increased costs to Canadians of the new tax. That commitment also went the way of the dodo bird. There will be no reduction in income tax rates to offset this new tax, at least not according to anything I have read or heard from the Minister of Finance. This is important because, as was pointed out by other senators this afternoon, the thing that makes the Canadian tax unique in the way it is being applied is, first, no other country that has a value-added tax has a dual tax system; second, most of the countries that have a GST-type tax have supplemented it or complemented it with a reduction in personal income tax, but there is no indication that that will be the case in Canada.

Senator Stanbury: It will in the next election.

Senator Fairbairn: I was just about to add that until somewhere down the road the government will again wish to try to gain the affection of Canadian voters. I suspect that this tax will hang around the neck of the Conservative Party like an albatross for many years to come, if it is put in place and if the Canadians who presently disapprove of the tax maintain that attitude as it is introduced in their daily lives.

The minister also used to say that moving to a tax on consumption could only be done with provincial cooperation, because, except my own province of Alberta and the two northern territories, every province has a sales tax of its own to collect. Unless they are coordinated, it will just be mass confusion. That was the view of the minister at the beginning of this exercise. In fact, the minister's own white paper on the new tax announced that a federal tax on consumption would be "unworkable" without the cooperation and the participation of all provincial governments.

The reasons not to proceed without provincial cooperation were pretty clear to the minister at that time, as they were and are to everyone else, but the minister has gone ahead with his

tax, not only without provincial cooperation, but in the face of legal challenges to the constitutionality of the legislation itself by three provincial governments.

I refer to the court challenge by the Government of Alberta, which is now supported, as I said a few moments ago, by British Columbia and Ontario. I do not want to get into the legalities of that court challenge, but I would like to refer you to a brief press release that was put out by the Provincial Treasurer of Alberta, Dick Johnston, and the Attorney-General, Ken Rostad, when they announced that the Government of Alberta would proceed with a legal challenge to the proposed GST on October 11, 1990. According to their press release, a reference was directed on that day to the Alberta Court of Appeal under the Judicature Act, which was to ask the court to hear and consider certain questions regarding the constitutional validity of the GST.

> This legal challenge is part of our campaign to stop the GST.

So said Mr. Johnston.

> We believe that in whole and in part this tax violates several sections of the Canadian Constitution that are clearly in the realm of provincial authority . . .

That is what Mr. Rostad said.

There are three key elements to the province's reference. First, the GST infringes upon provincial jurisdiction over property and civil rights by interfering in the regulation of commerce. All businesses, through the production and distribution chain, are forced to be federal tax collectors, while the purpose of the GST is only to collect net tax revenue from the final consumer. The GST will be an administrative nightmare for every business person. They are regulated to collect the GST for the federal government and are forced to do so largely at their own expense. In the case of zero-rated goods, such as exports and food, this entire tax collection superstructure is imposed on businesses for no revenue purpose at all, as the sale of zero-rated commodities yields no net revenue to the federal government.

According to Mr. Johnston:

> Alberta businesses do not need another layer of regulation any more than they need another tax . . .

The second point of their challenge is the GST amendment to tax provincial crown property, which contravenes section 125 of the Constitution Act by levying the GST on fees charged by the provincial government for certain uses of its natural resources. The federal government effectively taxes the province in the performance of its constitutional responsibility for the management of these natural resources. The GST will also tax provincial property by imposing the tax on top of provincial fuel and tobacco taxes and on liquor revenue, which are crown property.

Said Mr. Rostad:

> We cannot allow this constitutional intrusion by the federal government,

[Senator Fairbairn.]

The third point of their challenge is that the GST increases the tax burden on health care, education and municipal services which are the constitutional responsibility of the province. If the Alberta government were to provide educational service, Albertans would not bear a GST burden on education because the Crown has constitutional immunity.

• (2100)

> Albertans are being penalized for their choice to have education delivered in a manner that is responsive to local concerns.
>
> Even with a partial rebate the GST is an interference with the discharge of provincial constitutional responsibility. "We will fight the federal attempt to syphon off money that Albertans pay for health care, education and municipal services", said Mr. Johnston.
>
> The Canadian economy has already plunged into an Ottawa-made recession under the weight of the high interest rate regime of the federal government. This strategy has been strongly attacked by the Economic Council of Canada in its 1990 Annual Review.
>
> The GST will inflict further damage to the national and provincial economies and prolong the recession, if it is implemented.

So, honourable senators, that gives you some background of the legal position of the province of Albera. This case is now before the courts.

With the GST, as we have noted, Canada would become unique among other countries with value added taxes as we would be the only country having two sales tax systems.

Senator Austin: Senator Fairbairn, many of the provinces will be adding their sales tax of this GST; in other words, taxing the tax. For example, I understand there are provinces that actually intend to increase their revenues by adding their sales tax to the GST. Do you know how many provinces will be doing so? I am sure your own province of Alberta will not do so because it does not have a sales tax.

Senator Fairbairn: I do not. There have been no definitive statements or speculations from provinces in Atlantic Canada as to how they intend to go about it. As I said earlier, in Ontario the former provincial treasurer, Mr. Nixon, had said that that was precisely what he was going to do, probably figuring that, if the tax was going to be in place he ought to use it for the maximum benefit of the Government of Ontario, which would have brought in some extra $200 million per year. However, the new premier of the province of Ontario, Mr. Rae, has indicated that they will apply their own provincial tax before the GST is placed on goods, as I understand it.

Senator Austin: So Ontario and British Columbia will not add their tax to the GST as a tax, but some of the others will. For example, will Nova Scotia, which already has a 10 per cent sales tax, add that to the 7 per cent GST? Perhaps Senator Finlay MacDonald knows whether that will be the case.

Senator MacDonald, do you know whether Nova Scotia will add its 10 per cent provincial sales tax to the 7 per cent GST?

Hon. Finlay MacDonald: I have not discussed that with the new premier yet.

Senator Austin: When you do discuss it, what representation will you make?

Senator Comeau: Harmonization!

Senator Austin: You can see, Senator Fairbairn, that this absence of harmonization is an unfair direct cost to the individual Canadian taxpayer.

Senator Fairbairn: It is. As I said earlier, in the white paper that the Minister of Finance, Mr. Wilson, put out, he said that without this kind of harmonization the GST was, in his words, unworkable. Again he has withdrawn from that position and we are now left with an uncertain and ragged prospect across the country, if—and I always say "if", Senator Austin—this tax becomes law.

Senator Stanbury: Senator Fairbairn, in connection with that big "if", you have been discussing the court challenges to the GST, particularly the initiative taken by Alberta and now joined by British Columbia and Ontario. You have also indicated the unaniminity of the nine provincial premiers with respect to the unhappy nature of this tax. Has the federal government taken any steps to have this important constitutional question referred to the Supreme Court of Canada so that it may be reasonably and urgently determined? If the GST were to be enacted—and I agree with you that it is an "if"—how could it be put into effect while the matter was before the courts and before the Supreme Court of Canada had an opportunity to rule on it?

Senator Fairbairn: That too is a pertinent question, one whose implications you would have more expertise in understanding than myself.

The answer to your first question is, no, the federal government has made no effort to refer this to the Supreme Court for an opinion. It did not choose to take that route with respect to the appointment of the eight extra senators, which is obviously the subject of a number of court cases, and a reference, determined one way or the other, might have prevented a great deal of anguish to those who now sit in the Senate. People often ask me why Alberta—or an individual citizen—does not refer this matter to the Supreme Court of Canada. A lot of people do not understand that only the federal government can initiate that kind of reference to the Supreme Court of Canada.

Your second question about where this leaves the legitimacy of the tax is also to the point. Obviously, there are cases in the court system across this country, which, regardless of the decision of the lower courts, are probably all going to end up in the Supreme Court of Canada. After months of agony, uncertainty and extensive financial cost, instead of clearing the decks for a piece of legislation that the government clearly believes in, the whole system is muddied until this group of court cases works itself through that system. They are not marching side by side; they are progressing in an uneven course with respect to timing. So these questions will remain up in the air even if the tax itself gets through this house.

Senator Austin: Senator Fairbairn, if the tax is passed and the courts then find that it is unconstitutional in respect of the provisions that require a provincial government to act as a tax collector or to be a taxpayer under Bill C-62, a good part of the system will fail, because, in most provinces, a significant part of the economy runs through provincial organizations, such as Ontario Hydro or, in British Columbia, B.C. Hydro. There are a number of other activities that are taxable or zero-rated that will be tested by this constitutional question.

One of the unfortunate facts is that any tax paid—and Senator Stanbury and others who are lawyers may assist in this respect—is not recoverable should the law ultimately show, by decision of the Supreme Court of Canada, that it was unconstitutional, because there is another law that says a tax once paid, even under mistake of law, is nonetheless not recoverable. So federal government has nothing to lose in its cynical attitude toward this legislation, although the taxpayers have a good deal to lose.

When I have the opportunity to speak, I will be discussing some of the legal authorities in this area.

With that background, my question to you is whether you think the federal government's belief that it can pass this tax, that it can enter into taxing arrangements with the provinces, is one that will stand. I know that in my province and in yours the provincial governments have insisted they will make no agreement with the federal government until the adjudication of this legislation; yet I am told—and you may be able to assist me in this regard, as could a Conservative senator—that basically the policy of the Minister of Finance is to put the tax in place and then say it is a fait accompli, and the provinces can make arrangements to collect more revenue than they are collecting from their sales taxes by entering into agreements with the federal government. So the provinces are offered the political excuse that the legislation is now passed and, therefore, the tax is inevitable; whereas, at this stage, some provinces believe it would be politically undesirable to support this federal legislation. I wonder if you could add anything to that conundrum.

Senator Fairbairn: First, I would like to say that I hope you will let me know when you are giving your speech, because I would like to listen to the legal part of your argument. Second, clearly the belief of the Minister is that, if they can get the bill passed, they can then force or in some way bully the recalcitrant provinces to fall into line.

Senator Austin: Bribe!

Senator Fairbairn: That is your word. At any rate, they may be misreading some of the provinces, as I believe they are misreading the Canadian public. They think the public will grumble, get used to it and then forget all about it. I do not think that will happen. My province of Alberta tends to be stubborn in areas where it has a strong belief in its own powers. Because of its position as the only province that has no

provincial sales tax, I am not sure that it will be easy to fall into line, regardless of the political rationale that may be offered.

• (2115)

Right now we are into a very tough economic situation in this country, and if you look even at the small bit of the problem that we have touched on so far tonight you can see it is a nightmare. It is an incredible mess. While everyone is trying to cope with the very tough economic situation in every other aspect, right on top of it is going to be this uneven, discriminatory tax that will be operated throughout this country in different ways by different governments. It is just another way in which our country is, in my view, becoming destabilized, not just among regions but between provinces. I am absolutely certain that the ramifications of that have not been carefully considered by the federal government.

Senator Kenny: Senator Fairbairn, when you were reviewing the impact this would have on Alberta, did you find that the provincial treasurer made any comments about how it would affect the provincial government budget and whether they would forced to raise taxes or cut services or run larger deficits? In many people's minds, the GST represents an attempt by the federal government to push its deficit problem onto provincial governments, and every provincial premier, including your own, has opposed this. The Conference Board of Canada study, commissioned by the provincial governments, indicated that during the first three years of operation the GST would reduce provincial tax revenues by $6.9 billion, and that the provinces would be faced with three alternatives: recovering these lost revenues through additional tax increases of their own; reducing services to the public; or running larger provincial deficits or smaller surpluses. I do not know whether Alberta has considered these or not, although I am sure they have. The report by the provincial governments on the impact of the GST says:

> In addition to needlessly threatening the economic situation in the short term, the federal GST would seriously jeopardize the provinces' financial position, already made difficult because of the federal government's policy of progressive financial withdrawal from health care, post-secondary education and regional economic development. The economic impact of the GST could thus be worse if provincial governments had to adopt measures to restore their fiscal situation.

If the GST takes effect in 1991, consumers face combined federal-provincial rates of sales tax ranging from 7 per cent in your province, as you mentioned, to 19 per cent in Newfoundland, where they would have their 12 per cent provincial sales tax on top of the 7 per cent federal GST. Worse yet, consumers face the prospect of even higher sales taxes if the provincial governments are forced to raise tax rates to recover lost revenues. In fact, provincial governments have already indicated that the GST would leave them with no choice but to raise provincial taxes.

There is a comment from Newfoundland, which I suspect is mirrored in your province, where Mr. Kitchen said:

> We will probably have to raise our provincial sales tax from 12 per cent to 15 per cent or more if the GST isn't withdrawn . . . Either that or we will have to increase our provincial income tax rate, which is now 62 per cent of the federal rate, to 75 or 80 per cent.

Alberta has traditionally had some of the lowest provincial income tax rates and, undoubtedly, they are going to have the same problem. The whole business of the lack of federal-provincial cooperation that has gone on in this area is, I am sure, terribly irritating to people in Alberta. Understanding that provincial cooperation is critical to the success of any reform of the sales tax system. I know that Finance Committee members in the other house were shocked to learn that the federal government never actually put any sales tax proposal on the negotiating table with the provinces. I have heard provincial premiers or ministers in your province commenting on it. I did not know if you were planning on commenting on this further. The comment that I have here in the report from the other place says that provincial governments were never asked whether they would join a unified national sales tax system before the federal government broke off negotiations on the subject. Do you have any comment?

Senator Fairbairn: I thank you, Senator Kenny, for putting those remarks on the record, because they do very much mirror what has been said in my province by the provincial treasurer, whose riding, as you may know, is in the City of Lethbridge, as is that of the Minister for Advanced Education. We hear a fair amount about this. In politics, one finds strange allies, and we have found ourselves in a great deal of agreement on this particular issue. It is almost completely incomprehensible, although perhaps one should not be surprised, that an issue as major as this was not put on the table by the federal government and thoroughly discussed and argued in advance with the provincial treasurers. I suspect that this was deliberate and that the rpovincial treasurers were presented with a *fait accompli*, the expectation being that they would knuckle under and go along. Well, that did not work. In fact, this whole tax has caused a lot of anger at that level in this country. We should remember that the Minister of Finance said it was essential to have the provinces on side, and perhaps that is why there has been that extra antagonism which keeps the provinces from agreeing.

Senator Kenny: I am told there is, in fact, a tax revolt in Alberta, that the provincial government indicated they have no intention of collecting the GST in Alberta liquor stores and that they are simply advising people that on January 1 they are not going to collect it. They have no intention of acting as tax collectors for the federal government. Can you confirm that?

Senator Fairbairn: That can be confirmed, because one of the underpinnings of their constitutional challenge in the court is that they are not going to be made tax collectors for the federal government.

Senator Austin: I have an additional question to follow up that question, Senator Fairbairn. I also understand that, as a result of this proposed tax, the dispute within the Conservative

party in the Province of Alberta is leading to a split in their organization between the federal wing and the provincial wing, and that a number of provincial politicians have said that they are fed up with the federal Conservatives over this and other matters. Can you tell us if that is really happening?

Senator Fairbairn: Yes. The provincial party had its annual meeting not too long ago, and one of the major debates at that convention was to put in motion the machinery to split the federal and provincial Conservative party in Alberta. In fact, feelings were running so high that there was a very negative feeling about having federal MPs even attending and being involved in that convention. Obviously, I am not a member of the inner conclaves of the Alberta Conservative party, but—

Senator Kenny: Tell us anyway.

Senator Fairbairn: There is a very uneasy relationship, to put it mildly, between the two levels, and although the premier himself in the past has, I think, been in favour of a unified federal and provincial structure in the province of Alberta, certainly at that last convention, probably seeing the strength of the views that were being neglected, he too came to the conclusion that it was probably a good thing if they operated in their separate jurisdictions, because their jurisdictions were so different. I think what has happened in Alberta has happened with the Conservative party elsewhere in Western Canada. It is quite something in the Province of Alberta, which has had such a very strong Conservative base, both provincially and federally for so long, that that base is now being eroded at both levels at a rate that, to them, must be quite frightening.

From talking to friends in the provincial wing of the party, I know they believe they are being entrapped and that their fortunes are being forced downward because of their association, in the minds of the people of Alberta, with the policies of the federal party, most particularly the policy of taxation and the GST.

I think they are looking with considerable alarm at the massive attraction, community by community, that the Reform party of Canada is having in Alberta. Senator Waters' party is a federal party. However, at the moment it is having a debate within itself as to whether to put some of its muscle into a full-fledged provincial party in Alberta, where the Reform party began. I know the provincial Conservatives are very agitated because they feel that their base is being eroded and that the Reform party may just move in for the kill. Interestingly, the Reform Party did take out a provincial charter for the purpose of the election process that brought Senator Waters to this chamber. In order to participate in that process, they had to be constituted as a provincial party. So they are there, kind of lying in the weeds. From my remarks, you can probably gather that there is a great deal of anxiety and, indeed, anger within Conservative ranks in the province.

Senator Austin: It would be very interesting to have Senator Twinn's comments about the impact of the GST in the province of Alberta, on the various communities in Alberta and, of course, on his own party.

• (2130)

Senator Fairbairn: I am sure as the days roll on Senator Twinn will want to participate in the debate.

Senator Twinn: I did not hear what you said.

Senator Fairbairn: Senator Austin was suggesting that it would be interesting to hear your personal perspectives, Senator Twinn, on the situation of the Conservative party in Alberta, federally and provincially at this point. I was merely suggesting that at some point in the debate you may well want to enter into it and talk about it from your perspective, which obviously is much closer than mine.

Senator Austin: And defend the GST in Alberta.

Senator Fairbairn: Senator Twinn does attempt to defend the GST in Alberta, as I understand.

Senator LeBlanc: Senator Fairbairn was a journalist a little after I was, but we all remember the period towards the twilight of the government of Mr. Diefenbaker when a large number of voters looked for a transitional party where they could park their vote until such time as the dust settled. That period comes to mind and reminds me of the debate that is presently going on, especially in places such as Alberta. The Créditiste Party in the Province of Quebec, to everyone's surprise, suddenly ended up with 26 allies of Mr. Caouette in the House of Commons. I was one of those with James M. Minifie who travelled the regions that voted Créditiste at that time. We were not overly surprised, but we thought that the Liberal Party of Quebec had received a big jolt, and I see some similarity in the present situation.

As for Senator Twinn's position, I think I can understand him to be somewhat reluctant to accept a complimentary ticket on a cruise on the *Titanic*. I can understand his reticence to come out on the record on that one.

Senator Fairbairn: Thank you Senator LeBlanc for also taking my mind back to those days of 1962 when the Créditistes led by Réal Caouette marched in a very healthy band into Ottawa when Mr. Diefenbaker lost his majority and came back with a minority government. Probably there is more similarity between the Créditiste movement as it developed at that time in Quebec and the Reform Movement as it is developing in the west than there would be between the Créditistes and the Bloc Québéçois. Réal Caouette campaigned on a very simple slogan: "What have you got to lose?" With his vigorous and electrifying style he marched through rural Quebec saying, "What have you got to lose?" In all those ridings the answer came back, "Not much. We will vote for you."

In the province of Alberta there is a great expectation that there will be a large number of Reformers sitting in the House of Commons after the next election. Indeed, if that party chose to operate provincially, I think the same would be true. That party is definitely filling a gap and also collecting people who are very disillusioned and frustrated.

Senator Lynch-Staunton: With the Liberals.

Senator Fairbairn: With the Conservative party and the Conservative government. The people who are moving to the Reform party are predominantly from the Conservative party in Alberta. If you were to look at the polls both provincially and federally in Alberta, Senator Lynch-Staunton, you will see that the Liberal party has been doing pretty darn well for a party that for many years has had a very low percentage of the popular vote in Alberta. In the last provincial election we elected eight MLAs. In the popular vote we were clearly second, ahead of the NDP.

Senator Lynch-Staunton: We are talking federally.

Senator Fairbairn: The federal party as well has risen considerably in the federal polling that is done in the province of Alberta and, indeed, is well ahead of the Conservative party. In the election for the Senate spot which Mr. Waters won handily, the number two in the race was Bill Code of the Liberal party. Number three in the race, which in a sense was very sad, was Bert Brown, who ran for the Conservatives. If anyone in this country has worked for Senate reform and a Triple E Senate it has been Bert Brown, a farmer from Alberta, who is a wonderful person and was in there under the Conservative banner and came third.

The main point of our argument is that there has been a rather large shift in the balance of politics both provincially and federally in the province of Alberta, and I think it would have to be of moderate concern to the party you support.

Before this very interesting exchange of views took place, I was talking about how Canada is unique among other countries that have adopted this type of value-added tax, because we have a dual tax system and that means two separate tax collection systems. One will be for provincial sales taxes and the other for the new GST, if it passes. The increased costs will put Canadian firms at a competitive disadvantage with firms in other countries that do not have to cope with two separate tax collection systems. In the event the GST passes, the person who has to make judgments at the cash register or in the corner store will be subject to one of four possible sales tax scenarios. On every sale every day that person will have to decide whether to charge both the federal and provincial sales tax, whether to charge only the federal tax, whether to charge only the provincial tax, or whether to charge neither the federal nor provincial tax. That will put one heck of a burden on a small business which, after all, is there primarily not as a service to any government but supposeedly as a service to the public, and which at the same time wants to make a profit. Now there will be an overhanging set of decisions that, in the case of people who are operating on a very small margin, will really tax their commitment to keep those businesses operating. I am not sure it is understood across Canada that it will be up to the retailer to keep straight what taxes apply to which products and services and to make sure that the appropriate federal and provincial taxes are collected and remitted to the respective governments. More than one million small businesses in Canada that do not currently pay federal sales tax will now have to collect the GST on behalf of the government.

[Senator Lynch-Staunton.]

I want to share with senators the comments of the Senate committee which criss-crossed the country to study the impact of this tax and the whole question of dual tax systems and the case for integration. It is not a long portion of the report but it is worth taking a second look at it, because we really do stand alone in this area of a value-added tax. The report states:

> A unique feature of the proposed Canadian tax system as of 1991 (if the tax goes through) is the fact that two distinct forms of consumption tax would apply at the retail level in most of the country. These taxes would have separate bases and different rates of tax. Retailers would have to determine the tax status of each item under the GST and impose the appropriate tax rate. They would then have to perform a similar determination with respect to the provincial tax.

Senator Austin made the following point earlier:

> For small businesses in particular, this could entail high compliance costs.
>
> Numerous witnesses pointed out the unnecessarily high compliance costs of a dual tax system. The St. John's Board of Trade referred to this lack of integration as "the most serious shortcoming of the GST" and indicated that "small businesses will be faced with an administrative nightmare." The Canadian Federation of Independent Business was equally harsh in its condemnation of a dual tax system. The CFIB brief to the committee stated "that the most serious problem with the GST from the perspective of small firms is that the tax is not harmonized with provincial systems . . . Some of the worst situations will be faced by retailers dealing with goods that are treated differently under their provinces' retail sales tax compared to their treatment under the GST. Small grocery stores, combination food stores and restaurants face some of the worst nightmares as the absurdly complex rules applying to food and the way it is sold will render compliance extremely difficult if not impossible.
>
> Another point raised by the CFIB concerns the consumer confusion that will result from a dual tax system that individuals do not understand. Most provinces will apply their sales tax on the GST inclusive price. A typical cash register can show the pre-tax subtotal, the GST payable, the PST payable and the total. These cash registers cannot show the intermediate sub total which consists of the GST inclusive price and which is in most cases the base upon which the PST is to be applied.

● (2145)

> To put it simply, most cash register receipts can easily be interpreted by consumers as charging an excessively high PST rate. This might lead to confrontations between retailers and customers and unfair accusations and fraud.

I must say, that in reading the contents of this report, as I have been periodically today to bolster these various points, I find the report to be as clear as anything I have read on the GST.

> Thus from the point of view of compliance costs, there is a very clear reason for integrating federal and provin-

cial consumption taxes. The case for integration is also strong on economic grounds. The federal government has argued that this stage of tax reform could generate additional output equal to 1.4 percent of the GDP. This gain is due to the elimination of the FST from exports, the removal of the tax from business inputs, elimination of the preferential treatment according to imports, and an end to the price distortions arising from a tax which imposes significantly different tax rates on different products. Most of these problems also plague the provincial retail sales taxes which in total raised 14.3 billion in 1987.

Retail sales taxes do not extend preferential treatment to imported goods. But every other criticism of the Federal sales tax applies equally to existing retail sales tax. They tax business inputs and consequentially result in significant amounts of tax cascading.

Senator Cools: Could I interrupt to put a question to you? As you review the testimony put before the committee, I find that essentially what we are doing is repeating the things that the nation said to us.

I wondered if in your research for your speech today whether you were attentive to the testimony of a Mr. Wolfe Goodman of the firm of Goodman and Carr.

Senator Fairbairn: No I have not included that testimony in my comments.

Senator Cools: Perhaps, then, I could read just a couple of comments by Mr. Goodman, who is an accomplished lawyer with a strong background in the field of sales tax. The conclusions he makes fly in the face of everything we have been told. For example, on page 41:7 of issue No. 41 of The Banking, Trade and Commerce Committee, he says:

Unfortunately, this leaves only consumption taxes as a possible area for a tax increase.

In a moment I will come back and show how he got there, but his conclusion from this, and I quote directly was:

There is an astonishing degree of public hostility to consumption taxes, although it is difficult to see why this should be the case.

Mr. Goodman says, "it is difficult to see why this should be the case."

Senator Fairbairn: I sure don't agree with him.

Senator Cools: Not at all. Mr. Goodman said in his opening remarks to the committee:

Thank you, Mr. Chairman, and honourable senators. It is a great privilege to be invited to appear before this committee and to submit my views. I have been involved in the sales tax field for many years, as one of the very few lawyers, initially, in this country to have had an interest in sales tax.

He continues, and I am quoting directly.

Happily there is a growing interest among lawyers, as among accountants, in the sales tax field.

He continues, and I quote:

I was honoured by being appointed Chairman of the Federal Sales Tax Review Committee, appointed by the Honourable Mr. Lalonde in 1982, which reported in 1983.

This gentleman who appeared before the committee and told the committee these rather startling things, based on what seemed to be reasoned grounds, with some very cogent and, I thought, potent arguments was a man who had, one could say, quite serious credentials. Speaking of the committee appointed by Mr. Lalonde, Mr. Goodman said:

Among its recommendations was that the federal sales tax system, which has existed up until now, should be replaced in due course by a tax levied on the consumer dollar at the same proportionate rate, either a retail sales tax or a value-added tax.

We have moved a considerable distance since 1983, and the government has now brought in legislation to enact a goods and services tax.

Mr. Goodman continues:

My position, quite simply, is that we need the goods and services tax. There is no acceptable alternative to it.

I am reading from page 41:6 of the testimony.

There is no acceptable alternative to it. My reasoning is quite simple. We owe it to our children and grandchildren not to saddle them with an enormous federal budget deficit, a debt burden that keeps growing year after year. We have to take steps urgently to reduce our annual federal deficit.

This is very interesting.

Senator Cochrane: What is your question?

Senator Cools: Please be patient. Mr. Goodman continued:

Our areas for success in reducing federal government expenditures are extremely limited. This means, inevitably, that if we are going to make any progress, it must be through increased tax revenues. Of course, if our economy continued to grow indefinitely, and social welfare expenditures declined while tax revenues generated by increased prosperity continued to increase, then we might conceivably deal with this problem without increasing tax rates. However, supply side economics has not achieved that result in the United States and I submit that it is not very likely to achieve it here.

This is Mr. Goodman speaking.

As a result, we shall have to increase tax rates, and the question then is: Which taxes are to be increased and how.

He continues,

There seems to be very little room to increase corporate tax rates. There are pressures of international competition which require that Canadian tax rates not fall too far out of line with those of our trading partners. It seems unlikely that we can significantly increase personal income tax rates. There is a concern that very high rates blunt incentive and cause valuable people to leave for other countries. It seems even less likely that we can

> reinstitute death taxes, which we abolished a number of years ago. Even if we could reinstitute them, they would not contribute much to the total tax revenues. They do not in any country. There is not a country that raises as much as 2 percent of its tax revenues from death taxes.

Then he comes to the conclusion where I initially began. Is there someone in a hurry?

Senator Cochrane: What is your question?

Senator Cools: Do you want me to put a question to you? If you have something to say to me you can stand and put the question to me. She is not pressing me.

Mr. Goodman went on to say:

> Unfortunately, this leaves only consumption taxes to a possible area for a tax increase.

And then he comes to this astonishing statement:

> There is an astonishing degree of public hostility to consumption taxes, although it is difficult to see why this should be the case.

I would have thought that senators opposite would have found this particular testimony of interest, because from what I was given to understand this is the intellectual conceptual framework that gave the government its guidance in this matter.

I see Senator Nurgitz nodding his head, so obviously Senator Nurgitz knows the work of Mr. Goodman.

Senator Nurgitz: Exactly, and he is making the government's case.

Senator Cools: He is making the government's case, and he obviously made up the government's mind on this matter. He wanted to assure us that all this nonsense we were hearing about complications, and about how the GST would be so burdensome for businesses, was rubbish. He went on to say on page 41:10:

● (2200)

> How complicated is the GST? If one looks at the legislation it looks formidable. Those are the explanatory notes and there is the bill. There are hundreds of sections. However, for the vast majority of businesses, this is a very simple and straightforward tax. An example which has probably already been given to you, honourable senators, is that of the business that has two nails on the wall. Every day, as the business makes purchases of goods and services, the invoices showing the GST that has been paid on those purchases are put on the first nail. Every day, as sales are made, the invoices for those sales showing the GST that has been collected are put on the second nail. Once a month or once a quarter the taxes on the first and second nails are added up, and the smaller total is subtracted from the larger. If, as usually happens, the total on the first nail of purchases is smaller than the total on the second nail of sales, then the difference is remitted to the government. If, however, the total of taxes on the first nail is larger because the inventories are increasing or being accumulated, then the business will claim a GST refund on the difference between the two.

[Senator Cools.]

Later on, he said:

> You may well ask if the system is so simple, why is the bill so complicated?

Senator Cogger: Is that the question?

Senator Cools: I keep hearing voices from here, there and everywhere. The honourable senator should consider that he is getting a study of the bill without any effort.

Senator Petten: That's right.

Senator Cools: As a member of the committee, I took the reference seriously, to study, on behalf of the Senate, this piece of legislation. So I would ask those on the other side who did not have that opportunity to view this intervention as an opportunity at hand, a benefit, as economists would say.

Senator Petten: A kindness.

Senator Cools: That too.

Mr. Goodman continued:

> You may well ask if the system is so simple, why is the bill so complicated? The answer is that there are many pages that deal with special situations. In the United States the pattern of legislation is rather different, and most special situations would be dealt with in regulations having the force of law. In Canada, under the present federal manufacturers' sales tax, special situations are dealt with by departmental rulings that do not even have the force of law. They are sometimes rather broad interpretations by government. The draftsmen of the goods and services tax have attempted to include virtually all of these special cases in the legislation itself. That accounts for its considerable bulk.

Senator Cogger: Is that the question?

Senator Cools: I had better repeat the statement, because I believe that the honourable senator missed it. It is very important. Mr. Goodman said:

> You may well ask if the system is so simple, why is the bill so complicated? The answer is that there are many pages that deal with special situations. In the United States the pattern of legislation is rather different, and most special situations would be dealt with in regulations having the force of law. In Canada, under the present federal manufacturers' sales tax, special situations are dealt with by departmental rulings that do not even have the force of law. They are sometimes rather broad interpretations by government. The draftsmen of the goods and services tax have attempted to include virtually all of these special cases in the legislation itself. That accounts for its considerable bulk. But I emphasize that while it may look formidable, it is not a particularly difficult system to comply with for the average business.

My question to Senator Fairbairn is: Has she given any attention to the intellectual and conceptual framework of the development of this piece of legislation? Another witness who

appeared before the committee told us that, while the government has said that it could produce a value-added tax, the government has never showed us its logic in the development of its thoughts and conclusions that led to this legislation, its final proposal. So, in essence, has the honourable senator given any consideration to what the government has claimed to be the intellectual purpose of this legislation?

Senator MacDonald: Yes or no.

Senator Fairbairn: Thank you, Senator Cools. That was a very interesting development of a point of view by the witness, Mr. Goodman. Certainly I have tried in my remarks this evening and earlier today to follow some of the thought processes of the government as they have described them to us. I am not sure that I have been able to capture the essence of their intellectual approach to this measure. Senator Nurgitz has indicated he believes that Mr. Goodman expresses that process well from the government's point of view. I would suggest that perhaps Mr. Goodman suffers from some of the same shortcomings from which the Minister of Fiance suffers. Clearly, one of the major shortcomings that the Minister of Finance suffers from is a total disregard for the reality of the situation among businessmen and individuals in Canada. It is not something that is talked about within the Department of Finance or within boardrooms, but ordinary Canadians know how this monster will affect their daily lives. I have great respect for intellectual processes, but this is very much what politicians would call a bread-and-butter issue.

Mr. Goodman, the Minister of Finance and others may say that this measure involves in essence a very simple, logical tax that is easily understood. In the next breath, one has to ask, as Senator Stanbury asked earlier, "Why do they need 4,000 people at considerable expense to fan out across the country to help individuals to understand this tax?" Senator Austin has a very neat little handbook that provides a quick synopsis of the tax. It has been designed to explain to ordinary people what it means. It is virtually incomprehensible even though it was done by an accounting firm that is supposed to know the answers. I am sure that we all have respect for one another's intellectual thought processes, but I think at some point we must realize, especially in something as down to earth and as fundamental as this tax system, that the GST falls far from the mark in terms of responding to the fundamental and personal needs of the people of Canada.

It would be interesting as the debate goes on, Senator Cools, to explore the comparisons between Mr. Goodman and the other gentleman, noting that Mr. Goodman gives a passing nod to the fact that there seems to be a large degree of hostility toward the tax.

Senator Cools: He is astonished by it.

Senator Stanbury: Perhaps that says something about Mr. Goodman.

Senator Fairbairn: Yes, it seems as clear as a bell to him, so perhaps he should be out there travelling across the country training people so that it can be clear to all of us. Perhaps he could work with Senator Cogger to that end.

Senator Cogger: If you are not nice to me, you will not get a Christmas card.

Senator Fairbairn: Am I on your Christmas list, Michel?

Let me come back to the committee report. I was talking about retail sales taxes, and I had reached a point where I was explaining that retail sales taxes do not extend preferential treatment to imported goods. The report went on to say:

> But every other criticism of the FST applies equally to existing retail sales taxes. They tax business inputs and consequentially result in significant amounts of tax cascading. A large portion of provincial retail sales taxes is invisible and therefore cannot be removed entirely from exports. Tax cascading results in different effective tax rates being applied to different products, even though the statutory rates are the same.

• (2215)

> The Committee heard testimony from the government of the province of British Columbia, that integration of the provincial sales tax with the GST would require an increase in the provincial tax rate of one half percentage point just to maintain revenues at previous levels. On the surface this is surprising given the broader tax base of the GST compared to all provincial counterparts, and this result can be explained by the fact that the GST itself eliminates all tax cascading.
>
> Taxing business inputs and the resulting tax cascading is in fact a significant source of provincial tax revenue. In Ontario, for example, every percentage point of tax raised revenues equal to 1.54 per cent of retail sales in 1987. Since the tax base is only a fraction of the retail sales base, close to one-half of tax revenues comes from a hidden tax on business inputs.
>
> The Province of Ontario relied most heavily on such a hidden tax in 1987. Four other provinces engaged in substantial taxation of business inputs. These were Manitoba, British Columbia, Newfoundland and Saskatchewan. On average, each percentage point of tax produced revenues equal to 1.38 per cent of retail sales.

Which was a bit lower than the Province of Ontario.

> Provincial sales taxes are not the visible tax we think them to be. A substantial component consists of hidden taxes on business inputs resulting in a wide variety of economic costs which are similar caused by the FST. Thus there is a great need for reform of those provincial taxes.

The concluding paragraph of this section of the report says:

> Failure to integrate provincial taxes into the federal GST harms the economy in two important respects. In the first place, it generates a substantial amount of excess compliance and administration costs. Secondly, it limits the output gains available to the economy. So full integration of the two tax regimes would add another $4 million $500,000 in output gain to the $9 billion resulting from the reform of the federal tax system.

The small business compliance costs were dealt with in the report, and I would like to touch on them because there is comparison with international evidence in this area. The report says:

> A value added tax can, in many instances, be a relatively inexpensive tax to comply with. Such a tax can also be designed so as to be very difficult to administer and comply with. Some of the VATs in Europe have such a complex design. With a greater number of tax rates and more exempt products, the compliance costs associated with a tax regime can increase dramatically.
>
> The Canadian Federation of Independent Business (CFIB) is particularly concerned with this issue, specifically as it affects the small business community. The CFIB has also been a vocal critic of the provisions of Bill C-62. In testimony before the Committee, by John Bulloch, the CFIB's president described the tax as "the absolute worse retail sales tax system in the world. It is the worst system that man could possibly devise".
>
> This assessment of the tax was based on the lack of federal-provincial harmonization as well as the use of a European-type invoice method GST. These features raise overall compliance costs of the tax. Moreover, there is a great deal of evidence to suggest that compliance costs weigh more heavily on small businesses than they do on larger firms.

Here is where the report refers to international evidence. It says:

> A recent study of the U.K. VAT tax shows that overall compliance costs have fallen by about 25 per cent from fiscal year 1977-78 to 1986-87 demonstrating that experience with a taxation system can reduce the costs of compliance. This same study also showed that the costs for the smallest of firms rose over the same period.
>
> These very high costs can be offset by making use of the small traders exemption. Nevertheless, small registered traders still face tax related costs . . . which are many times higher than those faced by large traders.
>
> A study of American retail sales taxes shows that average compliance costs differ between states by a factor of almost 2, attributable mostly to differences in the tax base. It is the determination of the tax status of individual items which accounts for the bulk of compliance costs. As a consequence, food and drug retailers face the highest costs. Similarly, compliance costs increase as the taxation base in a state becomes narrower.
>
> These characteristics are consistent with those fund in a number of other countries employing consumption taxes.

The next commitment made by the minister I want to touch on was that his new 7 per cent goods and services tax on everything from diapers to funeral shrouds was going to be a fair tax. He told us that in terms of taxes, it met the test of fairness, meaning that it was not a regressive tax and that it would not take a larger bite out of the pockets of low- and middle-income Canadians than it did out of the pockets of high-income Canadians. But as the Canadian Council on Social Development said in a brief on the tax on October of last year:

> The council opposes in principle any tax mechanism that is regressive. The GST is such a tax. The proposals to make the GST less regressive by using a refundable tax credit are commendable, but while the tax, once introduced, will apply in perpetuity, no such guarantee is provided for the tax credit. In fact, by not fully indexing the basic $275 credit to the cost of living, the government is already admitting in advance that the real value of that credit will fall.

Senator Stanbury: Senator Fairbairn, would you accept a question? You mentioned the amount of the credit as being $275. Has there been any calculation of how much it is likely to cost a family to pay the GST on their normal purchases of both goods and services? For example, families who do not have a washing machine and must go to a laundramat to do their washing, who have to find some way of getting to work, who have to buy some groceries not required as basic groceries because of the distinctions that are drawn within the act—those families are getting a credit, which seems small considering what they will have to spend on the GST during the course of the year.

I have seen some figures that indicate the relationship between the size of the credit they will receive and the actual expenditure a normal family will have to make on GST-related goods and services within the course of a year. I am not sure if you have seen any of those figures or if you could give us any idea of the relationship and, therefore, the adequacy of the credit, which the minister says is the excuse for saying that it is not a regressive tax.

Senator Fairbairn: Senator Stanbury, earlier this afternoon I was reading from a brief which, unfortunately, I do not have at the moment. I handed it in to the *Hansard* reporters, but I would be pleased to give it to you later. It was from the Social Action Commission in Prince Edward Island, which was attached to a diocese in Charlottetown. It had prepared a brief basically focusing on the effect of the tax on low- and middle-income Canadians. It made some comparisons between what they would get as a credit and the degree to which it would fall short of what they were paying out. I do not have those figures on the tip of my tongue, but I would be glad to give you the brief.

The conclusion was—not only from that particular group—that the credits certainly fall short of what it is going to cost people at that level. This has been recognized by a great variety of witnesses and individuals, and I would be surprised if the Minister of Finance had the gall to claim that the credits were going to help that level of Canadians break even on their costs. One of the things about this tax—and it is hard to see the basis on which the credits are established—is that no government or economist can have any idea of what the daily charge of the goods and services that a Canadian, who may not be at the economic level of Canadians that the tax department is interested in, will be spending each day when

they do not have the credit in their hands and what percentage that will form of the limited income they have. I would hope that even this government would not try to flog this tax as being one that provided credits that would meet the extra cost to those people.

• (2230)

Senator Stanbury: May I ask a supplementary question? As I recall, there is also a turn-around point at which a family begins to lose credits, and I believe it is very low.

Senator Fairbairn: It is $25,000.

Senator Stanbury: And, if I remember correctly, to get any credits at all, when you get down to the minimum, the person has to earn as little as $16,000.

Senator Fairbairn: Less than that.

Senator Stanbury: I am just wondering how in the world that figure could be justified when we know the poverty level and the cost of normal family living. Where would that turn-around figure come from when it is so terribly low?

Senator Fairbairn: I do not know. I do know that I have one friend who does some income tax work for farmers up in west Quebec, and she was explaining to me another anomaly whereby somebody who earns, say, $10,000 a year will get a bigger credit if he or she goes through the formal application than somebody who earns $6,000. This is one of the things in this system that just does not make any sense.

Getting back to the tax and the credits, as I was saying, these basic credits are not fully indexed. Really, by not fully indexing these credits to the cost of living, the government is already tacitly admitting that the real value of these credits will begin to fall almost immediately; yet the revenues from the tax will rise fully with inflation. So, in 1991, during the first year of operation, poor Canadians will immediately start to feel the pinch as the amount spent on tax and the real value of the tax credits start to diverge. Again, I think the Senate committee report summed it up rather well in terms of the value of the credits and the burdens of the GST. This may give you some more precise idea, Senator Stanbury. I will just go through part of the credit system portion of the report. It reads:

> The provisions of Bill C-62 introduce a refundable GST credit system with the following maximum annual amounts: $190 per adult; $100 per child; and a $100 special singles credit. This compares with the existing FST credit delivering maximum amounts of $140 per adult and $70 per child in 1990. The GST credit system also increases the turning point beyond which the credit is reduced to approximately $25,000 and allows single parents to claim an adult credit for one child. The benefit reduction rate is 5% of family income in excess of the threshold.

That is one of those sentences that is a little confusing.

> This enhanced system of credits is the primary mechanism by which families earning less than $30,000 per year are to be made better off, according to the Government. In examining the distributional consequences of this tax reform, the federal government estimates always assume that the full amount of the FST will be removed from prices, with the full amount of the GST added on. Numerous witnesses, such as the Canadian Council on Social Development—

Which I have just read from.

> —and the Social Action Commission (PEI), among others, challenged this assumption, both for goods eligible for the FST inventory rebate and goods produced and consumed under the new system.
>
> The credits are not intended to offset the entire amount of GST paid—rather they are intended to offset the additional tax burden for lower and middle income families. Many witnesses before the Committee had views different from those of the Government regarding the additional impact of the GST on households' tax burdens, primarily because of differing views as to the degree of FST savings passed on to consumers.
>
> The federal government has claimed that households earning less than $30,000 will be better off with the GST. The question is whether the enhanced refundable tax credits offset the additional tax that lower and middle-income households face with the introduction of the GST? To answer this the Committee has examined the distributional consequences of the GST, using a variety of data sources including the published statistics of the Department of Finance and the Statistics Canada Social Policy Simulation Database and Model. This model is based on Revenue Canada's taxation statistics as well as Statistics Canada's surveys of consumer expenditures.
>
> When the Department of Finance presents its estimates of the changing tax burden of the GST versus the FST, three items determine the impact on lower income households: 1. the difference in gross tax paid; 2. the difference in refundable credits; and 3. the impact of indexation provisions on a variety of taxes and transfers. However, as Mr. Patrick Grady—

Of Global Economics Ltd.

> —pointed out to the Committee, these indexation provisions operate with a lag. For 1991 there is effectively no indexation benefit. In addition to these three items, one can consider the impact on households of a less than full pass through of FST savings.

On the question of indexation, the report says:

> The system of GST credits is subject to the same indexation provisions that apply to the income tax system in general; that is, the credits and the threshold are indexed to the rate of inflation, measured by changes in the CPI, in excess of three per cent. Thus the real value of these credits will generally decline by 3% per year.
>
> Virtually all opponents of the tax cited this feature as a major flaw in Bill C-62. It is instructive to note that some proponents of the Bill also commented critically on this feature. In particular, Dr. Robert Clark of the University

> of British Columbia noted, as did the Economic Council of Canada and the Conference Board, that refundable tax credits are an efficient means of introducing progressivity into the GST. Since it is so important, Dr. Clark insisted that its real value must be protected. Another vocal supporter of the GST called convincingly for the full indexation of the credits and the turning point.

Senator Cools, you will be interested in this because the gentleman you were quoting, Mr. Wolfe Goodman, is also quoted in this report in terms of full indexation of credits.

Senator Cools: Oh, yes.

Senator Fairbairn: He said that not to index them fully would be "grossly unfair to the poorest and most vulnerable people in our community."

Senator Cools: Yes.

Senator Fairbairn: The report continues:

> The credits, in addition to other elements of the tax reform package, are designed to make the GST package progressive at the lower to middle income levels. As the real value of these credits declines with inflation, this progressivity will diminish.
>
> The federal government's claim that the GST will make families with incomes below $30,000 better off is true in the first year of operation, according to Mr. Ken Battle of the National Council of Welfare. But in testimony before the House of Commons Standing Committee on Consumer and Corporate Affairs and Government Operations, he stated that the value of the credits will quickly be eroded by inflation and the Government's claim, in only a very short period of time, will no longer be valid.

Senator Austin: I think, Senator Fairbairn, that was the basis for the amendment that was proposed on this side, and it would have been extremely valuable to have heard the government answer those particular items of evidence which were brought before the House of Commons Committee and before our committee. It is amazing that senators on the other side do not have anything to say to these points which you are making now. There is an opportunity even at this moment for senators on the Conservative side to defend the government, to defend the absence of full indexation so that there would be complete equity available in terms of these credits. It really causes confusion, at best, and alarm, in fact, that the government is using a policy of "trust us to jiggle with the system every two or three years". In the meantime, the lower income parts of the Canadian community are going to feel the bite of this regressive policy.

Senator Fairbairn: I agree, Senator Austin. I think it is particularly regrettable because the government has shoved the question of the credits right out in front as some sort of justification for being able to talk about this being a progressive tax. There is not much long-term comfort to lower-income Canadians who have seen the trend over the last six years of de-indexing, de-indexing, de-indexing. As Mr. Battle says, the fact that the credits will be quickly eroded by inflation, because they are not fully indexed, means that the government's claim, with which it is highlighting this tax in terms of fairness, will, in a very short period of time, no longer be valid. I do not think this is a message that Canadians fully understand.

Senator Austin: I wonder why the government insists on putting Canadians in opposition to other Canadians with policies like this? We saw something similar with respect to the question of unemployment insurance, which was before us a few months ago. The government set up a benefit for a small group of Canadians with respect to maternity benefits, in order to create a pressure group to bring about legislation which was at the expense of unemployed workers in many parts of Canada, and which was a smoke screen to allow the government to withdraw from contributing to unemployment insurance.

● (2245)

The Minister of National Revenue is loudly and frequently promising to send out tens of millions of dollars of rebate cheques as soon as this legislation is passed. Of course, people will get money in their hands early, but will also buy a system which will make them worse off because of the regressive character of the rebate system. Why does the government set up the Canadian community against itself in order to get its way?

Senator Fairbairn: I cannot answer that question. However, in the last several years we have seen a growing and vast divergence between rich and poor in Canada. It is something that we saw in Britain during the Thatcher years and, to a large extent, also in the United States. Once this divergence takes hold as part of a conscious policy of a national government, it is extremely difficult to reverse it.

Earlier today I talked about the risk of establishing in our country an underclass resulting from the combination of this tax and other economic policies during difficult economic times, which will get more difficult. In Canada we like to think we do not have a great divergence between rich and poor and that we have a social security net that is sufficient to catch people. That social security net has an awful lot of holes in it now. I believe that, in some of our great cities, including Vancouver, Toronto and Montreal, we are perilously close to having a firmly established underclass. That is also true in Calgary and Edmonton. I do not believe that we would have so established, as a part of our social service network, a maze of food banks struggling to maintain their existence if there were not an excruciating demand from a firmly established underclass in our society. We are not dealing with that. We certainly are not dealing with that in this tax. We are not even talking about it in this country, because it is not something we want to face up to.

During the last six years I have spent some time on the subject of literacy, and if I can make it to that part of my speech I will say a few words about that. However, one of the tip-offs with a country as well thought of as Canada is that we see ourselves as a very caring and sensitive nation, and yet we have in this country close to 40 per cent of our adult popula-

tion struggling with varying degrees of "functional illiteracy." There are 1.5 million Canadians who are "basically illiterate," and it goes up from there. One-third of our adults who are functionally illiterate are high school graduates; another third of our teenagers drop out of high school every year. On the one hand, if one-third of the adult population who are functionally illiterate are high school graduates, and on the other hand more than one-third of teenagers drop out every year and will enter that category, then we have a problem of massive proportions and we are not doing very much about it. However, it is a tip-off.

I know that Senator Berntson, who is in the Chair, is concerned about this problem and has worked very hard on the issue of literacy in the province of Saskatchewan. With literacy figures such as that, if you scratch the surface you will see people who are poor, people who are discriminated against, people who are abused physically, mental and sexually, people who are homeless, and one million children who are living below the poverty line. Those children cannot learn after the first half of the month because the welfare cheque runs out. They do not have enough food to eat and are crowding into the food banks. We do have an underclass in Canada and we are building a bigger one.

When talking about credits, I regret to say that the people who are struggling at that level will not even know that credits are available. They will not know where to go, where to look or how to apply for them.

Senator Cools: Mr. Goodman had a suggestion on how to teach those people to get those credits.

Senator Fairbairn: There are many people like Mr. Wolfe Goodman, Mr. Jean De Grandpré and Mr. Simon Reisman who, with all the best will in the world, do not see below a certain level. They do not see the people who are below a level that to them is a trainable, teachable or advanceable level. They do not see the underclass. When I became interested in the literacy issue, I read material by Northrup Frye. Several years ago he was talking about an underclass in Canadian society, and I would say that it has grown in leaps and bounds since then. Any government in Canada, federal, provincial or municipal, that does not cast its eyes downward to fairness and equality, and to help that level of our society, is permitting us and itself to diminish the quality of our own place in society. Perhaps because of the hour of the night I talked longer on that issue than I intended, but I believe that most profoundly.

Senator Austin: Senator Fairbairn, I think not long enough. The conjunction of events is a particularly cruel one. The GST will be falling on those people whose full incomes are committed to basic necessities. They do not handle their basic necessities very well with whatever incomes they do have. The GST will fall on them, then the "made in Canada" recession, which is part of the government's policy for introducing the GST as neatly as possible, will cause this part of the Canadian community to be the first victims. They will be part of the rising unemployment numbers and will then fall on Canada's welfare rolls.

The federal government and provincial governments share responsibility for welfare. In the last day or two we have heard of the rising deficits of provincial governments. They are being very aggressive and very uncaring about supporting people who are applying for welfare, and this government is seeking to reduce the rate of growth of that support. We find ourselves with a set of events in control of no one authority that are very similar to those in the Depression when Prime Minister Bennett said the poor were not his responsibility, they were the responsibility of the province. The province said they were the responsibility of the municipalities. The municipalities said they were the responsibility of the province. We ended up with work camps, with people on the rails and with people who had no place in our economic system. I am not saying we are at that stage now. The reason we are not is that we still have an operating social security system. However, I would suggest the point you are making is that the GST is one more pressure on that part of our community and one more degradation of their economic position.

Senator Fairbairn: That is exactly the point I was making, and also a point made in the committee report from which I have been quoting.

Senator Cools: Senator Fairbairn, perhaps I could put on the record the reference that I made to Mr. Goodman. It is from the proceedings of the Banking, Trade and Commerce Committee, Issue No. 41, of Tuesday, June 5, 1990, at page 41:8 where Mr. Goodman stated:

> The Department of Finance is of the view that virtually everyone who is entitled to these credits actually receives them.

This is corny, isn't it? It is an indictment. Malthus might have done better.

> I am not quite as confident of that. I believe that an outreach program is necessary in order to ensure that those people who are too unsophisticated or too frightened of government to file claims for sales tax credits, or child tax credits, for that matter, will be persuaded to do so.

That is quite poignant and to the point.

Senator Fairbairn: That was a very humane proposition by Mr. Goodman and certainly one that is sadly needed in this country, as we point out.

On the question of fairness of the tax, I wish to quote from another section of the committee report.

• (2300)

> Even more important than the technical flaws in the bill is the matter of fairness. Any tax that is going to raise $18.5 billion per year and constitute a major part of the federal tax arsenal must meet some basic elements of fairness. The GST, and other VAT-type taxes, is not generally viewed as meeting those basic requirements. It is a regressive tax. Lower income individuals spend a greater share of income on consumption and are therefore obliged to pay a greater proportion of their income in sales tax. To make it more acceptable, the federal government is

> including a system of enhanced refundable tax credits as part of the GST package.
>
> If the basic structure of the tax is going to be determined by the tax credits, they must continue to be effective. Instead, the provisions of the Bill ensure that, only temporarily, would they do the job which they are meant to do.
>
> The credits, and the income threshold after which they decline, are only indexed to take account of inflation in excess of 3%. Thus, the real value of the credits would decline over time and an increasing number of individuals and families would have their benefits reduced. Eventually, even the very poor would not be protected from the extra cost imposed by the GST. Indeed, after only five years, some families could lose up to $300 of the real value of their credits, which amounts to one-half the maximum value of credits for which they are eligible.
>
> In the past, the Government has made statements about adjusting these sales tax credits and income thresholds over time. However, this Committee is not in a position to evaluate the Government's intentions.

As you said, Senator Austin, earlier, what the government is saying is, "Trust us, trust us to do the decent thing," and if we judge by the polls the Canadian people are fresh out of trust for this particular government. So the committee said:

> We can only judge the GST on the basis of the legislation which is before us and clearly, Bill C-62 does not provide for full indexation of the refundable sales tax credits and income thresholds.

And that is basically what we have to do as we are asked to pass legislation. In this house we have to make make judgments in the absence of commitments—and indeed I have seen in recent years commitments that were made either change or disappear.

> This is not the only problem with the GST credits. The $100 single adult credit is not fully obtainable unless the individual's income exceeds $11,169. We are told that this credit is designed to reach the working poor but must it also deny the very poor—

This is who we are talking about.

> —who are in the most dire need of assistance?

This is what I was trying to explain to Senator Stanbury a few moments ago, and let me just repeat that. We were having a little conversation at the time, and the committee in its report was saying:

> The $100 single adult credit is not fully obtainable unless the individual's income exceeds $11,169. We are told that this credit is designed to reach the working poor but must it also deny the very poor who are in the most dire need of assistance?

These are people who are well below that level. It does not make any sense. The report goes on:

> Also, if Quebec continues to treat the refundable sales tax credit as income for purposes of determining social assistance, the GST tax credits would merely offset social assistance benefits to the poor in that province.
>
> The GST credits completely fail to take into account the high cost of living in Canada's remote regions. The GST would apply on the final price of goods and services inclusive of transportation costs—

Senator Watt, you have gone over and over that point.

> —which are a significant component in the price of services in the north. Although the average Whitehorse family would pay about $400 more GST than the average Canadian family, this is not reflected in the value of the credits. The Committee was also told that the cost of living in Yellowknife is 40% higher than in southern Canada with outlying settlements even more expensive. Thus, not only are the credits too small but the income threshold of $24,800 at which the GST credits start to be reduced will not reflect the same standard of living in the north as in southern Canada.

Senator Austin: Senator Fairbairn, I wonder if it has come to your notice, and I also would like to draw the attention of Senator Cogger to this particular item—

Senator Fairbairn: I hope you are taking notes, Senator Cogger.

Senator Austin: —that Ernst & Young, a well-known accounting and economic consulting firm, issued a report which was made public yesterday on the effects of the GST in Northern Canada.

Senator Cogger will recall the debate here during the course of an amendment which we proposed, to deal with the GST in Northern Canada.

According to Ernst & Young, who were commissioned by the provinces and the Territories last year, the proposed GST would be particularly damaging to the northern economies, both the Yukon and the Northwest Territories, and also the northern regions of Canada's provinces.

And Ernst & Young are proposing to offset the impact of the GST by the setting up of credits for institutions, new homes buyers and low-income families in those northern regions. They are also suggesting reducing taxes to combat higher heating and transportation costs.

Senator Cogger will recall our debate. According to Ernst & Young the GST would reduce the purchasing power of northern consumers and add greatly to the cost of manufactured goods and tourism in that area.

In studying this question of the development of northern Ontario, the new Ontario Minister of Northern Development, Shelly Martel, in tabling this report in the Ontario Legislature said this:

> This federal tax grab is being imposed on a region whose residents can least afford a reduction in their take home income.

Then she went on to say, "I want to emphasize that the GST on its own is the wrong tax at the wrong time." And if those

statements are true for northern Ontario, they are more than doubly true for the Northwest Territories and the Yukon.

So I wondered if Senator Cogger, in his address that Senator Murray has authorized, will take this report into account when he touches again on the northern questions, and I have added these comments simply to emphasize the accuracy of the statements you are making.

Senator Fairbairn: Thank you, Senator Austin, and I know for Senator Cogger's interest that Senator Lucier is obtaining a copy of this report, and I am sure he would be very glad to provide an extra copy for Senator Cogger.

Senator Cools: Senator Cogger is not listening.

Senator Fairbairn: Yes he is.

Senator Cogger: If I did not know any better, I would think you are trying to drag me in.

Senator Fairbairn: No, no. We want to be sure, seeing as we know you are going to speak and we look forward to it, that on some of these points—because of where you sit you will be able to give us some insight and perhaps some more background information that we do not have. And I would not dream of trying to drag you in, Senator Cogger. I know that if you want to jump in you will.

The report continues:

> The system of credits is not the only means by which the Government has promised the people that the adverse consequences of the GST would be mitigated. Some products are to be zero rated while others are to be tax exempt. The Government, for example, has made much of the fact that residential rents are tax exempt. This exemption serves to conceal the GST paid on inputs but it certainly does not eliminate the tax. This is particularly ironic because the FST is being discarded because of its invisibility. The price of exempt items such as residential rents would go up in price as a result of the GST. In the case of new rental accommodations, the increase can be substantial.
>
> Many Canadians find it difficult to purchase their own home. The Government has reassured Canadians that the afordability of housing will not be much affected by the GST. The evidence received by the Committee is quite the contrary. Land will now be taxed for the first time under the GST. It constitutes a large part of the price of housing in high-cost housing markets. In the cities of Toronto and Vancouver and in the golden horseshoe area of southern Ontario, new home prices could increase by 3%, substantially higher than the figures cited by the federal government. In Toronto, this amounts to a $10,000 increase.
>
> Even though the sale of used housing is free of tax, that market should also see price increases as a result of the GST. Since used housing is a substitute for new housing, an increase in the price of the latter should drive up the price of the former.

● (2315)

> Since used housing is a substitute for new housing, an increase in the price of the latter should drive up the price of the former. More directly, soft costs—realtors' fees and legal fees—will now be subject to the GST. A 7 % tax on these costs could increase the price of a home by 0.5 %.

That is what the Senate report had to say on the subject of credits.

Senator Berntson: Are you asking for the question?

Senator Fairbairn: Certainly.

Senator Berntson: I am calling for the question.

Senator Fairbairn: No, not yet. I have a little way to go.

Senator Forrestall: How long will you go on?

Senator Fairbairn: I do not know; as long as I can. I have been working on this speech for quite a while.

Senator Forrestall: Will you be okay?

Senator Fairbairn: This invigorates me, and I know that Senator Keon is keeping a close eye on me. I am fine, Senator Keon.

One area that is of particular interest to me in Canadian society is senior citizens. We have not heard a lot about them in the consideration of this tax. A marvellous organization has been established in this country within, I would say, the last four years, called One Voice, the Canadian Seniors Network. It is playing a vigorous role in putting before government and the media the voice of seniors across the country. Jean Woodsworth, a marvellous lady, is the president of the organization. She presented a brief to the Senate Committee on Banking, Trade and Commerce.

Senator Cools: I believe she is related to the late J.S. Woodsworth, one of the founders of the CCF Party.

Senator Fairbairn: Yes, she is. In any event, I would like to go into that brief because it outlines, probably better than any group, the position that seniors face in relation to the GST.

One Voice, The Canadian Seniors Network, represents hundreds of thousands of seniors through individual membership and affiliated provincial and local networks across the country.

Senator Kinsella, you know about that setup, and isn't it a terrific organization? They said in their brief:

> As early as 1987 when Mr. Michael Wilson introduced the first stage of tax reform, One Voice advised against increasing government revenues through regressive taxation measures such as consumption taxes. We felt then and continue to believe that no matter how you try to adjust the system with tax credits, a regressive tax is still a regressive tax. It will hit lower- and middle-income Canadians more than the wealthy. We continue to recommend that the government use the progressive income tax system to raise revenues so that all Canadians and corporations pay a fair share. Loopholes must be closed. The recent tax cuts granted to wealthy taxpayers by reducing the top income tax bracket must be re-examined. We also believe that we must reconsider the possibility of taxing wealth, perhaps through an inheritance tax.

> We oppose the direction this government is taking in reducing universality and cutting or capping transfer payments earmarked for social programs. In a short five years, these measures have begun to seriously erode the safety net Canada has developed over the last half century and in which we, as seniors, have had some part. The result will be increasing inequity among Canadians, property, ill health and, we are convinced, greater costs in the long term than the amount saved now.

One Voice goes on to list briefly some of their concerns and criticisms of the GST:

> The tax is regressive, I repeat, and will hit lower- and middle-income Canadians much harder than wealthy people. There is general concern that manufacturers or retailers will pass on savings when the manufacturers sales tax is replaced by the 7 per cent GST. We believe prices will simply go up.
>
> Seniors and others on fixed incomes do not have the financial flexibility to meet the extra rise in inflation expected due to the imposition of the GST.
>
> Seniors spend most of their income on the necessities of life mostly because of generally lower income levels. Families also spend most of their income due to the high expenses of child rearing. These two groups will pay a greater proportion of their income in tax due to the GST than other Canadians. What is the reasoning for this?
>
> According to our calculations, the proposed tax credit is not enough to compensate for the increase in taxes, particularly with the addition of tax on services. The credit is not fully indexed to inflation. It will go down each year, becoming less effective at buffering the poor.
>
> Mr. Wilson introduced the tax on the basis of fairness and simplicity. We see this tax as unfair and certainly not simple. The complexity of administering the flow-through mechanism, the growing confusion about tax exempt and tax-free status, and the change in calculation methods for small business all have made this tax hard to understand and extremely expensive to administer for both businesses and the government.
>
> The government is claiming that the GST is simply replacing the outmoded MST on goods. However, more than replacing the existing tax, the GST will be imposed on services, a major part of our spending that has never been taxed before. This is not just a replacement tax. It is an additional tax of enormous magnitude. The new tax will not be visible, as Mr. Wilson had originally promised. If that was the major flaw with the MST, it has not been solved with the proposed GST.

Senator Molgat: Senator Fairbairn, may I ask a question? You have raised an interesting point. Seniors are really not in that part of their life where they are buying goods. They have made most of their purchases of washing machines, dryers and household goods. They purchase more services than they do capital goods. Because under this legislation services will be taxed, the impact will be proportionately higher on seniors.

[Senator Fairbairn.]

Do you know whether any studies have been conducted in that regard; that is, on the spending and buying habits of different age groups and how those habits change as they get older and move away from purchasing capital goods to purchasing services? I should imagine that Statistics Canada could provide figures of that kind. I had never focused on that particular point until you raised it.

Senator Fairbairn: That is one of the reasons I wanted to re-read this brief. Apart from everything else, it is a very cogent, well-presented reflection of not only their position but that position as it will be affected by the tax. I do not know whether Statistics Canada has a breakdown of the buying habits of different age groups.

One of the reasons I have supported this organization so strongly since its inception is that, in my view, it has an enormous opportunity to present the views of senior citizens and to make a great contribution to our national life. We all know about the demographic changes that are taking place in Canada. Increasingly, a larger percentage of Canadian population is made up of seniors. I do not believe that any government or, for that matter, any political party has come to grips with the kinds of policy adjustments that must be made in order to allow our senior citizens to have the opportunity to live the kind of lives they so richly deserve and to continue to contribute to the fabric of this country.

Of course, most of our senior citizens live on fixed incomes. Perhaps their material needs are less, but many of the seniors I know still save and hoard their pension incomes so that they can enjoy outings for a nice dinner, to see a movie, to participate in clubs and that kind of thing. For a great number of obvious reasons, their reliance on services increases in comparison to their expenditures on capital goods.

● (2330)

So they do have a special problem. They have a problem; we have an opportunity; and we ought to get together and make sure that they have the maximum opportunity to make their contribution. I do not think we are doing that and this tax is not doing that. The One Voice People go on to say:

> We have no guarantees that the tax will not go up. In fact, the experience of other countries indicates that it will rise. Many seniors are so close to the edge that this will push them below the poverty line. We question the principle of using a regressive form of taxation to aid in deficit reduction. There are alternatives and we continue the favour the progressive income tax system.

Mrs. Woodsworth of One Voice goes on to focus on a few issues related to the GST that seniors find particularly worrisome, especially in the area of support services. This will interest Senator Molgat.

> As I have mentioned, seniors spend most of their income on the necessities of life. This is mostly because they fall into the lower income categories, yet must purchase goods and services for daily living like most other people.

As we age, our need to consume goods is usually less than that of the young, growing families. We have already bought our stove, our house, our car and our furniture.

Research shows that seniors are heavy users of services.

When the stove breaks down, the house needs a new roof, or we need to replace the brakes in our car, we have to pay for that service.

In addition, those of us who are not as spry as we used to be may have to hire someone to shovel the driveway or cut the lawn. All these services will be taxable now. Seniors do not have a lot of options. We must hire these services or experience a deteriorating quality of life and perhaps increased risk, but certainly increased dependency.

Senator Stanbury: Senator Fairbairn, I should like to ask you a question. You have been speaking about the problems seniors have. I noticed an article in the *Edmonton Journal* of November 29 that deals with the results of the tax reforms of this government. This gives us the first opportunity to see how the burden falls as a result of the first part of tax reform. The article is under the byline of Norm Ovenden of the *Journal's* Ottawa Bureau. It reads:

Tory tax reform is helping the rich and hurting the poor, New Democrat MP Ross Harvey charged Wednesday.

Taxation statistics for 1988 show that the three million Canadians earning $15,000 a year or less saw their tax bill increase by an average of $71, or 13 per cent, over 1987 levels, Harvey told the Commons.

In the same year, Canadians earning more than $250,000 enjoyed and average tax savings of $20,597, or a drop of 15 per cent, he told Finance Minister Michael Wilson.

If the first element of tax reform has had that effect on the poor, what is your guesstimate as to the effect of the second element of tax reform?

Senator Fairbairn: In perusing the brief I am reading tonight, clearly this level of tax reform is going to have a frightening effect on the lower level income earners in this country. There is no question about that. When you look at the people who are in that bracket, they are also the people least prepared, for a variety of reasons, to be able to improve their position of advantage. This tax inexorably drags them down.

This brief from One Voice with respect to the position of seniors is very candid. It is talking about the services that, as they age, seniors require, not only to maintain their quality of life, but also to make sure that the situation within their life does not place them at risk. That is basic. As they say:

A 7 per cent increase will make the services very expensive and the decision to purchase them much more difficult. Seniors ask where the money will come from.

Where will it come from if you are on a fixed or minimal income?

Seniors who are ill or increasingly frail need additional services to remain independent.

That is a big issue as the number of seniors dramatically increases and will continue to do so after the year 2000.

The government has said that health care services will not be taxed. We cannot be so sure. The legislation is remarkably vague in this area.

It is just about as vague as it is on what is going to happen to the erosion of credits in the future.

Sometimes the tax imposition is dependent on the nature of the service, sometimes on who provides it or where. For example, some services are not taxed if they are provided by a hospital or charitable organization. Many services that help seniors stay independent in their homes do not fall into this category.

What of the many non-medical services seniors need? The cost of hiring a visiting homemaker who will help with cooking and cleaning—

if you are not able to manage by yourself

—or a personal care attendant to help with bathing, or a sitter to watch someone who wanders is already $14 an hour, or over $100 a day. Now it will cost $7 more per day in GST, or an extra $364 over the course of a year for just one day of help per week. You can see that the GST credit to a maximum of $290 for a single senior or $380 for a couple does not looks so generous.

Another example might be a foot care clinic operated by a charitable or hospital organization. That foot care clinic will not have to charge tax on the service, but if there is a commercial firm down the road providing the same service, the charity will have to charge tax.

Obviously to avoid unfair competition.

Who determines how far down the road that business has to be? How many seniors will have to give up their mobility because they cannot afford proper foot care?

On the other side, charitable organizations will have to pay the GST on goods and services they purchase despite the rebate of about half the new tax. This comes at a time when governments at all levels are divesting themselves of their responsibilities to provide services and expecting the voluntary sector to take up the slack. These agencies will see their expenses go up. At the same time, they are experiencing cuts in their grant revenues due to federal government reductions in payments through the Canada Assistance Plan and the Established Program Financing mechanisms. Moreover, it is becoming harder and harder for community social agencies to obtain charitable status from Revenue Canada.

The squeeze seems to be coming from all sides. It may be that the only solution that such organizations can see is to increase their user fees. Seniors, who are already at the limit of their spending power, will not be able to afford the very services that are designed to keep them in their homes.

The result will be premature institutionalization at a cost to the state estimated at between 8 and 20 times the

cost of supported community living in independent homes. The GST is a disincentive to community care. Yet, at the same time, nursing homes will be raising their rates because of the GST.

Senator LeBlanc: Shame!

Senator Fairbairn:

Who will absorb these costs? As the Canadian Long-Term Care Association points us, the impact of these policies can only be negative at a time when the demographics of our country indicate the need for more resources for long-term care services.

Honourable senators, we seniors did not set out to become wards of the state. We planned, saved, and did without all our lives in order to enjoy a secure and independent retirement. Inflation, taxes and these other government measures are beating us down. We typically have small, usually non-indexed pensions—

if at all.

Our income from savings is now taxable since losing the investment income deduction. Over half of Canadian women over the age of 55 are living below the poverty line.

Senator Stanbury: Isn't that a shame!

Senator Fairbairn:

The partial indexation of the tax system means that taxes go up automatically every year and more and more of those women become taxable. Added to these factors, this tax will be another severe burden.

These are the facts.

I must say, honourable senators, they are not facts we hear very often.

They have been calculated, projected, analyzed and underscored by major social policy groups in the country. They just do not make economic sense. How can the governments justify the outcomes of this squeeze?

I would like to touch very briefly on two other issues. First is the political fairness of the GST to our generation.

Throughout our lives, Canada collected tax revenues through an income-tax oriented system. Revenue from consumption taxes was minimal. While the seniors of today were in the workforce, we paid high income tax. Now that we have retired and live on fixed incomes, the rules are being changed as the system is redirected towards our consumption taxes. Those in the workforce are getting some income tax breaks. We who have already paid generously in the past are being hit with another opportunity to pay generously.

● (2345)

Not only is this unfair,—

Senator Austin: It is outrageous!

Senator Fairbairn:

[Senator Fairbairn.]

—but it also comes at a time in our lives when our financial options are very limited.

The second is a danger we see in the administration of the GST credit. Two weeks ago—

This brief was presented on June 13, so this would be in early June:

—Statistics Canada released preliminary data from its survey of literacy skills used in daily activities. It found that a shocking 64 per cent of older Canadians are unable to cope with most everyday reading material and demands.

Sixty-four per cent!

This means that seniors avoid situations requiring reading. Those who do not file income tax returns because they are poor probably will not apply for the GST credit. The very segment the government is trying to help will not receive it.

This is what we were discussing earlier, Senator Austin. Honourable senators, the One Voice brief concludes:

. . . we urge this committee to reject the goods and services tax in favour of a progressive, fair and equitable tax system.

I do not know how anyone reading or hearing that brief could support the GST as it exists. I wonder if the Minister of Finance has ever read this brief presented by One Voice, because it is an incredibly frank, professional and meaningful account of the damage that this tax will do to the most vulnerable in our society.

Senator Austin: Senator Fairbairn, was that brief presented to the Senate Banking Committee?

Senator Fairbairn: Yes, it was.

Senator Austin: And what did we hear in response to that brief from Conservative senators?

Senator Fairbairn: That I do not know. Senator Olson may know. Perhaps I can refresh his memory or maybe he does remember the kind of reception that Mrs. Woodsworth, the President of the One Voice seniors' network received from the committee. I do not know whether Senator Olson has anything to offer at this point. However, I too would hope, Senator Austin—but perhaps not expect—that, at the very least, this brief, which is so persuasive, would have been passed on to the Minister of Finance at that time, particularly in June, when there was lots of time to contemplate amendments without losing face. I use that expression because it seems to me that that is what is going on here. The government does not want to lose face by accepting any amendments at this point. In June, when these people came before the committee with this kind of brief, there was plenty of time, and it is incredible that changes of some sort were not made.

Senator Stanbury: Honourable senator, I am shocked by what you have been telling us, and I am sure that everyone in the chamber is. I have always assumed, perhaps naively, that people who entered public life entered it because of compassion and a desire to improve the lot of their fellow human

beings. Now here we have members of a government whose interest seems to be to improve the lot of certain human beings but not to give a care to the lot of the human beings who most seriously need the assistance of government and the rest of us, in a charitable sense. I wonder, is there any evidence that, in the course of the preparation of the GST, the government gave a thought—other than this inadequate credit system that you have already mentioned, with a turn-around at $11,000—to the poor people in our society, or the elderly, many of whom are very poor?

Senator Fairbairn: I certainly have not seen any evidence of that in anything that I have read, Senator Stanbury. In the early part of this afternoon, I was trying to trace, almost from 1984 on, how there have been recurrent changes in the taxation policies of this government, which really has not shown any sensitivity to those whom the changes are hurting, whom they are hitting most. I ask you to cast your mind back to that very lively debate beginning, I believe, in the late fall of 1984, over the proposition for de-indexing seniors' pensions. I can remember the Minister of Finance—the same Minister of Finance who is giving us the GST—saying publicly on television that the seniors in this country were eager to get involved in making their contribution through de-indexation of their pensions.

Senator Stanbury: He certainly found out!

Senator Fairbairn: He cited his mother, I believe.

Senator Austin: Or the Prime Minister's mother.

Senator Fairbairn: Or the Prime Minister's mother, but Michael Wilson has a mother, too, and she apparently told him that she was eager to have her pension de-indexed, and I guess from that he extrapolated that everyone else was, too. Well, did he hear in spades!

As was brought out very poignantly in this brief, the seniors in this country have already made their contribution under the rules of the day when they were working. They paid. They tightened their belts. They fought wars. They went through the Depression.

Senator Stanbury: And now they get clawed back.

Senator Fairbairn: Now they get clawed back and hit with the GST at a time when they are most vulnerable and without options to fight back.

Senator Olson: It is all because of Tory mismanagement.

Senator Fairbairn: There are two statistics that I have been aware of, but on reading them again they just seem incredible. The first is that over half of Canadian women over the age of 55 are living below the poverty line. How can the government contemplate hitting them with this tax? It is similar to the north being averaged out on some model contained inside the Department of Finance that gives no consideration to the individual needs of the Canadian people who are unable to cope with these kinds of economic pressures.

The other statistic here is one that I discussed earlier. Sixty-four per cent of older Canadians are unable to cope with most everyday reading demands. My God, what that does to their situation! I am not meaning just economically, but in terms of adding to the isolation and the loneliness of people of those years as they lose their support structure of families and friends. It is incredible to think that that part of our society would not be given very special consideration by any government. So much for fairness and so much for a non-regressive GST!

When you think about it, the GST is really nothing more, and nothings less, than yet another battle in this government's ideological fight against the concept of fairness in our tax measures and against universality of our social assistance programs. I recall what the Right Honourable John Turner had to say about a year ago in describing the commitment of our party to the concepts of universality and fairness. He spoke during a debate in the House of Commons over the government's clawback of old age pensions and family allowances which, regrettably, went through this house earlier this fall. His speech was recorded in the House of Commons *Debates* of October 11, 1989, and I quote:

> If there is one characteristic that is Canadian, if there is one quality by which we like to define ourselves, it is the quality of fairness, equal opportunity and equal treatment. We believe that no matter where you come from, where you live, what you earn, who your family is that you have an equal right to the social programs of this country, that all individuals are entitled to the social programs as a right of citizenship. It is part of the social contract in return for a lifetime of contribution to our community.
>
> We believe that all Canadians deserve that equal and equitable treatment no matter what their social status. Universality means that everyone is treated the same. We do not mean that you don't tax the rich more than the poor. We believe in a progressive income tax where those who have the ability to pay, pay. That is the fault with this goods and services tax. It is regressive.
>
> We have always believed that if you limit programs and direct them to the poor, if you design them for the poor, if you design them for those at the lower income scales, then those programs inevitably become poor programs. Universality means that the rich man and the poor man wait in the same doctor's office for the same service and are covered in the same way. They mean that regardless of income, regardless of connections, there is equal treatment.
>
> Universality has been a unifying force in our country. It makes our social programs credible because there is no ghettoizing of the haves and the have-nots, such as the poor get something and the rich don't. Everybody does, subject to an over-all taxation system, but the programs are credible because when they come to all of us then we are all behind them. They are community programs, and that is why Canada has been the most successful country in the world.

> The danger is that once you start tinkering with that principle, once you start undermining the principle of universality, you put everything in question. Who decides who gets what benefits? Where do you draw the line? Who decides which of our citizens need more help than the next one? Once the principle is abandoned and discretion is reintroduced into our social programs, what is next? Medicare? Hospitalization? Free public education?

● (0000)

> Oh, some members may raise their eyebrows, but this is the first government in Canadian history that has ever put a tax on learning, a tax on books. This government is destabilizing and endangering the social contract which is based on trust, legitimate expectation, reliance on the word of our public officers.

Those comments by the Rt. Hon. John Turner were made more than one year ago and certainly gave a very prophetic ring to the nature of the debate on the GST as it moved from the House of Commons and into the Senate, and also the unemployment insurance bill, the clawback, that was moving with it. Mr. Turner and his colleagues did push that clawback bill to the limit but they were defeated through the use of closure in the House.

Senator Olson: There is no democracy left; it is just a dictatorship.

Senator Fairbairn: Closure has subsequently been passed to this chamber, thanks to the Prime Minister's eight new senators. As expected, all the new senators who have come to us in recent weeks have duly voted with the government on the legislation, even though I am not sure if all of them have read the views of Canadians who have written to us or contacted us on so many occasions before those votes were taken earlier this fall.

This afternoon I was asked by Senator Davey whether I thought the government did not understand the views of Canadians or did not care. That is adifficult question to answer, because I do not know how the government could have missed some of the flood of letters and petitions from ordinary Canadians who are opposed to this tax and are demanding that we on this side of the chamber push it to the limit in our attempt to block it. That in itself is an important reason for this debate, for each of us to express in our varying ways what we have heard to underline the strength of pressure on this house from Canadians.

I have a few comments to bring to the attention of senators. Some of those comments are from individuals, and some are from those representing groups. In total they represent the feelings of literally millions of Canadians who are opposed to this tax. These comments come from the hearings of the Senate committee. They are encapsulated comments of witnesses who appeared before the Senate committee and are short and to the point but give an idea of the core of the comments on the GST that brought people to the hearings. I will whip through them as quickly as I can.

[Senator Fairbairn.]

On June 12, 1990, Mr. Cosmo Mannella of the Carpenters' Union stated:

> The Senate has come under considerable attack with respect to its position in holding back and blocking that legislation . . . In this instance, the Senate is providing the only buffer between the people and real democracy. By all indications it would appear that this government has lost the trust and confidence of most of the people in this country. We urge you to fight on and to block this legislation . . .

In Ottawa on June 28, Mr. Jeff Rose, National President of the Canadian Union of Public Employees, stated:

> In Canada the primary check on the majority power of government is the Senate . . . the Senate has a constitutional responsibility to ensure that the elected government of this country acts in a democratic manner . . . No democratic system gives total carte blanche to its elected government . . . this government's unprecendented betrayal of the interest of the people throws into question its very right to govern. Without doubt the Senate has a more popular mandate right now than does the Commons. You have the constitutional legitimacy, the parliamentary authority and the democratic responsibility to stop the GST.

In Charlottetown on July 9, Ms. Mary Boyd, Director, Social Action Commission of the Diocese of Charlottetown, appeared before the committee.

Senator Bonnell: A fine lady.

Senator Fairbairn: As a matter of fact, I met her in the early part of this debate.

Senator Bonnell: She was from the Pro-Canada group.

Senator Fairbairn: She is a very fine woman and she told the committee:

> I think every democratic country in the Western World has some kind of a body which serves as a check of the elected majority. In Canada that is the Senate. You are the body of sober second thought, and that is your constitutional right . . . the polls show that the people of Canada are behind the Senate in asking that the goods and services tax be stopped . . . we approve of your stopping this bill. We think you have the constitutional right to do so.

Senator Bonnell: She is right.

Senator Fairbairn: Also in Charlottetown on July 9, Mr. Ted Crocket, President, P.E.I. Council of the Canadian Federation of Labour, stated:

> While you are not elected, the bottom line is that you are part of the process. After all, you were appointed by an elected government that was elected by the people, so while directly you are not elected, you are elected indirectly by the representatives of the people . . . we are here to ask you to take that sober second look at what is involved and what can happen, regardless of what econo-

mists and so-called experts have to say. Let us start listening to everyday Canadians.

Again in Charlottetown on July 9, Ms. Barb Boudreau appeared before the committee. Do you know her?

Senator Bonnell: Yes, she is also a good lady.

Senator Fairbairn: Also speaking on behalf of CUPE, she stated:

> . . . the Senate has a responsibility to block the GST . . . Every democratic political system in the world has in place a set of checks and balances which constrain the actions of its elected government, preventing it from abusing its majority.
>
> In Canada the primary check on the majority power of the government is the Senate . . . the Senate has a constitutional responsibility to ensure that the elected government of this country acts in a democratic manner . . . No democratic system gives a total carte blanche to its elected government . . . Since this government has not courage and not willingness to listen to Canadians, it is up to the Senate to act. (Killing the bill) would be an honourable and democratic act.

You were at this meeting in Charlottetown, Senator Bonnell.

Senator Bonnell: I was there. All the witnesses were against this tax except the Mayor of Summerside.

Senator Fairbairn: I guess the Mayor of Summerside is in a very difficult position.

Mr. Leo Cheverie of the PEI Pro-Canada Network stated:

> The Senate has a duty to this pain by stopping the GST . . . the federal government has the confidence of only 15 per cent of Canadians.

That was on July 9. Now it only has 14 per cent.

> . . . the Senate enjoys a much higher percentage of Canadian voter confidence.

In Moncton, New Brunswick, on July 10, Mr. Sandy Beckingham of the Campbellton-Dalhousie District Labour Council, stated:

> . . . the Senate has a purpose. You have been given a mandate and until such time as that mandate is changed or modified, you are in power in the Senate and you must take whatever moves you feel are necessary.

Of course, that was before the influx of the eight new senators.

> If in your opinion you feel that the general public is opposed to the GST, you as a senator have the right—and you are supposed to have the will—to stop it in any way, shape or form within the rules that govern you.

That is a very important point made by Mr. Sandy Beckingham in Moncton, and I am sure he has been watching the proceedings in this place with some dismay as they have developed this fall.

Also in Moncton, Mr. John McEwan of the New Brunswick Federation of Labour stated:

> Finally, the New Brunswick Federation of Labour believes that the Senate, contrary to the spin that is attempted to be put on by Members of Parliament because you are not elected, has a mandate similar to the Supreme Court of Canada, which is also not elected, to protect the citizens of this country from government excesses and abuses. We encourage you to take the necessary steps to avoid citizens of this country having to suffer under a repressive regime which is not people oriented.

Also in Moncton on July 10, Mr. Bernard Richard of the New Brunswick Senior Citizens Federation Inc., stated:

> It is our belief that this Senate committee has the constitutional right and responsibility to reject the proposed goods and services tax. Seniors in New Brunswick feel that you will exercise that right. You have proof that over 80 per cent of all Canadians are not in favour of the GST . . .

In St. John's, Newfoundland, on July 11, Dr. Laurel Doucette, of the Roman Catholic Archdiocese of St. John's, stated:

> I believe you do have the moral right and moral duty to (kill the bill) when it is obvious the government is not considering the well-being of the majority of Canadians.

Again in St. John's on July 11, Mr. Larry Brown of the National Union of Provincial Government Employees, stated:

> We recognize that it is the constitutional duty of the Senate to review legislation . . . We do not believe as a general rule that the Senate should use those powers to delay or obstruct the decisions of Parliament. However, we think, given the set of circumstances that we are facing that it would be profoundly democratic for the Senate to delay this legislation . . . Millions of Canadians feel that their wishes are being ignored, and we have even seen the rather odd experience of M.P.s being muzzled if they dare to take a position on behalf of their constituents against the GST. The government has showed no indication whatsoever that it wants to listen to Canadians with regard to this tax, and it has used every means to prevent legitimate discussion on it, so we are glad to see the Senate exercising its power in this case.

● (0015)

July 12th in Halifax. Mr. Jeff Brett, South Shore Labour Council.

> . . . we are in situation in this country where we have a government that is completely out of sync with the wishes of the vast majority of the people. I think you have a moral responsibility as the only recourse left . . . you are the only recourse to preventing what we see will be the disastrous effect of a government that appears not to be listening to certain regions of this country . . .

July 12th, Halifax. Mr. Sid Pobihushchy of the Atlantic Co-op.

> Parliament is charged with a particular mandate by the Constitution—that is, to provide peace, order and good government. We are talking here about good government. That charge in the Canadian Constitution is not merely a

charge to the House of Commons or to the Senate, but to Parliament. The House of Commons, as we know, is an integral part of Parliament as is the Senate . . .

We know that in the present case we have a government in place that was elected by something in the order of 43 per cent of the electorate . . . It has a healthy, handsome majority in the House of Commons, a majority that is not a function of the people's choice but a majority as a function of the rules. Those rules also give the Senate an authority to act on behalf of the pursuit of good government, and it uses those rules, whatever they are, however they are designed, in that pursuit; and if the rules permit it, and it is required to stand opposed to a particular piece of legislation, action or policy, it is duty-bound to do that. That is part and parcel of the Canadian democracy. I do not think we have any real serious difficulty with the Senate doing its job. We have difficulty with a Parliament that does not do its job . . .

July 12, again, in Halifax. Mr. Gerald Yetman, of the Canadian Union of Public Employees.

Senator Buchanan, do you know Mr. Yetman?

Senator Buchanan: Yes.

Senator Fairbairn: He said:

Every democratic political system in the world has in place a set of checks and balances which constrain the actions of its elected government, preventing it from abusing its majority . . .

In Canada, the primary check on the majority power of the government is the Senate . . . the Senate has a constitutional responsibility to ensure that the elected government of this country acts in a democratic manner.

That is why the Senate must reject the governments goods and services tax.

Again in Halifax, on July 12th. Mr. Lawrence Pitaro, Private Citizen:

Whether the Senate is an elected or unelected body is of little import. What is of great import is that it has it in its power to defeat the GST Bill. By defeating the bill the Senate can show the country and the world that in a democracy the people are sovereign, and in defeating the bill the Senate is merely practising true democracy by reflecting the will of the people; something which Parliament refuses to do.

July 12th, Halifax, Miss Shirley Marryat, Private Citizen:

. . . the Senate has a moral right to stand up for the people of Canada and be counted . . . you have to stop and think about the small people in Canada. We are not rich . . . I think you have a legal and moral right to protect people against the GST . . . if you are honourable people of the level I think you are, you should go along with what the people not only want and expect but what they need to live as real equal Canadians.

July 13th, Halifax. Miss Alexa McDonough, Leader of the Provincial New Democratic Party. It is interesting coming from Miss McDonough as an NDP, and also, as Senator Buchanan indicated, Mr. Yetman has a position as, I think he said, Vice-President of the NDP in Nova Scotia.

Miss McDonough said:

Belief in our country and in our system of government could not be more effectively undermined than by the imposition of such a sweeping new tax in the teeth of overwhelming public opposition . . .

Once the voters come to believe they cannot make a difference, the gates are wide open for ever greater abuse by those who manage to gain power . . .

Honourable Senators, you and your colleagues are the only people left who have the power to stop the GST and thereby force the Government into making other, better tax choice.

There is a real sense that we barely live in a democracy when, despite the fact that it is expressed so overwhelming by people that they are opposed to this, the House of Commons has been unwilling, through the Government of the day, to give even a fair hearing.

. . . the Senate remains the only option to kill this Draconian tax.

July 16th, in Montreal, Mrs. Ruth Rose, Advisory Committee on the Status of Women.

. . . the Government has not permitted the Canadian people to participate in the democratic process. The House of Commons Finance Committee hearings were ridiculously short . . . The Government is not willing to listen to anybody and it is not willing to make any changes to any of its laws. I do not believe it has a mandate from the Canadian people any longer, as the polls indicate.

. . . We would hope that you (the Senate) simply not adopt this bill.

July 18th, Miss Elizabeth Barkley, Ontario Secondary School Teacher's Federation.

It would seem to me that if the Senate were able to block, defeat, kill, or send this bill to the black hole of Calcutta, it would go a long way in showing Canadians that at least one part of our Government listens.

July 18th, Toronto, Mr. Jack Shapiro, Periodical Marketers of Canada.

We are also of the view that it would be quite in order constitutionally and otherwise for the Senate to take into account the sentiments of an overwhelming majority of Canadian people and declare that this legislation is unacceptable as a whole and that it will not receive the assent of the Senate.

July 19th, in Toronto, Miss Donna Peconi of IRATE Citizens of Peterborough.

We realize that you as appointees are being asked to override the elected body. You have alluded to the moral dilemma created by such a request. What you must consider is the dilemma created when there exists a

majority in the House of Commons and the House refuses to listen to the majority of its constituents.

In our system of government, the line between democracy and dictatorship would almost be indistinguishable but for the Senate. The buck stops right here.

... The people have never called on you as they are calling on you now. The House of Commons did not have a mandate to introduce, much less pass, Bill C-62 ...

When this bill was introduced, a majority of the Canadian people rose up in vehement opposition. We have not gone away. We do not want it. We do not feel we need it. We have suggested alternatives to it.

July 23rd, in Winnipeg, Ms. Susan Hart-Kubaba of the Manitoba Federation of Labour.

If there is, in fact, a house of sober second thought, we are appealing to you to ensure that this legislation does not pass ... there is a responsibility at this point on the house of sober second thought to put its foot down and say that ... the people will have a chance to have their say and to offer some input ...

July 24th, Winnipeg, Doctor Edward Agnew, Private Citizen.

Government of the people, by the people, for the people, is in jeopardy in this country and this piece of legislation is helping to get rid of it.

In fact, at the present time Canadians are wondering what the democratic process in this country is all about ...

This goods and services tax must be defeated because it is undemocratic legislation ... And you, Senators, are the only people who stand between the democratic process of Canada that I used to know and straight dictatorship.

July 24th, Winnipeg, Mr. Arthur Alan de Jardin, Private Citizen.

There has been a great deal in the newspapers lately about the question: Has the Senate the moral authority to stop the GST? I would suggest that every Senator and the body itself certainly has that authority ...

Senators, it is important that we ... look ... within ourselves and make the kind of decisions that may not stand up in the press, that may not get us a lot of friends,

... but which see us do the right thing. We have to get back to doing what is right, what is correct and what is moral ...

You certainly have the legal authority because you have stopped other bills without legal challenge. You certainly have the Canadian people behind you.

July 25th, in Regina, Mr. Morley Evans, Association of Saskatchewan Taxpayers.

The Senate of Canada was established to provide the country with an institution whose members could bring their experience and wisdom to public policy matters of importance ... The role of the Senate is to endow issues of substance with sober consideration.

... The Senate can forestall the imposition of this very unpopular and extremely unwise tax. By doing so the Senate can best serve Canada and best discharge its duty to all Canadians.

July 25th, Regina, Mr. David Orchard, Citizen concerned about Free Trade.

• (0030)

Many people criticize the Senate as being undemocratic and an old-age-folks' home. The Senate is the one institution that has provided real opposition to Mr. Mulroney and his government ...

... What moral authority does this government have to impose the policies that are universally opposed by the people of this country? Mr. Mulroney stands less than 20 per cent in the polls ... He has no moral authority for the GST.

He went on to say that the Senate, "is the one democratic thread that we have left in the last six years in this country."

July 25, also in Regina, Mr. Murray Carr, private citizen:

In the conduct of our parliamentary affairs, there is the considered fundamental principle of no taxation without representation, but what do we do as citizens when we come to our elected representatives to speak to them and tell them our views only to be told we are stupid and need a grade 5 teacher to teach us the basics? ... I suggest that it is entirely appropriate that the house of sober second thought, the Senate, should, from time to time, reflect on the status of the concept of democracy in Canada and give consideration to the manner in which that concept is or is not made manifest in our community through our democratic institutions.

July 26, Mr. Kevin Avram, Canadian Federation of National and Provincial Taxpayers:

The Senate of Canada was established to provide the country with an institution whose members could bring their experience and wisdom to public policy matters of importance ... The role of the Senate is to endow issues of substance with sober consideration ... The Senate of Canada enjoys a unique position in the country. It can forestall the imposition of this very unpopular and extremely unwise tax. By doing so, the Senate of Canada can best serve Canada and best discharge its duty to all Canadians.

July 26, Edmonton, Ms. Mary Ellen Riemann, private citizen:

I would like to speak from the perspective of all those Canadians who feel helpless and ignored.

I wish to emphasize the very strong link between economic freedom, personal freedom and democracy. We come dangerously close to losing all of these when a government becomes fiscally irresponsible, unaccountable and imposes unreasonable taxes ...

> On behalf of those who are unheard and ignored, and those who are affected the most by the GST, namely our children, the elderly, the poor and the middle class, I call upon you, the Senate of Canada, to use whatever power you have under the Constitution to prevent the implementation of the GST.

July 26, Edmonton, Mr. Michael Marlowe, Alberta Council on Aging, said that the Senate has a most responsible role to play in our democratic system of government, that our Conservative majority in the House of Commons has taken an inflexible position in their zeal to implement the goods and services tax concept. He said that this position is in complete disregard of the wishes of their respective constituencies as set out by the various polls, individual organizations and group representations made to them in opposition to the GST. He went on to say that the people of Canada had lost confidence in our elected representatives due to their failure to keep their commitments, their campaign promises, and their failure to support the views of those who had elected them. He indicated that the Senate had the constitutional power to provide the checks and balances so essential in preserving and making our democratic system work. He encouraged us to play our constitutional and responsible role.

July 26, Edmonton again, Mr. David Fletcher, Edmonton Southeast Progressive Conservative Association.

Senator Steuart: Conservative?

Senator Fairbairn: Yes.

Senator Steuart: Was he against the tax?

Senator Fairbairn: Yes. He was saying to us—

Senator Steuart: He sang?

Senator Fairbairn: No, but we did have a lady who sang at a meeting as well.

Senator Steuart: I have a brother who sang. He sent my uncle up for three years.

Senator Fairbairn: This lady sang a different song, one in opposition to the GST. Mr. David Fletcher did not sing, but he said the following:

> You are all appointed . . . I believe you owe your allegiance not to the party or to the person who nominated you into that position but to the people of Canada, to the regions of this country, so that you can protect the country as a whole. There has to be a check and balance in the system . . . We believe that until all of you are elected you have the right and responsibility to the citizens of this country to stop this nonsense . . .

July 26, again in Edmonton, Mr. Randy Stoddard, private citizen:

> I asked my MP, whom I helped elect, what he thought of the GST. He was against it. The majority of his constituents were against it. However, he went to Ottawa and voted for it because the Progressive Conservative Party demanded that he vote yes or else get booted out of caucus. This scares the hell out of me. Democracy is dying in Canada. Our only hope at this point is that the honourable members of the Senate will listen to the people of Canada and reject this regressive tax.

July 27, Mr. Don Aitken, Alberta Federation of Labour:

> We are asking the Senate to use its powers to kill the GST . . . It has a more popular mandate to act than does the House of Commons. Not only would it be the right decision morally and economically, we believe that the Senate also has the constitutional authority to make this move . . .
>
> Until its important democratic duties are vested elsewhere, the Senate has a powerful constitutional obligation to ensure that the elected government of the country respects the public will. The government has made it abundantly clear that it will pay no heed to public opinion. Since it has neither the courage nor the respect for the wishes of the people, the Senate must act to delay or defeat the bill.

July 27, Edmonton, Mr. Lucien Royer, Pro Canada Network:

> At what point can a Member of Parliament say, "Well, I'm going to follow the party line and I am not going to listen to my constituents"? When that starts to be a trend right across the country and they start arguing, this is not the nature of our democracy . . . In my view, and in the view of the Pro Canada Network, the House of Commons has abdicated its responsibility. It is not listening and it is not fulfilling its constitutional requirements.

Again in Edmonton, July 27, Mr. Terry Hlady, private citizen. As I recall, Mr. Halady also declared himself to be a very concerned Conservative. He had this to say:

> As a result of these hearings, and as a result of the legislation that is before Canada today, there can be no doubt as to the absolutely critical need for the Senate of Canada, the importance of it to all Canadians and I want to thank you for that . . . You have the joint responsibility for our nation . . . The GST has to be stopped. It is a dangerous piece of legislation.

July 27, Edmonton, Mr. Laurence Decore, Leader of the Liberal Party of Alberta. As I recall, he presented a very good brief. He had this to say:

> You are there because the BNA Act, the Constitution of Canada, says that you have a role as the chamber of sober second thought, which is supposed to be the check and the balance to laws that are wrong, improperly drafted, or that Canadians do not like . . . An overwhelming majority of Albertans are opposed to this tax, and I am the messenger of that feeling to you.

July 30, Yellowknife, Mr. Darm Crook, President, Union of Northern Workers:

> A recent survey . . . found that only 14 per cent of Canadians favour the GST . . . Two-thirds of Canadians are opposed to the tax . . . Canadians do not want the tax and Canadians have not been duped by the massive propaganda efforts of the federal government to convince

> Canadians that the GST is in their best interests . . . Ordinary people . . . can only be pushed so far . . . The GST should be flatly refused by the Senate.

August 1, Vancouver, Mr. Ben Wolfe, SCRAP-IT, which is a community organization:

> The Senate of Canada is the safety net in the democratic system . . . Canadians do not want the GST. The government is forcing the people of Canada to accept the GST. Is this democracy? Ninety-five per cent of the people of Canada do not want the GST in any way, shape or form.
>
> The Senate of Canada has a mandate from the people to reject Bill C-62 . . . The people of Canada have spoken—no GST, senators.

Later on, he said:

> If you kill this legislation . . . The people of Canada would say that the Senate is doing its job by providing the safety net within the parliamentary system to ensure that bills that are against the wishes of the majority of Canadians are not passed.

August 1, Vancouver, Mr. Dominique Roelants, B.C. Council of Federal Ridings, New Democratic Party:

● (0045)

> . . . when the country was founded, the Senate was created as a house of sober second thought. The Senate, therefore, has the constitutional right, and perhaps even the obligation, to stop legislation that is clearly unfair to Canadians.

August 1, Vancouver, Ms. Marian Meagher, B.C. Federation of Labour:

> We scarcely need remind the committee that the federal government had no mandate from Canadians to implement this radical, regressive and unjust tax. The Senate remains for us the primary hope for a check against the abuse of majority power by this present government. You represent the only form of checks and balances available to constrain the abusive actions of an elected government bent on misusing its majority . . . senators have the constitutional responsibility to ensure that the elected government of this country acts in a democratic manner.
>
> This legislation does not reflect the will of the vast majority of Canadians. We call on you, the Senate, to reject it . . .

August 1, Vancouver, Ms. Jean Swanson, End Legislated Poverty:

> It is ironic that the appointed Senate is now being more responsive to the concerns of the people than is the elected government . . . Even if the Senate is an appointed body, now is the time for you to stick up for democracy by calling a halt to these Tory policies. We urge you to use all of your power and stop the GST.

August 1, Vancouver, Mr. Ken Novakowski, British Columbia Teachers' Federation:

> . . . I would always have difficulty in terms the Senate's denying, if you will, the right of the elected body to put forward legislation of its choice or decision. However, the circumstances are such that the Canadian population have overwhelmingly expressed their opposition to this measure. Therefore, as the chamber of sober second thought, the Senate has had that historical responsibility to cause those elected representatives to think again about exactly what they are doing.

August 1, Vancouver, Ms. Bernice Kirk, representing CUPE in British Columbia:

> Every democratic political system in the world has in place a set of checks and balances which constrain the actions of its elected government, preventing it from abusing its majority. In Canada, the primary check on the majority power of government is the Senate . . . the Senate has a constitutional responsibility to ensure that the elected government of this country acts in a democratic manner.
>
> That is why the Senate must reject the government's goods and services tax.

August 2, Vancouver, Mr. Blair Redlin, Coalition Against Free Trade:

> The Senate is the constitutional check on governments which have lost touch with what citizens want.
>
> If there was ever an issue which cried out for "sober second thought" from the Senate, it is this one. We urge you to do everything in your power to defeat the GST.
>
> . . . the Senate has the constitutional legitimacy, parliamentary authority and democratic responsibility to do the job.

August 3, Whitehorse, Mr. Larry Widen, Yukon Federation of Labour:

> I would urge the members of the Senate and of this committee to rise above the partisan politics of the situation, not only to defeat and reject the legislation for the GST because the legislation is bad, but also because, during the terms of the current government, the consultative process with the Canadian people in our democratic society has really been interfered with . . . you now have an opportunity to kill this bill and to make it clear that you are doing so because the government of the day must pay more attention to public opinion . . . You now have an opportunity to turn the political decision-making process in this country back around to one of consensus, which is a very honourable and long-standing tradition in the Canadian political system.

Honourable senators, those comments are from witnesses who appeared before the Senate Banking, Trade and Commerce Committee. They represented all parties, a variety of views from every part of the country, including the north.

Throughout this list of witnesses there were basically two pleas: One is that the Senate has a responsibility and, in this case, perhaps a duty to reject this tax; and the other strain that goes through all of those comments is that only here do the

Canadian people feel that they are being listened to, which is a sad commentary on our system.

Personally, I have also received thousands of names on petitions, many of which I have read in this house. I have also collected many letters demanding that this tax be stopped. Honourable senators, I can only assume that you have also received letters, but if not, you will no doubt want to know what some Canadians have been telling us. I have a few that were sent to me that I will read. I could probably go on all night with letters alone, but I will only read a few at this point. We have had an interesting evening with a good exchange among senators, and I perhaps responded too fully to some of the questions.

Senator Perrault: Not at all!

Senator Fairbairn: I have not completed all of my remarks, and I would like to do so, if senators will bear with me for a while. Before I move to the next phase of my speech, I would like to read some of the letters that were sent to me personally. This one comes from a lady in Calgary who wrote to me in June:

> Dear Senator,
>
> Despite the fact that Prime Minister Brian Mulroney and Finance Minister Michael Wilson say a non-elective Senate cannot hold up a money bill, I find this GST such an objectionable tax I will strongly back the Senate if they veto the bill.
>
> I wrote my member of Parliament about my concerns—how it represents a direct transfer of the tax burden from business to individual Canadians, but she ignored me, didn't even bother to reply with a form letter like she sent to my husband and daughter who sent pre-printed cards.
>
> Even at 7 per cent it is still unfair and unequal, a single parent will pay exactly the same tax on any item as a millionaire. Contrary to what Mr. Wilson says about a low income GST rebate, many low income people don't even file income tax returns (they may not have even seen one in their life) so won't get a rebate. Also, despite promises, the MST will not be taken off voluntarily, even with the $19 million "watchdog" department they are setting up. How could this group possibly check every industry in the country and what can it tell us if it is on an industry basis.
>
> Furthermore, the GST will have an adverse effect on our economy which is already feeling the negative effects of free trade, e.g. companies moving south.
>
> In this constituency our member of Parliament did not vote as her electorate asked, nor did all the other Progressive Conservatives (except for two Albertans).

I presume this lady means Alex Kindy and David Kilgour. She goes on:

> They had to vote as the Prime Minister wished (a "dictator's move" to my thinking)—all this even with the millions of petitions and letters sent to MPs. Taxation without representation is completely unacceptable in any truly democratic society. We Canadians now have no one else to appeal to. Our members of Parliament didn't listen. The Senate is our last resort and as members of the Canadian Parliament, you must use your wisdom and power to some way undo this frightening tax that has the potential for increasing government's tax revenues to fund this government's increasingly wasteful spending.
>
> All this money the government is spending to tell us how good this tax is for us is another example of why our deficit is growing so fast. It should have been used to help pay off some of the debt.
>
> I realize tax reform to replace the present federal sales tax system is necessary but not with GST. After June 23 I have no idea what the shape of the country will be in; it may be more difficult for the Senate to act as Mulroney may decide to fill all vacant Senate seats. However, I feel that the Senate is the only parliamentary body left for the Canadian electorate to appeal for the last chance for a democratic voice. Please kill the GST!
>
> Sincerely yours,
>
> Joan M. Sivertsen

She took the trouble to write a handwritten letter—I have never met her—to express these thoughts. When I get a letter like that, I pay attention to it.

Hon. Herbert O. Sparrow: Which member of Parliament was she referring to?

Senator Fairbairn: She did not say. It was a female member of Parliament. By the address Senator Hays would know which riding she was in.

Senator Sparrow: How many female members of Parliament are from Alberta?

Senator Fairbairn: I am trying to think of Calgary.

Senator Sparrow: There is Barbara Sparrow.

Senator Fairbairn: That is one, but I would not like to say at this point.

• (0100)

My next letter is dated October 6, 1990, from Tomahawk, Alberta from a Joyce vanden Elst:

> Dear Senator Fairbairn,
>
> As a Canadian citizen I urge you to stop the tax. Don't be afraid to stand up and say no. This tax is not good for Canada and can only increase the frustration of middle class Canada.
>
> Say no . . . and represent the majority of Canadians.

I have another handwritten note, and I like this one. It comes from a gentleman at Crystal Glass Auto Glass Distribution Centre in Grande Cache, Alberta. He just dashed off this note on the message paper from his company:

Thank you Joyce for helping to stop G.S.T. Please do anything it takes to stop it.

It is too costly to collect and an administrative nightmare for us businesses.

I will close my glass shop if it passes.

Yours Truly,

Stuart Peake

I have another handwritten letter which does not have an address, but I am wondering, Senator Buchanan, does the name Shirley Kitchen ring a bell with you? No? I seem to remember the name Kitchen was on petitions from Nova Scotia. At any rate, she writes:

Dear Madame:

Having heard you on Question Period—

which is a program I did a while ago with Senator Nurgitz—

—I decided to write you, also Senator Nurgitz.

So many people have said they have never written to so many politicians as they have in the past months. We felt compelled to do so because we feel politicians, at all levels, are not listening to us. It is as if we do not exist. We felt it during Meech Lake & now with the G.S.T.

The government through their senate spokesman Senator Murray, would have us believe Canadians are disgusted with the way Liberal Senators are trying to kill the G.S.T. On the contrary, everyone seems to be cheering you on. In fact a recent Halifax, N. S. television poll asked people to call in whether they were for or against what Liberal Senators were doing. The result was 3,393 for & 1,315 against.

Yes, I come from the province whose premier flew the coop, & landed in a loft in the Senate . . . Though I had always been pro Conservative along with most of my relatives, we have washed our hands of them. It began with Meech Lake & the way most politicians used every dirty trick & lies to shove it upon English Canada. We felt every province should be equal, but alas the votes are in Quebec & Ontario. Incidentally, another poll, a month before Meech failed, showed that only 511 were for Meech, while 4,135 were against.

I guess what I am trying to say is that many, many people do not care what method all of you use to try & defeat the G.S.T. It will be devastating to most Canadians. I know it will be to me since my income . . . last year was a few thousand below the poverty level. The year before was even lower & yet thanks to Mr. Wilson & his tax reform I was put back on the income tax roll. That would be fine if people like me thought it would make a difference, but when we see the increase in government spending, & the steady increase in salaries of politicians, all politicians, we grow angry at being told to tighten our belts.

It seems to be time for some sort of watch dog on government spending & taxes. A referendum on certain issues . . . politicians have to start listening to the voice of people.

If Mulroney & his group of lemmings get elected again, Canadians should have their heads examined, & the country should sink below sea level.

Senator Perrault: Hear, hear!

Senator Fairbairn:

Please do not give up on fighting the G.S.T. It is a hated tax, every Conservative I hear it comes up, & the people are angry. We are overtaxed now, & the spending is out of control.

She concludes:

For what it's worth, I no longer want to see P.M.'s from Eastern Canada elected. I do not trust them.

I have an interesting one sent to me in October from a gentleman in Sherwood Park, which is a suburb of Edmonton:

Dear Mrs. Fairbairn:

Re: Your efforts to kill the G.S.T.

Thomas Jefferson, who as you know was the author of the American Declaration of Independence in 1776, devised a coat of arms for himself bearing the inscription "Rebellion to Tyrants is Obedience to God". Hopefully the sentiments expressed by this inscription will lend you and your compatriots in the Senate strength in resisting the criticisms of those who would say that you have no democratic right to do what you are doing.

Hang in there.

Yours truly,

Thomas E. Spratlin

I have another little handwritten one. This comes from Red Deer, Alberta, from Michael Shea:

Keep talking senator. We do not want the G.S.T. shoved down our throats by . . . Brian. Tell Brian—

Well, I will not tell you what he says to tell Brian. At any rate, he concludes his letter saying:

We Will Remember.

This one comes from Lethbridge, Alberta, my home town:

Dear Ms. Fairbairn:

In my opinion, it is the duty of the Senate to safeguard the interests of the Canadian people and I see nothing undemocratic about the Liberal senators' attempts to do just that. The so-called "elected" representatives of the Canadian majority are certainly not representing nor reflecting the wishes of the majority of their constituents. Keep up the good work!

That was from Joyce E. Scott, and she includes a clipping from the *Lethbridge Herald* which she indicates "says it all". It is entitled "Consumers not dull witted". The column was

written in Toronto by Dianne Maley, who is a business columnist syndicated across the country. She writes:

> Tom d'Aquino thinks it is "devastatingly disturbing" that most Canadians do not understand the goods and services tax. Mr. d'Aquino is the president of the Business Council on National Issues, a big business lobby group.
>
> I'm prepared to overlook Mr. d'Aquino's overstatement, but I can't forgive his implying that we are dull-witted. I think Canadians understand the GST well. That's why so many people are opposed to it.
>
> The GST may be a replacement tax for the federal government, but for you and me, the taxpayers, it is new. The average Canadian family will be shelling out more than $400 a year in new taxes. If I spent money on the same package of goods and services next year as I did this year, the GST would make me nearly $2,000 poorer. Who needs it?
>
> Some spending is discretionary. Eating out, visits to the esthetician, for example. But veterinary bills are not. Nor are haircuts.
>
> Mr. d'Aquino laments that we do not realize the GST will replace the existing tax on manufactured goods, now 13.5 per cent. In my pocket, the GST is not a replacement tax. To reap proportional benefits from the "replacement", I would have to buy a stove, fridge, washer, dryer, dishwasher and perhaps a car.
>
> After the taxman is through with me, I will not be able to buy these things, even if I needed them. So I have little sympathy for Mr. d'Aquino's hand-wringing before the Senate banking committee last week.
>
> "The polls continue to show something devastatingly disturbing, and that is that the vast majority of Canadians do no understand that this is a replacement tax," Mr. d'Aquino told the committee.
>
> "One of the sad commentaries about what is going on in this country is that we are debating, making decisions . . . on the basis of largely misinformed people who do not understand the issues," he said. Baloney. There are many sad commentaries to be made about what is going on in this country, but that is not one of them.
>
> The GST will hurt me. But that is not the main reason why I resent it. I'm beginning to think it's a bad tax because as well as skewering taxpayers, it will make life miserable for millions of business people, large and small, who have to collect it.
>
> Businesses will be tangled in red tape. The bureaucracy will have to grow to police the tax, adding to the tax burden. Most of the offenders will be people who are unable to follow its convoluted paths.
>
> Ottawa does have a problem. The manufacturers' sales tax makes Canadian goods uncompetitive. But then so does the high exchange rate. Other countries have consumption taxes. But are they all so complicated to collect? Finance Minister Michael Wilson wanted the GST to cover everything, food included. Having no exemptions would have made the tax easier to administer. But the public opposed a tax on food.
>
> How will people respond to the GST? I'm going to spend a lot less money. Call it a consumer's revolt. If we all do this, and if we bring the economy to its knees, so be it. The consumer society was not conceived and propagated with consumers in mind.
>
> Let Mr. d'Aquino and the BCN sell their goods elsewhere.

I have another letter, this one from people here in Ottawa, Laurèl J. Craib and James W. Jeffcott:

> Dear Senator Fairbairn,
>
> We are writing to you to voice our support to the Liberal Senators who are in the midst of opposing the Goods and Services Tax.

This was sent to me in mid-October.

● (0115)

> Once and for all, Canadians are being allowed to voice our opinions through you, and we appreciate your efforts enormously.
>
> While Mr. Mulroney claims that your efforts are "Undemocratic" it is actually his government that is proceeding in an undemocratic fashion; the appointment of the eight additional senators, the fact that 80 per cent of Canadians are strongly opposed to this tax regime, and the fact that the Department of Finance has arbitrarily decided to waste our tax dollars, in its feeble attempt to propagandize this tax with the exorbitant advertising campaign it has now undertaken. His political ploys are not acceptable.
>
> This tax will hurt our family's financial situation enormously. There must be another solution to Canada's debt that we can accept, but typically the Conservatives have not considered other alternatives. There is one answer Mr. Mulroney should consider—he should call an election and let the people decide the fate of this tax.
>
> We ask you to keep up your fight against the goods and services tax. You are a necessary voice.

The next letter comes from Edmund and Catherine Wright of Toronto and it states:

> The proposed GST tax is of great concern to us. It would appear to be very unfair, and our accountants have explained to us how difficult it is going to be for our small business. The paperwork for our small retail store will $%not$% be minimal and we feel that, after 25 years, we may not be able to remain in business. There are already enough problems in today's market, without having to figure in another tax as a separate item.
>
> Everyone in our family, in both a personal and business capacity, is hoping that the Senate will put a stop to a tax in this form. Please do not ignore public opinion on this matter . . . We understand that the Senate is able to vote

against this regressive and damaging tax, which we believe is bad for Canada!

The next letter is from Duncan Dee, a student at the University of British Columbia.

Senator Perrault: He is a great young man.

Senator Fairbairn: You know him, Senator Perrault. He states:

> How are you doing? It seems like all our senators must be tired these days given the fact that many of you have probably been in the Senate for hours on end.
>
> I just wanted to drop you a line to let you know how much support you have across the country. As a university student, I must say that the GST will do irreparable harm to myself and my peers. A 7 per cent increase on the cost of tuition (which is already $1,800 per year at UBC) and the cost of books would greatly discourage many less well-off, yet very qualified young Canadians from attending or continuing with university. The country, in this age of great international competition, certainly cannot afford to lose qualified young people who will eventually enter the workforce.

Next is a fax message from The Mimir Corporation of Edmonton, Alberta. This corporation has had a great deal to do with the fight of the Lubicon Indian band to obtain a reserve from the federal and provincial governments. The fax states:

> The fight you face is not one which any thoughtful person would choose. But neither is it one which any person of quality and substance could duck. From here you're looking fine . . . Give 'em hell.
>
> Sincerely,

Fred Lennarson

Senator Perrault, the next letter is from the District of Port Hardy on Vancouver Island.

Senator Perrault: Great people up there.

Senator Fairbairn: It is from Phyllis Belaire. Have you ever met her?

Senator Perrault: The name is familiar to me but I do not know her personally.

Senator Fairbairn: The letter states:

> The Municipal Council of the District of Port Hardy unanimously passed a resolution requesting that all senators from British Columbia and Alberta vote against the present goods and services tax legislation now under consideration.
>
> It was the Council's position that since the majority of Canadians do not wish the goods and services tax legislation to be passed, senators should exercise their voting rights to defeat this proposal.

Phyllis Belaire is the administrator of the District of Port Hardy, and she sent a copy of her letter to Premier Vander Zalm.

The next letter is from Calgary, Alberta and it states:

> Dear Senator Joyce Fairbairn,
>
> I want to express my appreciation of your wonderful efforts to curb the GST. I am so relieved to know that someone cares about Canada. Now I know that you care about the children of country and the elderly and the poor. It must be very difficult but I am so appreciative that you are trying.
>
> Your efforts must do much to make the people of Canada realize that there are a few in our elected government who really represent us and care about us.
>
> Please express my appreciation to each member of (your party). I am trying to write to each one.
>
> Please don't give up.
>
> Gratefully,

C. Adams

I believe Ms. Adams may have written to other senators from my province.

The next letter is a faxed copy of a letter sent to Senator Twinn and it states:

> Dear Sir,
>
> I am enclosing a copy of Resolution . . . passed by the Atlantic Chiefs of the "All Atlantic Chiefs' Conference" held in Moncton, New Brunswick on October 23rd, 24th, & 25th, 1990.
>
> We ask you to vote against Bill C-62, the proposed "GOODS AND SERVICES TAX". This tax will have a devastating effect on Aboriginal Peoples from coast to coast.
>
> We call upon you to represent the interests of Aboriginal Peoples in Canada and exercise your vote accordingly.
>
> Yours in Brotherhood,
>
> Chief Leonard Tomah,
> Atlantic Regional Vice-Chief

Copies of this letter were sent to Senator Len Marchand, Senator Charlie Watt, Senator Joyce Fairbairn and the Assembly of First Nations.

Senators, there are a great number of other letters and, depending on how I get along with the rest of my speech, I might read some more.

Senator Steuart: Any petitions?

Senator Fairbairn: Senator Steuart, my whole desk is filled with petitions. However, the letters are interesting. The ones that I picked out to read are from various parts of the country from people who took the trouble to write a personal letter, not just sign a form. When that happens, we do try to take seriously those expressions of opinion and encouragement. I am sure all senators have received similar letters.

In the next part of my remarks I want to deal with some of the contributions that were made to the committee. Perhaps they are not reflected in total in the minutes of the committee but they were brought forward when the hearings were held in Edmonton for two days in August. We listened to comments from other people across the country, but nowhere is the opposition to this tax stronger than in my own province of Alberta, and for good reason.

Alberta is the only province without a provincial sales tax and the people of Alberta feel particularly angry that this new 7 per cent tax on everything will be imposed on them. As I have mentioned a number of times, along with the provincial governments of British Columbia and Ontario, the provincial government of Alberta is challenging the constitutionality of this new tax. In that challenge I believe that they have the support and the encouragement of almost every single Albertan, save the remaining members of Parliament still sitting as Conservative members from Alberta, and perhaps in their hearts I suspect some of them know that their constituents are right.

Honourable senators will know that two members of the Conservative caucus from Alberta have already paid the price for opposing the GST. Brian Mulroney has kicked them out of the Conservative caucus. If anyone thinks that Alan Kindy from Calgary and David Kilgour from Edmonton represent a small minority of opinion on the GST in Alberta, they have certainly got another think coming. The people of Alberta are so opposed to this tax that it is highly likely that it will cost the Conservative Party its historic hold on that province's electorate. In my travels throughout the summer and during the year, but particularly this past summer when I spent most of the summer travelling to small communities in the southern part of the province, I was told that there is not a safe Tory seat in the Province of Alberta.

Senator Perrault: Nor anywhere in the west. They are all finished in British Columbia.

Senator Fairbairn: Perhaps so. Billions of dollars will be pulled out of the Alberta economy, not only when times are good and oil prices are high, but also in the bad times. Every year relentlessly, year after year, those tax dollars will flow out of the Alberta economy into the coffers of the federal government, just as they will flow out of every other province and the pocketbooks and the bank accounts of every other Canadian.

• (0130)

However, I would like to let the people of Albert speak for themselves through the words they presented to us in some of their briefs. One that I think certainly caught our attention was a presentation from a gentleman representing the Alberta Union of Provincial Employees, Local 54, University of Alberta Hospital. This gentleman, Kishan Sri Thakur, came with some associates who actually took time off without pay in order to make their position known to this Senate Committee. It is a very short brief and I just want to put it on the record tonight.

[Senator Fairbairn.]

We are a labour organization representing 2200 support staff at the University of Alberta Hospitals. Our members are from diverse cultural and ethnic backgrounds; some are single mothers working in the lowest paid occupations within the hospital. Some of the functions we perform are: preparing and serving meals, clerical duties, washing, sorting and supplying line, receiving, storage and issuing of supplies, maintaining the servicing the mechanical systems of the hospitals and working in environmental services. The salary range for our membership is approximately $19,000 to $40,000 per year.

Our concern about the goods and services tax is that it will have a severe and devastating impact on our lives. We are not here to offer a solution to this tax, but to let you know how this tax is going to hurt us.

As working people, we believe we do have the right to have a place to live and to provide food and clothing for our children and ensure that they receive a decent education. These are the basic necessities of life. Should this unfair and unjust tax be allowed to pass through the Senate, we believe we will no longer be able to afford to provide these basic necessities for our families.

Unfortunately, the tax credits the Government proposes will have little or no effect upon our membership. This means that we who are considered to be lower middle income earners will have to continue to carry a bigger share of the tax burden than we do at present. Numerous studies have shown that low and middle income workers spend more of their income on basic necessities than do the rich. We believe it is the poor and not the rich who will be hurt by this regressive tax, which does not discriminate. That is why this bill must not be passed by the Senate.

Since the Conservatives came to power in 1984, we have seen more and more of our earned dollars go toward some kind of taxes. As hospital workers, from March 1984 to March 1990 we have received an average wage of approximately 23%, but at the same time our personal income taxes rose by 34%. This does not include other increases in the cost of living. We are being taxed so much now that what were once viewed by us as necessities are now being seen as luxuries.

We are proud of our social services and security network to which we have proudly contributed, and will continue to contribute, and we are especially proud of our health care system, which is vastly superior to anything found south of the border.

We are also proud of our caring society and the standard of living we have been able to maintain over the years. As the working class, we are always ready and willing to pay our share of taxes to help preserve the social structure, but to foist this unfair tax upon us will destroy our ability to maintain our standard of living. If this bill passes through the Senate, a single mother earning $19,000 per year will pay exactly the same tax on an item as someone

who earns $100,000. This is, we believe, in direct contrast to the principle that individuals should be taxed according to their ability to pay. The burden on us of the GST will eventually lead to the destruction of the whole social structure of this country.

Senators, we are appealing to you that you do not kill the goose that lays the golden egg. Therefore, for the sake of our children's and our grandchildren's futures you must kill this unfair, unjust and unreasonable tax in the Senate.

This Government told us that the present manufacturers' sales tax would drop from 13% and that this savings would be passed on to us, the consumers. What guarantee do we have that this will happen? How do you expect us to believe anything this Government said when, nearly two years ago, we were told that more jobs would be created in Canada under the Free Trade Agreement. All we have seen so far are plant closing and layoffs. We, as consumers, will never believe in this Government and we hope you Senators will intervene on our behalf.

The Alberta Federation of Labour also made a presentation. That organization represents some 107,000 members from diverse cultural groups and communities engaged in every conceivable occupation in our Province. While its primary function is to represent those workers, it also strives to represent and intervene on behalf of all working Albertans, whether organized or not, and also to speak for a broader coalition of social justice organizations to which they also belong.

The Federation believes that:

The GST will be the single greatest change to the Canadian taxation system since the introduction of income taxes.

Albertans know that they will pay the price of the GST as workers, consumers and taxpayers.

Federal government advertising to promote the GST presupposes that business will pass forward all of its MST savings to consumers. Very few of our members believe this! They think, instead, that the possibility of 100% pass-through is extremely unlikely.

We strongly expect, instead, that most of the savings from the removal of the hidden tax will find its way into the pockets of business. Mr. Wilson has already admitted that business will not be compelled to reduce their prices, nor could Canadian manufacturers offer any guarantees of price reductions in their testimony before various Parliamentary committees.

The Federation said,

We are already receiving notice of GST base price increase.

This brief was given in August and they said:

Just this week, we were told that travel companies would begin in September to add the GST to any bookings for the new year. In other words they have made firm plans to collect the tax, even before the bill has passed Parliament.

The Federation also said they knew that travel companies were not the only businesses to make such plans:

The final blow to the government's misleading advertising of 1.25 percent GST inflation comes from the Consumer and Corporate Affairs Committee of the House of Commons. After weeks of public hearings, the Committee concluded that the Government's assumption on MST savings is false. The words of the Committee Chairperson, himself a conservative MP and a strong supporter of the GST, sum up the problem quite accurately:

The Federation then quoted:

The Government is just plain wrong on this one. Based on what we have heard, there is no way all of the savings will be passed on to consumers nor can the government guarantee it.

Not only do Albertans expect much of the savings from the removal of the MST will be pocketed by business; we also expect that the compliance costs to business of collecting the GST, be passed on to consumers in the form of price increases on products and services, will be high. In addition, we believe that most provincial sales and excise taxes are going to piggyback on the GST, so that Canadians will have to pay this tax on top of other taxes. Eventually, we expect, provincial taxes may even be adjusted to reflect the GST's broader base.

We also believe that secondary price pressure will arise in those industries such as rental housing, financial services and many social services that cannot collect the GST from consumers directly, but which will increase prices to their customers to compensate for the GST they must pay on their inputs.

So we face the introduction of the GST, expecting the inflation it causes to be considerably higher than 1.25 percentage points, without organized labour even lifting a finger to protect members' buying power. CUPE researchers, for example, have estimated that if only 50 percent of MST savings are passed on to consumers, the GST's impact on the CPI would be 2.57 percentage points—more than twice the government's estimate. To this, we would add an estimate of the price increases resulting from business compliance costs.

• (0145)

Based on the experience of other countries, we estimate these costs will add 0.26 percentage points to the CPI. This makes a total inflationary impact of 2.83 percent. Combine this with "normal" inflation and the overall 1991 rise in the cost of living can be expected to total at least 8% to 9%, despite Mr. Crow's attempt to throttle the economy in anticipation of the GST-caused inflation. In fact, we expect that inflation could conceivably reach double-digit levels.

The Alberta Federation of Labour then went on to list the reasons why it opposes the GST:

It transfers yet more of the tax burden from the business sector to individual Canadians . . . .

> It is a truly regressive, unethical tax . . . .

The brief went on to say:

> It means that a single parent on welfare will pay as much tax on any item as Peter Pocklington . . . Furthermore, the poor must spend all their limited finances on consumption, whereas the wealthy can reserve a large portion of income for investments, tax shelters, etc.

The third reason the federation opposes the GST is that business is the only sector completely excluded from the tax, as they will get every cent of the GST rebate; the tax will lead to high inflation and economic stagnation. The federation concludes by saying that they will not allow their workers to be the scapegoats. They then went on to say:

> In our view, then, the GST should be scrapped because it is unfair, regressive, inflationary and damaging to our economy. It is being promoted with lavish promises, outright lies, and blatant threats. Our major concern as a Federation is that when inflation in 1991 does jump dramatically as a result of this unjustified and ill-conceived new tax, to be sure that the Mulroney government will not succeed in laying the blame elsewhere.
>
> We are well aware that, even though the stage has been set for higher prices through the imposition of the GST, Finance Minister Michael Wilson and the Governor of the Bank of Canada have asked working people not to try to make up their lost purchasing power by asking for higher wages. It is no secret that the Canadian Manufacturers' Association has recently called upon the Canadian government to set up a restraint program aimed at restraining government spending by imposing wage controls. This, at the same time as John Crowe, the Governor of the Bank of Canada, has received average annual increases of 21%, and deputy ministers have been given salary increases of 31.2% over the past three years, not counting bonuses, compared to the 13.5% rise in the average weekly earnings of Canadians in the same period.
>
> As a consequence, we are advising our members to bargain for provisions to protect against high inflation during 1991, because we are convinced that Mr. Wilson's forecast of GST-inflation is irresponsible and deliberately misleading. We will not stand idly by while wage controls are imposed on us. We intend to priorize such GST protection as cost-of-living allowances (COLA clauses), wage re-openers, and appropriately-large nominal wage increases for 1991 and beyond . . .
>
> Neither we nor our members relish the idea of confronting city councils or hospital boards. We are unwilling participants in the industrial strife which is sure to result, and we would much rather see the tax scrapped. However, workers can't be expected to simply roll-over and give up 3 percent or more of their real incomes, because of Mr. Wilson's badly designed and unfair tax.

The Leader of the Liberal Party in Alberta, Laurence Decore, also made a presentation to the committee. Mr. Decore has been doing very well in Alberta of late, and could conceivably be in a position to become the next premier of that province. He noted in his brief to the committee that the Alberta Liberal Party was against the imposition of the federal goods and services tax before revisions and remains against the tax today.

Mr. Decore listed a number of points to indicate why the GST is the wrong tool to achieve the goals behind it which, in fairness, Mr. Decore believes are appropriate goals. He stated that he believes those goals to be deficit reduction, removal of the MST to ensure that Canadian manufacturers can compete more effectively at home and abroad, and improvement in the overall fairness of the tax system. However, he went on to say that the GST is the wrong tool to achieve them, and he listed the reasons. He said that the GST would discriminate against Alberta, would result in an unavoidable short-term loss in economic performance, would be inflationary, would be a regressive and unfair tax, would not address the problem of government spending, and would indirectly tax health and new rental accommodation and directly tax non-educational reading materials. He stated that he believes that goods and services should receive preferential tax treatment. He felt that the GST would be costly to administer, both for the private sector and for the government.

People in this part of the country have to understand the thought processes of western Canadians, and certainly those in Alberta, as they perceive these kinds of policies as coming down from on high, conceived and based on standards that exist primarily in central Canada. Mr. Decore stated that he felt that the federal government is shifting the tax burden away from Ontario and its manufacturing base west to the prairies and, in particular, to Alberta, and because of this, the impact on wealth and income would clearly favour eastern economies while penalizing Alberta. He noted that, although exports out of Canada are unaffected by the GST, transportation of goods and services within Canada will be taxed.

Mr. Decore then went on to say that Alberta is already geographically disadvantaged in terms of competition between goods and services consumed within Canada, and indicated that the GST as applied to transportation would increase their locational disadvantage. This point has been made repeatedly in this place by Senator Olson.

Mr. Decore then went on to say:

> Alberta's domestic competitive position will be hampered by taxing the distance between us and cheap supplies, and by taxing the distance between us and major markets for our commodities.

He stated that he believes that the second item of importance to Alberta is the controversy that still surrounds the transition period between the implementation of this stage of tax reform and renewed economic growth. He had this to say:

> The document tabled by the Honourable Michael Wilson, on December 19, 1989, shows that Stage II will result in an increase in economic activity and employment immediately, and for every year thereafter. The Institute for Policy Analysis—University of Toronto . . . indicates quite the opposite. That is, Stage II results in a drop in

real economic activity and employment, versus the base case, beginning immediately and lasting for five years. The Conference Board of Canada has also released a study that contradicts the Federal government claim of immediate economic benefit . . . .It is important to note that none of the studies have allowed anything but a modest wage price response to the initial price impact of the GST, and are thus conservative estimates of the GST impact. It is therefore apparent that there will be an adjustment, which at minimum will last one year . . . and will likely last three or four. This will cause a loss of employment in Alberta of anywhere between five and nineteen thousand jobs.

Alberta continues to struggle out from under the massive income losses caused by low petroleum prices, further employment losses at this point serve only to rub salt in a wound that has not healed. It will take between two hundred and seven hundred million dollars spent in Alberta simply to overcome the employment loss alone, induced by the GST.

Mr. Decore then went on to discuss his points, and he concluded with this comment:

In conclusion, we in the Alberta Liberal Party urge the senate to refuse passage of the GST. We ask that the senate take back to Ottawa our concerns regarding;

—the cost of transition to Alberta

—the inherent bias against Alberta manufacturing

—the exacerbation of Alberta's locational disadvantage

—our concerns over federal government spending

—the discrimination against the economically disadvantaged

—the direct taxation of reading materials, and the indirect taxation of un-insured health services and affordable low cost rental housing.

• (0200)

Earlier, I noted the comments of a gentleman by the name of Terry Hlady who appeared as a private citizen. He was an interesting witness. He presented a number of documents to us that he had been, over the course of a year, sending urgently to Conservative members of Parliament from Alberta—he is a Conservative—urging them to implore the government to have a second look at what it is trying to do with this tax.

Hon. H. A.Olson: I wonder if I could ask Senator Fairbairn a question.

Senator Fairbairn: I would be delighted.

Senator Olson: You have accurately referred to a number of the briefs, and the reasons for them, that were presented to the committee. In those hearings, we listened attentively to the witnesses. On a number of occasions, some Conservative members agreed that there were legitimate grievances in the way Bill C-62 is now written and, therefore, they would support fixing it up. I can see several members across the way who were at those meetings who agreed that those witnesses had legitimately identified an unjust provision in the bill. I remember it happening in the Yukon and in Halifax. We spent hours on the point of regional discrimination in Halifax, and I wonder if you recall the Conservative members of the committee who recognized that a particular clause was unjust, and said that as soon as we began to study the bill clause by clause, said they would fix it.

We have tried to make 10 amendments, and we spent hours imploring members to stand up and do what they said they would do in the committee hearings. So far, we have run up against a stone wall. Why do you think we cannot get them to keep their word from the committee hearings on the floor of the Senate?

Senator Fairbairn: I thank you for that intervention, Senator Olson. It is true. You travelled with the committee from coast to coast, and I was only present briefly. One of the things that impressed me in the hearings I attended, and those I have read about, was that the people who made their presentations to the committee spent a great deal of time and effort sincerely presenting those concerns. I think they expected to be listened to, and I am sure they expected to see some results.

Senator Olson: I think members of the committee sincerely believed that they would see amendments made to Bill C-62. I do not know how close we are to the end of the debate, but none of the Conservative members of the committee have come forward and offered to do what they said they would do. There are some serious injustices in this bill.

Senator Fairbairn: That is true. One of the frustrations put forward by this particular witness, Terry Hlady, was just that. He, as a loyal member of the Conservative Party, had been trying, quietly and behind the scenes, to impress upon his colleagues in that party from Alberta that changes had to be made. I think his last move, out of frustration when he felt he was not getting anywhere, was to make a presentation publicly to our Senate committee. In it he strayed from the political course he followed and, in a covering note to us on that Senate committee, he attached various documents he had already sent to his Conservative colleagues, he said:

Mr. Mulroney has stated that it would be inappropriate for the appointed Senate to interfere with the elected government regarding the GST. The inference is that the elected body more legitimately represents the wishes and intent of the citizens. It is clear to all astute observers that this is not so. Thinking Canadians from all walks of life form a vast majority of citizens who believe strongly that the GST is a bad tax that would severely damage the Canadian economy. If ever in our history there was a time when the people needed, and desperately showed that they needed, the protection of our Senate, it is now in the GST.

As you study these documents you will see how the information used in promoting the GST was either mistaken or deliberately inaccurate. Either case has created valid cause to block this legislation. The Senate exists, and the people have called loudly for it to protect them. The critical need for a Senate is sharply obvious today. Canadians, perhaps more than ever before, recognize the

importance of your presence in the national life of our country.

In his documents, he makes a detailed and somewhat emotional plea to his Conservative friends, and one paragraph says:

> As a very worried Conservative, I ask you to seriously concern yourselves with the matters I have written about. If the perceptions are near to being accurate, we must dismantle the GST program. Ideally this would be done in a normal government process. If the cabinet refuses to correct the situation, it would be necessary that caucus oppose the legislation with, if necessary, all MPs opposing the bill in the house. We must demonstrate that the Conservative Party as a body will not accept faulty legislation, even though that legislation was developed by its own people. Failing the above, it is possible that history will record this caucus as the one that presided over the demise of the Conservative Party as a significant instrument in Canadian federal politics.
>
> Given the current political climate in Canada, I fear I am not being too imaginative. Our party pulled itself up from a very low end to a winning organization in recent years, and perhaps we could do it again. I caution you that it is not easy or always possible to find and organize people with the skill and the spirit to do what our party did in the 1970s and the early 1980s. Our first tenure following 1984 was a good one, but we are in trouble this time around, and the element that had been by far the main part of this trouble is the GST. This element is scheduled to be with us right through until the next election. Consider carefully what it will be like to deal with a charge of either ignorance, or, alternatively, dishonesty by an aggressive opposition in the next election campaign.

This is really a cry from the heart from this concerned Conservative in Alberta who concludes:

> Frankly, I don't think Mike Wilson himself any more believes that the GST is a good idea, but he is stuck with it. Politicians cannot change flawed legislation that they have created because they have to save face. Mike Wilson must be an intelligent man who must surely see the monstrous nature of this tax. He is stuck with it, can't back off and needs our help to shut it down. We have to get our MPs to take it away from him and destroy it before it destroys us.

That, indeed, was a cry from the heart from Mr. Hlady, who, I might say, as our battle continues, has called the office a couple of times to tell us to keep up the fight.

I would like to touch on another short presentation because it presented an interesting view on behalf of farmers. It was presented as an adjunct to another brief. The presenter was Dr. Alfred McGhan. He made a personal presentation at the Edmonton hearings. He says:

> From an individual viewpoint, I would like to indicate some feelings about the effects of the goods and services tax on farmers. The statement by government personnel that the GST is neutral to farmers could not be further from the truth.
>
> First, the bookwork and accuracy of transactions will lead to many mistakes and delayed verifications. For example, an item requires a number from the manufacturer through to the final purchaser with a description. If one number is wrong, verification for a rebate will not happen until much later in time and will involve a labour expense—and not only to farmers.
>
> Second when—and not if— a farmer makes mistakes it will be because there will be continually-changing dividing lines for zero ratings on items on which you do not pay the GST, items on which you do pay the GST and can request a rebate, and items on which you do pay the GST and cannot receive a rebate. The dividing lines are not even clearly set out now.
>
> My main concern about the GST is the control and power, and the ease of misuse of that control and power.
>
> Setting up a system with civil servants gathering information given by one person reporting on the other, business reporting on business—and it is against the law if you do not—leads to corruption. Whenever a person or group of persons is allowed to control the information gathered it creates a licence for graft, to receive wealth and power through that control.

• (0215)

> In the matter of laws used by the tax department, with the added laws of the . . . GST you and I are at the mercy of civil servants to prove that we are not guilty.

He concludes:

> Control is the key that the federal government is inserting into its proposal of a value-added tax. It sets up a power structure with person reporting against person . . . Being a spy for revenge, suspicion, profit or position can also be used by one against the other with this reporting method.

Honourable senators, a lot has been said about the tourism industry in all parts of Canada, and particularly in the north. The industry in Alberta is no exception. It is the third largest earner of export dollars and generates over $2.5 billion in revenue, 75 per cent of which is spent by Canadians travelling in Alberta. The tourism industry in that province provides 74,000 direct and indirect jobs annually. It is also the world's fastest growing industry, and Alberta's tourism industry faces stiff international competition.

I referred earlier to the fact that, a year ago, we were out there listening to members from the tourism industry complain about the effect that the cuts in Via Rail would have on the future of that industry in the province. The fear with the GST is that Canadians will perceive Alberta as an expensive destination, and more Canadians will travel out of Canada to the U.S. and other competitive destinations as a result of the GST.

Off-shore markets will perceive Canada as an expensive destination in comparison to our competitors. We were given some examples of this, particularly when they are talking about the pull that our mountain parks have on tourists,

particularly in the ski season, although it is true in any season. They indicated that ski lift tickets, for example, will increase $2 to $3 as a result of the GST. Accommodation, meals, transportation and entertainment will increase, pricing the Alberta ski industry product well above the American product.

In summary they told us:

> To understand the impact of the GST on Alberta's Tourism industry is to understand the significance of our domestic market and to recognize that Tourism is highly price sensitive. Visitors have a wealth of Tourism products and destinations to choose from; products that are aggressively marketed each day in countless media around the world. The Canadian government must decide whether it wants to encourage and foster our growing Alberta Tourism industry or damage it with the introduction of the GST.

Another brief that I wanted to refer to in part came from the Alberta Association for Continuing Education. This organization is a non-profit one incorporated under the Societies Act in Alberta and has approximately 460 members. Most of them are providers of part-time learning opportunities, both credit and non-credit, for adult Albertans. It exists to promote the concept of life-long learning and to identify, and respond to, the needs and issues of all providers of learning opportunities for part-time adult learners in the Province of Alberta. The brief goes through the association's concerns on the bill at some length, and I will just indicate the conclusions of that brief to honourable senators:

> In review, the problems for implementing the GST on non-credit part-time adult education activities are:
>
> 1. Increased tuition and administrative costs to adult learners and organizations and institutions offering the courses.
>
> 2. A widening of the educational gap between the haves and have-nots based on the ability to pay for the increase in tuition fees.
>
> 3. An undermining of the value of education and learning regardless of its classification of credit or non-credit. In Alberta non-credit educational opportunities do receive public financial support.
>
> 4. A reduction in course registrations potentially leading to decreased course offerings by Further Education Council members, and potential social problem costs for society when adults are not able to solve problems through learning opportunities due to increased tuition fees.

The brief continues:

> The benefits of not imposing the GST on non-credit adult-education courses are:
>
> 1. Participation rates will remain high.
>
> 2. Administrative costs due to collecting and administering the tax will not be passed on to adult learners through tuition fee increases.

As honourable senators must know, many people who become involved in these kinds of courses are people who have slipped through the cracks, who have had a very tough time, and who are in no position to be paying, in some cases, any tuition costs, let alone having those fees increased.

> 3. Lifelong Learning will maintain its status as an important concept and movement for improving self and lifestyle in Alberta and Canada.
>
> In conclusion, the members of the Alberta Association for Continuing Education encourage you to reconsider the value of non-credit learning activities in our daily lives . . . We ask your assistance in ensuring that the Goods and Services Tax legislation and policy does not become a barrier to adult participation in worthwhile learning activities.
>
> Learning, in any form, should not become a taxable commodity.

In a speech that I gave earlier in this house, probably in response to the amendment of Senator Waters, I indicated, apart from briefs that we had received in the committee hearings, that the whole issue of the GST has permeated the life of every community in our province already. In my own home town, city council, as it prepares its budgets for the coming year, has just really realized that the GST will add $200,000 to city costs. That is $200,000 that that city had not anticipated it would have to include in its budgeting for the coming year.

Another community in southern Alberta, which Senator Olson would know well, is the town of Claresholm.

Senator Olson: Oh, yes.

Senator Fairbairn: Claresholm has become one of the most active little communities in its opposition to the GST. In fact, its citizens became so enthused about the community involvement that they actually sent—and I believe it has been received—a coffin to Senator Buckwold, as chairman of the committee, and I believe that that coffin contains a number of petitions against the GST. They were doing this as their effort, symbolically, to urge us to give the tax a decent burial. This occurred back in late October. The town council joined the ranks of municipalities opposed to the GST, and the mayor, a gentleman by the name of Ernie Patterson, expressed fears for the future of small businesses in that community. He said:

> The tax will have a negative effect on the smaller municipalities . . . Here, one of our main areas of concern is over utilities and power costs. They've taken a big jump already and we're faced with an extreme problem in our budget to meet these costs . . . Add more tax to it and I don't know what we'll do.

This is a small town we are discussing, so all of the facilities in the community take on perhaps even more importance than they do in cities where there are a variety of alternatives.

Senator Olson: All of the businesses are hurting, too.

Senator Fairbairn: That is right. Mayor Patterson indicates, for example, that maintenance of things such as their arena and their swimming pool will be at risk. He said:

> The town has done reasonably well through this long period of drought and grasshoppers . . . We are a hospital community—a lot of people work there—but we are still very dependent on agriculture and commodities prices are down. We are not booming.

One of the small businessmen in Claresholm who owns the town's new Chicken Delight outlet, which is important in that little town, says that extra costs associated with the new tax will make bearing it even harder.

> "We're scared," says McMahon. "Administrative costs will be so high. Bookkeeping will be a nightmare. Even the manufacturers will have to cover high accounting costs.
>
> I don't know how we'll handle it yet—probably our regular prices plus seven per cent. If we bury the tax in our prices, we can't compete as well because automatically it looks as though we've upped our prices.

Another small store owner, Norm Elford of Elford's Men's Wear, says that the tax will slow his business and effectively eliminate valued clientele. Apparently some of these communities get a great deal of business from British Columbia, because people come to Alberta in order to make their purchases without sales tax, and Mr. Elford says that people are already saying that they intend to go to the United States to shop because it will still be cheaper for them.

● (0230)

> Just for the administrative costs alone it will cost us. There will be extra hours every month for accounting. If sales drop, we'll have no recourse. You can cut back on stock, but then you have a less attractive business.
>
> Additional expense will come to merchants through GST on freight costs.

He stated that he has always managed to overcome his freight expenses, but will no longer be able to do so.

> "They say we can claim that cost back, but it still won't help because of the extra administrative costs," Elford says.

Mayor Patterson sums it all up when states:

> As a council we have always tried to be very careful about spending . . . We don't see the federal government making any attempt to contain or stop spending. Since they've been in during the last six years, they've doubled the national debt to $360 billion from $180 billion and all this during a time of great economic boom for most of Canada.
>
> If I were a small businessman I think I would be tempted to just throw up my hands and say, "That's it, I can't take any more."

Honourable senators, those are some of the views I wished to convey to you because of the fact that they came from our province. Sometimes we do not hear many negative views from the Province of Alberta because all the representatives here in the House of Commons belong to the governing party, and basically I suppose they make their views known in caucus. However, as Senator Olson points out, for the two who spoke out it was disastrous, because they were removed from caucus.

Finally, honourable senators, I wish to touch on some of the alternatives to the GST. As senators know, the government makes the claim that this is the one and only tax that is available in order to carry out its economic agenda. That prompted persons in this country to bring forward other alternatives. It is not the case that no one has a better idea and therefore the government must go along with the GST proposal. I believe that attitude is a cop-out which does a great disservice to many Canadians, particularly those Canadians who have provided dozens of different options.

Many of the people who presented briefs to the committee gave a number of options for the government to chose from. Many of them were probably reflected in some of the amendments that were brought forward in this house in the hope that somehow the government would ameliorate the effect of this tax on certain vulnerable areas of Canada.

One of the first proposals developed in a major way was by one of our colleagues in the House of Commons, Dennis Mills, and what he has called *The Single Tax*. This proposition has been brought forward in other forms over the years, but Mr. Mills has taken it a bit farther and consolidated it into a book which he hoped would prompt alternate discussion in the country. In Toronto, he appeared before the committee and made a presentation and I thought that tonight I would read a few excerpts.

The fact that it is called the single tax makes everybody think that if it is really that simple, there must be something fundamentally wrong with it, which is often an attitude that is taken in this particular city. Whenever there is a solution that seems to be a "B" follows "A" solution, there is almost a bias against it being any good.

Dennis Mills has taken some knocks about the claim for a viable, valid and simple proposition in his single tax. I thought I would give some of his thoughts about the tax as it developed in his own mind. He talks about being prompted by Brian Mulroney and Michael Wilson who, as he noted, challenged Canadians to come up with a viable alternative to their tax, and he decided to take them at their word. He also noted that important in his considerations were the opinions of some of his colleagues in the House of Commons who prepared a minority report when the House of Commons committee travelled at a very brisk pace over a short period of time. They shut off and insulted many Albertans while in Edmonton when they implied that anyone with a grade 5 education could understand the tax.

Senators may remember that when the Finance committee reported to the House of Commons, there was a minority report from the Liberal Party which recommended that the Conservative goods and services tax proposal be withdrawn and that the federal government immediately begin consultations with Canadians and provincial governments on the creation of fair and integrated reform of the entire tax system. That, says Mr. Mills, is exactly what the single tax proposal is

all about. He believes, and his colleagues who helped him with his book passionately believe, that their proposal could revitalize Canada.

He talks about the early stages of his report and how he was determined to find some better tax system that would answer the needs of Canadians and help to steer us towards prosperity without sacrificing the social values that we all agreed were important. His first stop in putting this proposal together was to ask some basic questions, which he did of the Parliamentary Library. These questions were based on criticisms that had been made by constituents and people from other parts of Canada—businessmen, friends and fellow politicians. They wanted to know whether corporations were paying their fair share of the tax burden, whether the rich really were avoiding paying taxes, how badly seniors and low-income earners were being affected, and what options there were for simplying the system. These questions were just the beginning of putting together this proposition.

As time went on, more and more people became committed to finding a solution and joined the Mills' team. It was ultimately this teamwork that produced a viable alternative to the present system, an alternative which also held out the possibility of phasing out the current manufacturers' sales tax and so avoiding the proposed GST.

One of the first people who began as part of the team was a gentleman from the Library of Parliament Research Branch and he provided some answers to Dennis Mills' initial questions which may be of some interest:

> In 1986, there were 32,340 individuals with incomes over $25,000 who paid no taxes.
>
> Of these, 6,250 had incomes greater than $50,000.
>
> Those with incomes between $1 and $25,000 paid tax at a rate of 10 per cent of total income but this rate over doubled to become 21.3 per cent of taxable income.
>
> Those with incomes over $25,000 paid tax on their total income at 21.3 per cent but this only rose about 8 points to become 29.2 per cent of their taxable income.
>
> Senior citizens earning under $20,000 contributed $567,196,000 to the tax revenues.
>
> Other statistics on corporate taxes were almost equally disturbing:
>
> In 1985, firms with assets less than $25,000,000 paid 24.5 per cent of their book profits in tax.
>
> Firms with assets more than $25,000,000 paid 22.7 per cent of their book profits in tax.
>
> In 1986, of the 581,307 corporations known to Revenue Canada, 331,114 (53%) paid no tax [6,387 were charities or Crown corporations that are tax-exempt].
>
> 2,129 firms who paid no tax had assets greater than $25,000,000.

The concept of the single tax really began with two important meetings, and one was with Michael Walker of the Fraser Institute who was extremely helpful but doubtful that the concept would get off the ground. A second person was Peter Pockhington, who proposed a similar system whose basic idea was ten years ahead of its time.

● (0245)

Mr. Mills indicates that a single tax rate was nothing new. That was how the first income tax system was organized. It was only over the years, as the income tax system was used to solve more and more social problems, that the idea of graduated rates was applied with all its flaws and complications. Therefore, perhaps a return to a single rate would provide the basic answer to our present circumstances.

Mr. Mills continues on with a great deal of detail here about how the tax was developed, and some of the particular parts that were of special concern to him. One of those was provisions for seniors. He related that he was personally very concerned about the low income of seniors. In his own riding in Toronto there are over 20,000 seniors, and they were counting on him to keep the trust he had declared for them in the last election.

Therefore he had decided to include in his proosal interest and dividend payments in personal income. This could prove problematic for low income seniors who relied on that form of income. In addition, there were many seniors relying on pensions to which they had contributed, although these contributions had not necessarily been 100 percent tax-deductible. That meant they had already contributed to and paid some taxes on this income. On top of that their income was often less related to inflation than was employment income.

Mr. Mills indicated that one way to avoid seniors having low incomes in the future was to encourage saving for retirement. People who are willing to forego some of their earnings now in order to provide a later income are also a group of taxpayers from whom it is logical to collect a lower proportion of tax than from the average taxpayer.

On looking through this book of Mr. Mill's and his tax proposals, which I do not think would particularly interest honourable senators, but I want to touch on the chapter in which he talks about the advantages of the single tax system. He said:

> The tax return will be much easier for the average taxpayer to complete. Unlike the present system, the Single Tax System would require only a postcard sized tax return with 17 lines for the Personal Compensation Tax form and 11 lines for the Business Tax form. This would be accompanied by a short booklet of two or three pages explaining taxable income and the system of tax credits.
>
> There would be no pages and pages of explanations and schedules and no complicated calculations. Businesses would have none of the complications of the capital cost allowance schedules.
>
> Other complexities, such as forward averaging, foreign tax credit equations and dividend tax credits would all be eliminated. There would be no need for special brochures to explain them all.

It would be so simple that children in school could practice filling in both personal and business tax returns in order to learn about taxes.

> A simpler system would obviously reduce the incidence of honest mistakes. There would also be less time wasted in arguments about interpretations of the Tax Act because there would be less elements to interpret. It would also be easier for Revenue Canada employees to understand the system. They are presently expected to give taxpayers advice on their tax returns when the current system often requires a fully qualified tax accountant to interpret it.
>
> All people and businesses would be treated the same. Everyone would pay the same basic rate but low income taxpayers—especially seniors or those with children—would have less of a burden, more in line with their ability to pay. The system would be truly progressive. The Single Tax system would be much more airtight than the current one and there would be much less likelihood of people or corporations avoiding their fair share. The tax credits that produce the enhanced progressivity would be those of which the vast majority of Canadians would approve: those which support the family, the elderly, the disabled, the prudent saving for retirement and those supporting charitable institutions. All of them would favour the low income taxpayer as much, or more, than the high income earner.
>
> As all income would be taxed at the same rate—employment earnings, pensions, interest, capital gains and dividends—people would be free to make whatever financial decisions were best for them. Everyone would reap the same reward for working (or investing or saving) harder because everyone would have the same marginal tax rate. The system would demonstrate the equal value given to those who invested directly in Canadian industry and those who worked in it. Those taxpayers who preferred to save, and so indirectly supported corporate or government financing, would receive the same treatment. Canada needs all of these people—workers, investors and savers—and the Single Tax system would reflect this.
>
> Apart from the fact that individuals would all contribute to the tax burden in line with their ability to pay, the tax burden would also begin to shift back to a more equitable contribution from corporations . . . Book profits would be the same as the tax base and corporate tax avoidance would be greatly reduced. Yet most corporations would be paying a lower rate of tax and should benefit from this.

There would be reduced tax avoidance and evasion under the Mills proposal because, as he says,

> Because most deductions would be eliminated, the potential for tax avoidance by individuals and businesses would virtually disappear. Tax shelters would no longer be available, but as these were most often used by high income earners and they would be paying a lower rate of tax this would ease some of the pain. They might also find that they made more from effective investments, and so both they and Revenue Canada would benefit in the longer term. Business would also lose the ability to defer taxes except for genuine losses.

[Senator Fairbairn.]

There would also be much less incentive for people and businesses to evade taxes. The marginal tax rate would be lower for most people and corporations so they would have less to lose by correctly reporting their income and their credits or deductions. On top of that, the extra staff available for policing the system would be more of a deterrent.

The Single Tax system would be less costly to administer, comply with and enforce. It would also be less costly to the economy and produce at least as much revenue as the present system and still allow many people and corporations to keep more of their earnings. It would also avoid unnecessary government intervention in the economy and encourage growth.

Lower marginal rates and more take home pay would be an incentive to work harder and smarter. The new incentives, plus elimination of avoidance and evasion, would lead to this new tax taking in more revenue—even with its lower rate.

History backs up this assertion. In the 1920s the United States cut top marginal rates by two-thirds and doubled the tax take from the wealthy. Michael Walker, of the Fraser Institute notes that "in 1981 we dropped our marginal rates from 70% to around 50%, and the total amount of taxes collected from top earners actually increased. Not only did that happen here, it also happened in the United States and the United Kingdom."

Less tax and greater investment incentives would be good news for entrepreneurs, because by now we're all aware that the adrenalin in the economic bloodstream is injected by our entrepreneurs—whether immigrant or home-grown. They are the pace-setters, the job creators, the inventors of our future.

The Single Tax ensures that every business and individual will get to keep a much higher percentage of every dollar they earn.

The Single Tax system provides strong incentives for investment. The simplified depreciation allowance and the deductibility of dividends would make for healthy balance sheets and so make it easier to raise capital.

The equal treatment of dividend income and the deductibility of dividends paid to Canadian residents also provides an incentive to individuals to invest in companies. It will also encourage companies to go for equity financing instead of debt. This will not only relieve companies of some of the debt burden but also encourage Canadian ownership of Canadian companies. The lower tax rate will, at the same time, encourage foreign investment.

All this will allow small companies to flourish and become big—an incentive to create Canadian companies that can compete with the world.

> Lower costs, stronger incentives, and more productive capital could be incredibly bullish for the economy. The low single tax rate would send an unmistakable message: Canada is the place to invest.
>
> The introduction of a single tax system would unleash the entrepreneurial spirit in Canada by eliminating the distortions and disincentives of the current tax system. Government could concentrate on government instead of tinkering with the tax system. It could spend more time on discouraging irresponsible businesses. Canadian industry could concentrate on effective decision-making free of government interference and put its efforts into responsible enterprises that would compete effectively in global markets.
>
> It could lead to an unprecedented economic boom, as Canadians become encouraged to work to their full potential and corporations rediscovered sound economic principles.

Senator Sparrow: Senator Fairbairn, I have a question. With regard to the standard tax rate, would the rate be the same for individuals and corporations, and what rate is he discussing?

Senator Fairbairn: As a matter of fact, he goes on to say under the heading "Meeting the Mulroney/Wilson Challenge":

> The Single Tax System is currently proposing a tax rate of 25%. In improved economic circumstances, we would hope this would be lower and, in the longer term, it *will* almost certainly be lower.

Senator Sparrow: With everyone paying 25%, would this continue the trend of a greater collection of wealth in fewer hands, as is at present the case in Canada? The wealth of the nation is now in the hands of 15 families who control 60 per cent of the wealth of the country. Would that tax tend to increase that trend, or does Mr. Mills provide for succession duties and so on?

Senator Fairbairn: I believe that part of the purpose of the tax would be to decrease ownership by so few.

Senator Sparrow: I see.

Senator Fairbairn: Perhaps it would be helpful if I read the portion of his proposal that deals with the transition to the single tax system, which reads:

> A major shift in tax policy, like a major change in anything else in life, gives rise to trepidation and worry. There are often good reasons for such worry, and we would be remiss if we failed to discuss the issues here.
>
> So we are faced with many questions about what sort of road lies between the status quo and the new tax regime. Will it be a bumpy ride or is there a gentle bridge from here to there?
>
> The first question, of course is a basic one: Can we get there from here? Are we talking about a change so radical, so fundamental to the manner in which we conduct our affairs, that disruption might be unmanageable, that we would be better to forego the change?

To answer this we need to concentrate on the how rather than the whether—on the hard-nosed assessment of practicalities rather than questions of policy (which we have already discussed earlier).

We also need to structure the analysis to make it more manageable by segregating personal from business taxes.

Effects on Personal Income Taxes

The best way to discuss this is to follow the order of the tax form. The identification section is reassuring in its familiarity and the tax paying unit is still the individual, as at present, although some claims will depend on the income status of other family members as in the current system.

The form then identifies revenues—always a contentious matter. In this area we are proposing some important changes but none of them ought to generate serious difficulties. Perhaps the most important change is that the definition of income is broadened to include 100% of capital gains and 100% of dividend receipts. Overall, this should increase progressivity and there will also be a small long running gain in government revenues. The impact on individual taxpayers will depend on their circumstances, especially their present income and marginal tax rate.

Those people with assets to dispose of must in any case already keep a watch on tax changes as they occur to assess if they have reached the lifetime limit for capital gains exemption and the effects of reaching the top federal tax rate. If this happens the marginal rate for capital gain under the current system would be 21%. Because the marginal rate for this under the Single Tax system would be 25%, these taxpayers would be likely to try and realize the gain before the new tax took effect. There would be a one time distortion resulting from the implementation of the Single Tax.

The most obvious difficulties in transition come from the behaviourial changes of taxpayers who act in anticipation of the new system to their own benefit. This could be dealt with by implementing the system immediately on announcement and/or making the changes retroactive. The second approach can be seen as arbitrary and with good reason. While this approach has been used occasionally in the past, with retroactive budget measures, this runs contrary to the notion of the rule of law. A well-defined set of rules known to all beforehand is a keystone of a democratic society.

Effects on Corporate Taxes

In the corporate world, accounts may be carried over from one fiscal period to the next, so it is here that we expect more transitional problems to arise.

The most obvious accounts which are maintained perpetually are those for capital costs. We have not proposed a complete shift to a simple consumption tax, so investment will not be immediately expensed under the Single Tax. Consequently, a depreciation system must be maintained.

So what of existing pools of undepreciated capital costs? It would be a simple matter, from a legal point of view, to simply disallow them and allow the establishment of new depreciation accounts only for new investments.

We have proposed, for the sake of simplicity, a single depreciation rate of 20% to apply to all classes. This approach denies real differences between different types of investment—and so provides an incentive to invest in long-lived as opposed to short-lived assets.

• (0300)

It may be that a better alternative to changing these incentives might be to allow multiple classes recognizing the differing economic lives of various investments. We may yet find that this sort of complication is a necessary part of the overall policy, since the alternative—expensing all investment—we find to be too radical a change.

There are other aspects of transition which bear on the policy itself, which will have to be addressed in more detail than is possible here. As the legislation takes shape, issues such as accounting for reserves, subsidiaries of internationals and international tax treaties will rear their fearsome heads.

We must not shrink from facing these issues. We cannot walk away just because they are so complex.

His summary says:

The Single Tax System is simpler, fairer and more efficient than the present system. It provides incentives to both low and high income earners to be more productive. It encourages investment and removes distortions in the economy that are caused by ineffective government intervention. It will produce more revenues by removing the potential for tax avoidance and evasion. It will encourage growth in the economy and obviate the need for the Goods and Services Tax. In the longer term it should also help to reduce inflation, interest rates and the deficit.

For individuals the transition period will produce the need for few adjustments. For businesses, this may provide more complications. Accommodations that will ease the transition are possible in cases where demonstrated hardship or unfairness occur.

There are many other parts of this book that would be of interest to senators. Mr. Mills goes back into history to list various other proposals going back to Kenneth Carter and Edgar Benson.

Senator Steuart: I have a question. In that single tax, is his goal to do away immediately or eventually with any kind of a value-added tax or a sales tax at the federal level? As well, with the proposed single tax does he tend to treat all manner of income to the same degree in which Carter suggested "a buck is a buck is a buck"? Capital gains should be taxed and no matter how money is earned there will not be exemptions for this and that. Are those two of the goals in the book?

Senator Fairbairn: Yes, I think in a very simplistic sense they are the goals. I notice that in his chapter 5, which deals with other tax reform proposals, he does go right back to Kenneth Carter and Ed Benson and works up from there.

He would envisage that his kind of a tax would certainly get away from having a value-added tax of any sort, I believe. Mr. Mills also indicated that if there was an interest among honourable senators, he would certainly be prepared to send a copy of his book to each individual senator here so they can read the full account for themselves.

As I say, he has taken a lot of criticism, especially from government and people in the department by saying that the thing will not work or that it will not do the kinds of things that he is states.

I mentioned earlier today that as I was out in Alberta this summer, it was interesting the number of accountants who were calling up or writing and asking how they could get hold of this book by Dennis Mills. I was a little surprised that it had permeated into the reaches of southern Alberta. Then I discovered that the reason it had was that Coopers and Lybrand, a very large firm which sends out a regular tax letter to accounting firms, had devoted an entire issue of their letter to the single tax. They simplified that book down and they dealt with Mr. Mills' proposal, recognizing it had first surfaced in Canada in 1961 in Dr. Kenneth Eaton's essays on taxation; and had been a hot item in the United Kingdom, and so on.

This has been a concept that has been around for a great length of time. The Coopers Lybrand Tax News then had been taken by smaller accounting firms in southern Alberta which had been circulating it widely within the business community. The accountants themselves were so opposed to the Goods and Services Tax that they were seeking out information on the alternatives and had found a great deal that interested them in the single tax proposal.

The other element in which they had expressed a great deal of interest, and which also has attracted attention from the Senate Committee and other people, is the proposal of an alternative that was suggested by Neil Brooks of Osgoode Hall Law School and York University. Last February he published a very detailed proposal for the Institute of Research on Public Policy. I will not read the entire proposal but, because it is short, might just refer to the executive summary. This, too, has been held up as another viable option by economists and people in the accounting business who understand these things. They, in the profession, are seeing viable alternatives which are rejected out of hand by the government.

Senator Steuart: It would appear the government has not looked very far.

Senator Fairbairn: Or that the government did not want to look very far, I think is more the case. I think it is very safe to say that officials within the department of Finance have been flogging the value-added tax on every Finance Minister that has come up the pike, for many, many, many years.

Michael Wilson was the first one to really bite with a high degree of enthusiasm and also convince his cabinet colleagues and his leader that this was the way to go. Certainly it has

been a project of the Department of Finance for many, many years and this is the first time they really hit pay dirt.

• (0310)

Just for the record, I will read very quickly the Executive Summary of Mr. Brook's alternative which will give senators an indication of the direction in which it is going.

> The debate about the proposed goods and services tax (GST) has been hampered by a lack of well articulated and quantified alternatives. This paper attempts to remedy this deficiency by comparing the Government's proposed 7 per cent GST with an alternative reform that would involve repealing the manufacturers' sales tax (MST) and collecting most of the lost revenue by simply increasing income tax rates. The paper shows that the alternative approach satisfies the primary goals of the Government's sales tax reform while avoiding the deficiencies of the GST. The overall conclusion is that the proposed alternative, or a refinement of it—

And you will see as one goes through all these different alternatives that none of the people who were proposing them is saying, "This is my idea; not a word can be changed." They are putting forward ideas that would encourage discussion, would encourage innovative minds to see how they could be improved, and this again is not the spirit that has surrounded the whole debate for the last year on the Goods and Services Tax. Again, it has been, "This is the way it is; this is the way it is going to be," with suggestions of some review, in recent weeks, because of the very strong and continuing consistently high level of opposition from Canadians. Only as the agenda of the government has really been interfered with by the pressure of public opinion have we seen some kind of shifting around by the Minister of Finance—mainly by the Prime Minister—the Minister of Finance in fairness to him has not done much shifting. He has been pretty solid on having this tax just the way it is.

In this Brook's summary, clearly he says that;

> The overall conclusion is that the proposed alternative, or a refinement of it, should be seriously considered by the government and debated by the public before proceeding with the GST reform.

> The main elements of the income tax alternative to the GST are:

> —Eliminate the Manufacturers' Sales Tax and the associated Federal Sales Tax Credit.

> —Increase Federal income taxes by increasing the surtax. This would increase the bottom federal tax rate from 17.9 per cent to 20.6 per cent; the middle rate from 27.3 per cent to 31.5 per cent; and the top rate from 30.5 per cent to 35.1 per cent.

> —Increase tobacco, alcohol, and gas excise taxes to maintain prices on these commodities at current levels.

> —Increase government revenues from corporations by $2 billion to recover part of the windfall gain to corporations resulting from repeal of the MST.

The main results of the alternative are:

> —Revenue neutrality is maintained.

Which is a dubious proposition under the GST.

> —Distortions and competitive disadvantages of the existing MST are removed.

> —Administration and compliance costs of federal tax collections are reduced substantially, for both government and business, especially small business.

> —The general sales tax base is left to the provinces.

> —The federal tax system is fairer and more progressive. In particular, under the income tax alternative, the after-tax income of middle-income families, e.g., in the $30,000 to $35,000 income range would be about $270 greater than under the GST reforms, while the after-tax income of families in the over $100,000 income range would decline by about $300. That is to say, under the income tax alternative low-income families would be paying less total federal tax and high-income families would be paying more.

> —Inflation decreases by about 2 percentage points, reducing pressure on interest rates and on government debt servicing costs.

The argument for GST so far is that we have no choice. This study suggests that there are alternatives and there is a choice to be made.

In the Senate report itself, you may recall that it dealt with alternatives, and the first one included higher personal income taxes. It went through in a bit of detail the proposal by Mr. Brooks, and the conclusion of the Senate Committee Report

was that while the Brooks' proposal might be technically flawed, the principle of it was sound. To replace the revenue from the federal sales tax and to make the system more progressive, income tax rates might have to increase beyond those estimated by Brooks and low-income credits could be provided.

The primary advantage that the committee saw to raising income tax rates is that these could be made progressive over the entire range of incomes. Sales taxes, it is often argued, are inherently regressive taxes and can only be made more progressive at the lower range of incomes by providing refundable sales tax credits to those who are less well off.

In the disadvantages, one problem with increasing personal income tax rates is that these might encourage higher income tax individuals to emigrate to jurisdictions such as the United States which tax less heavily. However, as was argued to the committee by Professors Jack Mintz and Thomas Wilson who had been doing some work on behalf of the Canadian Tax Foundation, if taxpayers care about their total bill for income and commodity taxes rather than just their marginal income tax rates, it may not matter whether the government replaces the current federal sales tax with another sales tax or with higher income taxes.

The costs imposed by higher taxes must also be weighed against the benefits that accrue to Canadians from public services such as medicare.

● (0320)

The Senate report also dealt with recommendations for changes to Bill C-62. Again, it went into some considerable detail in the summary of those recommendations, which I would also be prepared to read to senators. However, I suspect that they might possibly be prepared to read the summary themselves, because it is fairly lengthy and deals with the various recommendations from all of the witnesses.

As honourable senators are well aware, those on this side of the house presented a total of eight amendments which, while in no way making the GST acceptable to us, at least attempted to alleviate some of the more blatantly unfair provisions and to assist Canadians who are most vulnerable to the proposals set out in Bill C-62. The government, through senators opposite, responded with a very loud and rigid "no" to all of those amendments. As I said at the very beginning of my speech many, many hours ago, it is clear through the votes and through the lack of participation of senators opposite in the debates on those amendments—and I hope that they will enter the debate on third reading, as I know Senator Cogger intends to do—that there is no desire whatever at this point to try to make this a better tax, or at least to reduce some of its more callous and unfair provisions.

[Senator Fairbairn.]

Senator Steuart: May I ask a question of the honourable senator?

Senator Fairbairn: Yes.

Senator Steuart: She has been following this debate very closely and I am sure that as she went across the country with the committee she did the same.

Senator Fairbairn: I did not go completely across the country, senator. I attended the meetings in western Canada.

Senator Steuart: Yes. At any rate, as to the eight amendments we proposed dealing with—for example, the tax on books, the unfair situation in the north, the idea of putting a higher tax on luxury goods so that it would be more progressive rather than regressive—do you recall that there was any commitment on the part of the government to consider those matters? I believe that Prime Minister Mulroney at one time indicated that the government would reconsider the tax on some books, or books, periodicals and magazines.

Was there ever any indication that the government would be prepared to look at the unfair treatment of the North or the subject of any of those amendments that we put forward? They really reflected some of the outstanding complaints the committee heard when it went across Canada. Have you had any indication at any time, from speeches of Michael Wilson or anything you may have read, that the government would consider making any of those amendments down the road a year or two from now?

Senator Fairbairn: The only thing, Senator Steuart, that I am aware of specifically was the recent comment made by the Prime Minister about the book tax. It has been said that the government will review the tax as it emerges in conjunction with any changes in the economy, or whatever, but I think that the Minister of Finance has basically been careful not to say or do anything that would imply a possible watering down of this tax.

As I said before—and I do not agree with him for a minute—the Minister of Finance has not been straightforward in terms of some of the goals that he initially said he had for the tax. But in terms of the actual tax itself he has been fairly rigid, I think, from the start in maintaining that this is the way it is going to be and this is the way it is going to go through.

The Minister of State (Small Businesses and Tourism), Mr. Hockin, was the one who suggested out west a couple of weeks

ago that there were so many complications that the tax itself might not be able to proceed on January 1, that they might have to postpone its implementation. That caused a flurry of consternation on the part of Mr. Wilson, who swiftly jumped into the breach and said that no, the tax was set to go, it was going to go and that was that.

Specifically, the Prime Minister has discussed books. He did so when confronted at a public meeting by a high school student in Burnaby, British Columbia, I believe, who was complaining about the tax on books, including the Bible. The Prime Minister indicated that day that he regretted that the tax was on books and that perhaps it could be reconsidered. But then he returned at the next appearance, perhaps having received a phone call from Ottawa, to say that no, the tax on books was deliberately there and would remain there until after the tax was implemented, that perhaps they would take a look at it then.

As senators are aware, the province of Quebec, which is the only province to decide to harmonize its tax with the federal tax, which means it is prepared to share the same tax base, found itself considering the possibility of a 15 per cent tax on books where there had been no tax before.

• (0330)

The Minister of Finance of Quebec, just a few days ago, indicated, as I understood it, that Quebec would withhold that provision in its own provincial tax for a year. He expressed the hope that in that period of time this action would help force the federal government to get out of the book tax altogether and then, presumably, Quebec would as well.

These many concerns that we have heard and read during the course of our committee hearings and our Senate debate, as you know, were, in the main, also heard during the course of the passage of this bill through the House of Commons. They did not make an impression on the government then, and I have no indication that they have made any more of an impression on the government during our hearings. However, I still, perhaps naively, believe that, regardless of stated positions, there is absolutely no way the government, because of this fantastically high disapproval level which has not just arisen over the year but has been there over the year—it has not changed, except perhaps to increase—will be able, if this tax goes through, to consider it a closed book in the face of that kind of opposition. I suspect that when Canadians find out what how the tax will affect their own day-to-day expenditures, they will be even more disenchanted than they are today.

Senator Steuart: When we were dealing with the co-ops and the unfairness of taxing the co-ops and not taxing the credit unions, the question was raised as to whether the government could produce any figures indicating how much revenue it would raise from the tax on books and from the tax on co-ops. I know that several times Senator MacEachen asked the same question relating to co-ops and that you and Senator Hébert raised the question relating to books.

Obviously you have done a great deal of research. Have you come across any such figures? Has anyone checked, through the telephone numbers the government has supplied for information, as to whether there are any figures whatsoever to indicate exactly what the government expects to gain from this new tax on books and periodicals as well as from the tax on co-ops or from such things as funeral services, which most Canadians find terribly repugnant and unbelievable?

Were you able to find anything at all which would indicate how much money it would be taking in, or how much it would forfeit if it were to remove the tax from some of these things which have proven to be the most objectionable to the Canadian public?

Senator Fairbairn: I have not, Senator Steuart. My research has not been exhaustive. If the government has given any estimate of how much revenue it expects to raise from books and co-ops, I have not seen these figures.

Perhaps Senator Kirby could help us out in that regard.

Senator Kirby: I would be delighted to respond to that point.

The fact is that the government, in the initial material it put out in connection with the GST, put forward a considerable amount of information in which it forecast two things: the relative costs of various items and, in particular, the revenue which would be received from various sectors of the economy.

One of the problems with that data is that a variety of analyses which the committee received, including analyses done by virtually every economic research institute in the country, showed that a great deal of the forecast revenue data supplied by the government was, in fact, not accurate, for several reasons. One reason is that the government's forecasts are based on a series of assumptions which have turned out to be not completely accurate.

One of those assumptions is that the unions will not seek to catch up on the costs associated with the GST. Yet, union leader after union leader who appeared before the committee made it clear that they would try to do that.

A further assumption was that manufacturers would pass on to consumers the full savings from the elimination of the manufacturers' sales tax—that is, that the cost of manufactured goods would be reduced by the 13.5 per cent manufacturers' sales tax.

A number of witnesses from the manufacturing sector, including Laurent Thibault, President of the Canadian Manufacturers' Association, made it very clear to the committee that this was a false assumption. What will happen is that manufacturers will argue that, while prices set for 1991 will have to reflect, in theory, the removal of the manufacturers' sales tax, a whole variety of other increases will occur so that prices will not decline nearly to the extent expected.

What, in effect, will happen is that inflation will be roughly double what the government has forecast. That is not a Liberal number; that is a number forecast by economic institutes across the country. This, in turn, will put out of whack a whole series of other forecasts of both revenues and costs which the government predicted in its data, because of the interlinking of the inflation figure and the cost and revenue data.

Another indication that the costs forecast by the government at the time the committee held its hearings were wrong is that, even as recently as two weeks ago, the government doubled the size of its forecast of the cost of administering the GST program. Originally, when the committee began its work, the committee was told that the administrative cost would be of the order of $200 million in the first year. The government's current forecast is $475 million. Estimates given to the committee would suggest that the number is, in fact, likely to be higher than that.

Indeed, one of the major reasons that people argue that there is likely to be an increase in the GST rate after it goes into effect is that the costs of collecting the tax are not related to its level. In other words, it costs no more to collect an 8.0 per cent tax than to collect a 7.0 per cent tax. Therefore, the amount which flows to the government's bottom line, by which we mean the ultimate profit the government will make from the tax, which is defined as the amount of revenue raised minus the cost of collecting the tax, is not dependent on the level of the tax because of the administrative mechanism.

● (0340)

So all of the forecasts again received by the committee from independent sources, including international comparisons, would suggest that the tax is likely to rise because of the tremendous temptation related to the fact that the increase does not cost the government any more money in terms of collecting it, and therefore generates a lot more revenue.

[Senator Kirby.]

I guess, for all those reasons, the evidence received by the committee would suggest that there will in fact be substantial differences between the cost which the committee raised, or which the government forecast, and the revenue which the government forecasts it will to collect from the tax.

I think, therefore, in response to the point raised by Senator Steuart, and to a lesser extent in her comments, Senator Fairbairn, one can only anticipate that over time the forecast contained in the government's projections when the bill was introduced last spring, or in fact the spring of this year to be exact, are in fact substantially in error and that the net effect of the GST will be to make it much more costly, and have a much more negative impact on the economy than any of the data which has thus far been suggested by the government.

Senator Fairbairn: Thank you very much, Senator Kirby. That perhaps answers, as I could not, your question, Senator Steuart.

I think one of the frustrations as these various areas were picked out for amendment was that, in a case such as the books, or such as the co-ops, for the type of burden that was going to be placed on people and individuals and groups because of those aspects of the tax, that substantial amounts would not be brought into government coffers.

I can remember the speech that Senator Graham gave during the debate on that amendment, that the whole idea of putting this burden on the co-ops was not really going to bring back to the government such an enormous amount of revenue that it would really justify the deep, deep burden that this was going to place on those people.

I think Senator MacEachen also said the same thing about the book tax. It is an enormous price to pay, well out of the range of what it was going to bring into the government.

If I might, I would just like to touch on the various amendments that were placed before this house by our senators, and also by the Independents, just to remind senators on both sides of what I believe were truly missed opportunities to make improvements to this unpalatable tax. Indeed, had the government settled on one or two or more of these basic amendments, we probably would not be sitting here tonight. However, it would not hurt to remind ourselves of what it was that was turned down, and I would like to spend a few minutes on each of them.

Beginning with the book tax, the purpose of the amendment on books and reading materials, magazines, newspapers, and Bibles, was to zero-rate those commodities in a manner similar to that of the basic groceries. In making the announcement of this particular amendment, which was moved as our first

amendment by Senator MacEachen, he indicated that of all the things that are wrong with the GST, surely a tax on reading stands out as the most regressive and offensive cultural and educational measure ever introduced by a government. He indicated that even the Prime Minister seemed to recognize this fact, when, during a recent tour of western Canada, he suggested that Bibles and schoolbooks should not be taxed. Our proposal offered the government an opportunity to make amends for this particular imposition.

It was also noted that the educational services exemption is so narrowly defined in the legislation that it actually undermines the government's stated goals for greater literacy. This has been a particular issue that has been very close to the heart of the Prime Minister, and indeed of Mrs. Mulroney, over the last few years. Ironically, this very piece of legislation, in effect, undermines the goals for reading in Canada for a greater focus on the educational issue in Canada, across the country, and also on international competitiveness through research and development.

The zero-rating of the tax on reading materials has many precedents, as I said earlier in this debate, in Canada. Canada would stand alone as a country which had adopted a value-added tax without exempting books and reading materials, which has been done in every other country that has gone for such tax.

It was noted by Senator MacEachen that the application of the GST to the printed word in Canada would represent a radical departure from existing taxation policy, because this particular area has been exempted since Confederation from sales tax and the manufacturers' sales tax. It was also noted that the current annual federal direct assistance of $18 million to book publishers would need to be raised substantially to offset the impact of the GST.

● (0350)

In our debate on that amendment it was suggested by, I believe, Senator Poitras that the imposition of this tax on books really was not going to prevent people from buying them. I think his thesis was that if it was a good book, people were going to buy it whether it was taxed or not. I recall making the point at the time that that was probably very true except, again, for people who live very much on the margins of our society and for whom increased prices of books might very well tip the balance from something considered more or less a necessity to that of a luxury which they simply could not afford in any great number. This would have in many cases tragic consequences for the promotion of reading, both for adult Canadians and young Canadians who might not have a great many other opportunities. This is also true for senior citizens who, I know, as their other options become reduced, find that books are often among the best friends they have.

The case for amending the bill was presented to the committee on a number of occasions. One in particular, which represented an enormous number of associations and councils within the publishing industry, was made by the Don't Tax Reading Coalition. In particular, they commented on the negative impact of the GST on reading material which would be greater than that for other commodities. They said that because of the traditional exemption from tax at all levels of production, this material currently bears no hidden taxes. Therefore, the maximum impact of the tax and the concomitant price increases would be felt by producers, authors and readers as a result of diminished sales and outputs.

The Canadian government has found in numerous analyses that the book and magazine industries and their Canadian-owned sectors in particular currently operate on minimal profit margins, and many publishers of books and magazines operate at a loss before they receive grants, with hardship most concentrated among the smaller literary or regionally-based companies. So the fragile nature of that business means that many companies will be unable to adjust their margins to maintain sales, and will be unable to pass on the taxes as a price increase to the consumer.

I went into some detail at the time of this amendment on the price increases about what the effect would be on individual publishing firms, to the point that many of those who work on very tight margins will probably have to close up, and sometimes these are very specialized and very special Canadian publishing houses.

The Don't Tax Reading Coalition also noted that fully 75 per cent of all books sold in Canada are imported from another country, primarily the United States. Of those almost half, some $500 million worth, are imported directly by end users as opposed to exclusive Canadian distributors. In addition, literally millions of books are shipped across the border by book clubs, direct marketers, publishers and retailers through the mails or by courier. It is clear that existing mechanisms for collecting taxes would be overburdened by announced plans to exclude books from the current remission orders. As a result, domestically produced books, along with imported books sold through formal Canadian distribution arrangements, would be at a price disadvantage. Consumers in Canada would find it cheaper to purchase books in the United States, thus almost certainly avoiding the GST.

The conclusion by the Don't Tax Reading Coalition is that it is neither practical nor wise to measure the negative impact of the GST on the printed word with a view to considering later removal of the GST. The impact will be severely felt in the short term. Many of our businesses could fall prey to extinction prior to the completion of any damage assessment. The benefits that would accrue to Canada from an immediate signal to Canadians and the world that the principle of tax free

reading is sacrosanct would be far greater than the loss of revenue resulting from zero-rating.

This was a message we heard time and time again not just from people in the industry but from people in very different walks of life, with very different objections to the GST. Yet those pleas were denied, and when it came time to vote on the amendment it was voted down. Now our only hope to avoid a tax on reading is that perhaps some senators opposite have a change of heart on the final bill because the only way now to get rid of any of these particular aspects of the tax would be to get rid of the bill.

• (0400)

Again, in the way that has been used for basic groceries, the second amendment which was brought forward by our side was to remove electricity and home heating fuel costs such as oil and natural gas from the items to be sufject to the proposed Goods and Services Tax. I will refer briefly to some of the comments made in the arguments put forward by a number of senators on this side.

If heating and lighting are not basic necessities in a country like Canada, then I do not know what is. Successive federal governments have recognized that fact for electricity has been exempted since the manufacturer's sales tax was introduced early in this century.

In his remarks while introducing this amendment, Senator Hays made a very powerful argument stating that electricity, furnace oil and heating fuel costs would rise by something like 5.7 per cent. He said the difference between 7 per cent and numbers that he had been quoting was the withdrawal of the manufacturer's sales tax.

Again, Senator Hays felt this was one of the taxes that will be incredibly unfair to people on lower and middle incomes. Using census figures, he said it is clearly illustrated that people who earn $10,000 to $15,000 spend 5.6 per cent of their income directly on electricity. People who earn $20,000 to $25,000 spend 3.5 per cent of their income on electricity. For those with an income over $60,000, 1.8 per cent would be for electricity. These figures clearly demonstrate the burden that this part of the tax will place on lower-income individuals.

Speaking on behalf of his constituency in the Yukon, Senator Lucier gave us some startling statistics on the comparative costs of heating homes in Toronto versus the Yukon. He indicated that it would cost some $74.00 per winter month or approximately $410.00 a year to heat a 1,000 square foot home in Toronto. He noted that the GST on that amount is $28.00—not an exorbitant sum. It may be tough on some people in Toronto, perhaps, but it is a sum that could be lived with. He then contrasted this with Dawson City up in the Yukon, in a house which has plastic on the windows, and is insulated; not elaborate, but a liveable house. The fuel bill, which, as I said, would be around $400.00 in Toronto, is $2,700.00 in Dawson City.

Senator Steuart: This would be after the tax?

Senator Fairbairn: No, that is before the tax. Seven per cent of that would mean that the occopant would pay an extra $193.00 if the GST remained on the heating cost of that home. Of course, there are no options up there; no option to convert to natural gas. It cannot be done. Also, the tax credit received in the north is exactly the same credit received by people in the south.

Whereas these costs are obviously incredibly higher, the cost of living is higher, and the whole combination of differences in the north make it very special. In no way can the north really be equated under the same guidelines as southern living. In this particular case of heating costs, it is obvious, because it is colder up there for longer periods of time. Yet, no adjustments have been made for that difference when the government compiled the tax.

Senator Lucier's comments were very useful. Senator Olson, as he has himself noted many times in the past several months, also repeated that the complaint has been laid before the Senate that in almost every aspect the GST is a regionally discriminatory tax.

In the debate on this amendment, Senator Olson said that in terms of heating fuel and electricity, it is probably the worst example of that type of discrimination.

I quote him:

> It is the best example to prove the point that the worst example of discrimination against various regions, because the cost of transportation is such a high percentage of the cost of fuel, I think of fuel oil in particular, but coal would be even worse although not nearly as much coal is used for heating any more.

He noted that it is now the Senate's responsibility to do something about it and he pleaded with the senators opposite to try to understand that fuel oil for heating is as basic a requirement of living in Canada as almost anything else such as basic groceries or certain medical devices, prescription drugs or water. One needs to buy fuel for heating to live in

Canada, said Senator Olson, and therefor the tax is regionally discriminating.

The third amendment dealt with removing the tax on co-operatives which, again, are an essential aspect of life in certain parts of this country such as the Atlantic provinces and in the west. The amendment that was put forward was to ensure that the GST, if it ever became law, did not discriminate against the co-operative movement across Canada. It provided that memberships in co-operatives be tax exempt and it would have ensured that the GST does not discriminate against co-operatives because of the way in which they raise share capital.

In doing so, the memberships in co-operatives would be afforded the same tax exempt treatment as memberships in credit unions, Caisses Populaires and the holders of corporate shares. The GST legislation, as it is drafted, tilts the playing field against co-ops and leaves them less co-operative vis-a-vis other businesses. It becomes a tax on economic democracy, more heavily penalizing the regions where the co-operative movement is strong.

A second part of that particular amendment would have provided that only a portion of the direct overhead charge, a single purpose fee designed to allow co-operatives to recover a significant portion of overhead costs, would be subject to the GST. This measure would have ensured fairness for the cooperatives since the overhead costs on zero-rated goods is not taxed for ordinary businesses, and it was noted that without this amendment that the Co-op Atlantic, in testimony before the Senate Banking Committee, said that, had the GST been in force last year, their direct charge consumers would have had to pay $222,000 more in tax than if they had purchased products elsewhere.

● (0410)

The committee itself heard from co-ops about the problems that the GST would generate for their organization, and included in the testimony from Co-Op Atlantic was the statement that the GST as it was now designed would require the payment of the 7 per cent tax on cooperative capital. That kind of tax will not be required on shares in Loblaws or McCains or a host of other firms with whom co-ops have to compete, and this, we estimate, will cost the co-op system a minimum of $400,000 a year. This is in the Atlantic provinces.

Another brief from the other side of the country in Regina from Federated Cooperatives Limited stated their case succinctly, and I quote:

> We strongly disagree with this proposal. First of all, financial services are exempt of GST. "Financial services" are defined as including the issue, allotment, or repayment of a "financial instrument". A "financial instrument" is defined as among other things an "equity security." Co-operative shares have consistently been regarded as equity. First for income tax purposes, co-operative capital is treated like other corporate capital. Second, in accounting practice, co-operative capital is indistinguishable from the capital of other business in the equity section of the balance sheet.

The concerns of these cooperatives again were not successful in our efforts to try and ameliorate some of the objections of the witnesses who had appeared before us. They were voted down.

Our fourth amendment dealt with cost of living adjustments in the GST tax credit and the level of income at which it applies, so that low-income families are given some protection from inflation, and this was a very fundamental attempt at giving help to some of the most vulnerable people in our country that would have provided full indexation of the threshold under which the low-income families can benefit from the maximum amount of GST credits.

As we talked earlier tonight, I believe it was Senator Austin made the point that not only are the credits not fully indexed, but there is no commitment from the government or the Minister of Finance on the actual future of the tax credits at all as they apply under the GST. Our amendment would have tried to bring a sense of security to lower-income families in Canada, a sense of security that had been sought by many witnesses appearing in practically every centre in which the committee had hearings.

Our fifth amendment dealt with fairer transitional relief measures for business and new-home buyers which would have reduced the risk of double taxation in the early stages of the GST.

Again, that would have permitted Canadian consumers to gain from these initiatives as businesses would be unburdened from either double or retroactive taxes in the early stages. Again, this was asked for by many witnesses before the committee. The committee dealt with this proposal at some length in its report, and that, too, was voted down.

The sixth amendment dealt with removing the tax from a wide range of educational services, health care services, and this ludicrous application that it has to the cost of funerals. I suppose, in some cases, measures become remembered for one or two really inexplicable parts, and one of them has to be, in this case, the tax on funerals, and I think another certainly has to be a tax on veterans' wreaths and poppies, which makes no sense. It is hurtful to families and certainly to people who

served in our wars, and surely cannot be worth any monetary terms that would justify the kind of unhappiness and grief that it extends to Canadians. That too, of course, was voted down.

The seventh amendment was designed to remove the tax for northeners who already pay double or triple the cost of goods and services in the south.

Now, honourable senators will remember vividly the kind of appeal in persons, and numbers that this chamber had as some 150 mayors and representatives from small Inuit communities in Labrador, in northern Quebec and in the high Arctic really made an unprecedented effort to come down to southern Canada on the day that we were discussing, debating, and also the following day when we voted on this northern amendment. To me, honourable senators, the whole treatment of the North by the GST is another one of those completely inexplicable moves by government that really shows graphically that they have not paid attention in any way, shape or form to a region that is profoundly different in size, in population, in culture, in its weather—totally different from applications of this tax that were based in southern Canada, and then merely imported into the North without any sensitivity for how they would affect that region.

● (0420)

In the course of its hearings, the committee did go to Whitehorse and Yellowknife. I have here one brief which I used in speaking on the northern amendment. This brief does not appear in the record of our committee because it was not presented there. This brief is from Michael Ballantyne, the Minister of Finance in the territorial government. He is an individual experienced in that government over the years.

I should note to senators that when they hear testimony from people in the territorial government in the North, they are not hearing from people who have an axe to grind one way or another with whatever political party happens to be running the government in the south. The Northwest Territories is the only place in Canada where there are no political parties. There is no party politics in the formation of the territorial government. People run as individuals. Governments are formed by a consensual agreement among those elected. The leader of that government is elected or selected a little like a Pope is. The discussions take place in private and whatever politicking is done there is not partisan politicking. It is northern politicking and it makes the way the government runs extremely interesting to watch and compelling to listen to, particularly when the people who speak for the Northwest Territories try to explain to Canadians from the south why their part of the country deserves a special kind of consideration.

I would like to go through Mr. Ballantyne's brief because it says everything, in a very persuasive way, that any of the other witnesses touched upon. All of the witnesses in the North were very interesting and, in fact, emotional in their presentations. I would like to read Mr. Ballantyne's brief because he did not appear before the committee. He spoke to the committee members privately and had lunch with them while they were in the North, so his brief is really not on the record.

Senator Marsden has asked me what they had for lunch. Unfortunately, I was not in Yellowknife, so I do not know. I suspect that they had it in the territorial building. At the time the Senate sent a special task force on Meech Lake to the North, we were received in a similar manner and with great friendship. In that case also, the report they made did articulate a sort of cry for attention and understanding of the north on constitutional issues. If attention had been paid to that cry, as well as to some of the other issues, the outcome of the Meech Lake Accord might have been different. However, they were not given any attention. They were pointedly ignored, as they have been with the GST. It simply does not make any sense for the Minister of Finance to repeat, as he did with our colleague, Jack Anawak from the riding of Nunatsiaq, in the House of Commons, that the North would benefit from the GST to the same degree, on average, as would the south. Clearly, people within the government and within the Department of Finance did not take the time or have the will to make special considerations apparent in their dealing with northern taxation.

With the indulgence of honourable senators, I would like to go through Mr. Ballantyne's brief because it does set out emphatically what this tax will and will not do in northern Canada. This comes from the Minister of Finance of the territorial government. He knows what he is talking about. Again, it is just a tremendous shame that the southerners who created this policy did not take the time or have the interest to listen to Mr. Ballantyne. He makes an effort right in his introduction to be extremely fair. He states:

> While the Government of the Northwest Territories welcomes many of the recently proposed changes to the structure of the GST, it continues not to support the tax in its present form. The GST, in its design, does not recognize special circumstances of the North and it will have a disproportionate impact on the economy and residents of the North. Most national taxation policies affect regions differently, but, in the case of the GST, the differences in the effects on the Northwest Territories will be particularly unfavourable. The GST will have limited benefits for our industries and will increase the already disproportionately high tax burden that the current tax system imposes on our residents.
>
> One of the key goals of the Government of the Northwest Territories is the achievement of fiscal and economic

self-reliance. Increased fiscal self-reliance will benefit all Canadians since it will mean less dependency by the Government of the Northwest Territories on transfer payments from the Government of Canada. Increased economic self-sufficiency will also benefit all Canadians through the emergence of a durable economic base in the North. These long-term goals can be jeopardized by policies that are not sensitive to regional differences. By not recognizing the unique differences of the North, the GST will make it more difficult for the Northwest Territories to become less economically and fiscally dependent on the rest of Canada.

Mr. Ballantyne explains—and again this is unique to the North—the dual economy that exists there.

In the Northwest Territories, there are two co-existing economies. They can be described as the modern economy and the traditional economy.

• (0430)

The "modern" economy is made up of the resource industries, public administration and tourist and other service industries. It prevails in the larger centres of the North and it is market driven.

It is a highly specialized economy relative to other provincial jurisdictions. Goods production is mostly concentrated in primary commodities—especially mining, oil and gas—and construction, which, together, account for about 44 per cent of Gross Domestic Product. There is virtually no manufacturing sector. The service sector contributes to a significant portion of the employment in the Northwest Territories, representing about 82 per cent of the total Northwest Territories employment. This ratio is much higher than that for Canada as a whole where the service sector amounts to about 71 per cent of the total employed labour force.

The other economy is the traditional economy, whose roots in the Northwest Territories extend back hundreds of years. The traditional economy is typically the non-wage economy where production is based on renewable resources and is geared towards subsistence. In this economy, income from transfer payments and other sources of cash are expended almost entirely on basic goods required for subsistence.

Renewable resource industries, such as fishing, hunting and trapping, do not generate substantial output in dollar terms, but they are significant in supporting traditional lifestyles in the Northwest Territories.

[Senator Fairbairn.]

The isolation of the Northwest Territories from major production centres and the absence of a manufacturing sector means that almost all of the goods consumed within the Northwest Territories have to be imported from southern Canada. For businesses this results in very high operating costs. Labour costs are high because it is difficult to attract skilled labour to the north and because living costs are much higher. Other input costs are high because of high transportation costs, particularly in the small communities spread out across the North where there is no year-round road access. Margins applied by wholesalers and retailers must also be higher in the North to meet the overall higher price structure.

Consumers have to pay much higher prices for virtually all of the goods and services they purchase. Latest data indicate that prices for goods and services, excluding shelter, are on average 44 per cent higher in the Northwest Territories than in southern Canada. The situation is more extreme in the far North. While prices in Yellowknife are about 33 per cent higher than in Edmonton, prices in more isolated settlements such as Grise Fiord on Ellesmere Island can average more than 100 per cent higher than in southern Canada.

The GST will therefore result in businesses and consumers in the Northwest Territories paying more tax than other Canadians. Since the Manufacturers' Sales Tax is imposed at the manufacturer or wholesaler level, Northwest Territories residents now pay a similar amount of tax as residents of southern Canada. However, since the GST will be imposed at the retail level, and given the much higher prices for goods and services in the North, the GST will increase the tax burden on Northwest Territories residents relative to the burden borne by other Canadians.

Senator Marsden: Senator Fairbairn, if I could ask you a question? Did you hear today about the brief on the costs of the GST in the North presented by Shelly Martel? I think it had been commissioned by one of the groups of provincial ministers that meet on a regular basis. That report, according to the newspaper accounts, appears to have come out of the same sort of sources that you are quoting in the brief you are reading now. I wonder if you would like to comment on the report received today, especially its timing, and whether you think it is going to have any impact in light of the concerns that the committee heard and the substance of what has come out of that report today? You then might want to go on to speculate as to whether there is a chance that something might change for northerners.

Senator Fairbairn: I happen to have a copy of the article right here and it is, as you say, a very important document. It is almost a pity that it did not come out a little bit sooner.

I was in conversations with some of our colleagues and it was indicated to me that this has been in the works for some three years. All of the provinces who have northern ministers, in addition to the territories themselves, have been very much a part of it. It certainly confirms everything, and perhaps when we have an opportunity to read it even more so, in the evidence which has been placed before us. I would like to think it would have an ultimate effect on the mind and heart of the government.

Senator Perrault: Oh!

Senator Fairbairn: I have a spontaneous reaction from Senator Perrault. I gather it was in the negative and I suppose he is right. However, I cannot help but hope that, if we are unfortunate enough to have this tax go through, the overwhelming evidence which has been presented on the special circumstances of the North and the truly detrimental effects of this tax which will be outlined again in this report—which is not a single area, region or province, but all of the provinces who deal with the North—surely to God this will have some kind of effect towards ameliorating the goods and services tax in that area. That hope may not be realized. However, the evidence is absolutely incontrovertible and we shall see.

I understand Senator Lucier is getting a copy of that report and he probably, when he speaks in this debate, will go into it in some detail, so it will be interesting to hear what he has to say. I am sure it will follow along the lines of what Michael Ballantyne has been outlining for his territory.

● (0440)

He has indicated a very strong opposition to the fact that the North will not share equally in any economic benefit that the removal of the MST and the introduction of the GST may confer on southern Canada.

Senator Marsden: What are they?

Senator Fairbairn: He has even been, I suppose, gentlemanly enough to suggest that indeed there might be economic benefits from the GST in the south. However, he said that the North will not share equally in any benefit that might occur due to the very different nature of the Northwest Territories' economy. He further stated:

> It is a matter of great concern to us since the Northwest Territories economy is very much a developing economy and our non-resource base is fragile.
>
> Over the long term, some resource industries in the Northwest Territories should benefit from the GST because the cost of their capital inputs may fall. However, it is unlikely that the magnitude of these savings will be significant enough to increase jobs or increase production. There are two main reasons for this. First, for the most part, most capital goods purchased by Northwest Territories firms are already exempt from payment of the Manufacturers' Sales Tax. This results in virtually no tax content in the capital purchases of many of our resource firms and very little subsequent benefit to these firms from the elimination of the Manufacturers' Sales Tax. Second, since resource industries in the North sell at world prices, their selling prices are likely to remain constant. Any fall in input prices will therefore result in increased profits which will likely be exported to southern Canada or the United States, since our major industries are not owned by Northerners.
>
> In addition, a significant portion of employment in our primary sector is produced by so-called "fly-in, fly-out" workers. These are workers who are flown in from other parts of southern Canada by their companies to work on major projects but who maintain their permanent residence in southern Canada. The net result is that these individuals spend most of their earned income outside the Northwest Territories and also do not pay Northwest Territories income tax. Our latest estimates show that up to 20 per cent of employment income in the Northwest Territories is earned by non-residents. Many of the gains from elimination of the Manufacturers' Sales Tax and any productivity increases that may be reflected in the incomes of these workers would not accrue to the Northwest Territories economy.
>
> The federal government has forecast that real output in Canada should increase by 1.4 per cent over the next few years as a result of the GST, but that real incomes would increase by only 0.9 per cent. The reason for this gap is that some of the growth in real incomes will accrue to non-residents. The federal government has indicated that it expects the economy of the Northwest Territories to experience similar economic benefits and to grow at about the national average.
>
> It seems clear that this forecast overstates the overall benefits of the GST on production and income. As mentioned earlier, Northern residents do not own the major industries of the North. Consequently, much of any increased production will accrue to non-Northerners. Although it is impossible to judge with certainty, our analysis shows that the gap between increased production and real income in the North is likely to be much more significant than in the rest of Canada.

The effect of the GST on the service sector is a major issue in the North. Mr. Ballantyne states:

In the public sector, the impact of the GST is expected to be largely neutral, with the exception of our municipalities, schools and hospitals. Muncipalities, schools and hospitals in the North face much higher costs than they would in the South. Although the percentage rebate for all of these entities has not yet been finally set by the federal government, we are concerned that the adjustment to compensate these bodies for the new tax will be too low.

Our privately-owned service sector industries in the north will not benefit from the GST and it is likely that the tax, as in many other regions of Canada, will retard their growth. We are also concerned that the relatively-higher costs of services in the North will weaken any comparative advantage that we may now enjoy.

By far the most important private service industry in the Northwest Territories is the tourism industry.

This was emphasized time and time again by witnesses in Whitehorse, Yukon and in Yellownife, Northwest Territories when our committee travelled to those centres.

Mr. Ballantyne notes that by southern standards his tourist industry is still very small. He goes on to state:

However, it has been maturing rapidly in recent years as its ability to package better trips to our wilderness areas has been improving. The Government of the Northwest Territories wants to ensure that this growth continues.

Tourism is now second only to government in terms of its contribution to employment. According to the Tourism Industry Association of the Northwest Territories, 1989 tourism receipts exceeded $150 million. As well, during the 1986 season, tourism in the Northwest Territories generated 2,800 person-years of employment.

The tourism industry clearly will be hurt by the GST. Already, our costs are much higher than in the south. Indeed, the factor which makes tourism in the North so unique and appealing, the remoteness and isolation of many of our areas, when coupled with short tourist season, also makes it much more expensive. Competition in tourism is growing fiercely as more and more countries and regions vie with each other for the scarce tourist dollars. The GST will result in higher prices for tourists, and could push up prices beyond the level of affordability in target tourist markets. The GST will also impose a large administrative burden on our tourist operators.

As indicated previously, the traditional economy is mainly a cash-based economy geared towards subsistence. Production occurs almost entirely at the household level. By its nature, the traditional economy is very fragile and sensitive to price changes. Consequently, those who do not participate in the market economy will get virtually no benefit as producers but will bear the full burden of the GST as consumers.

Many small traditional businesses, including many hunters and trappers, may find the administrative effort to file tax returns to be too great and may choose instead to be exempt from the tax. They would not be able to claim input tax credits for GST on their inputs and clearly would be worse off.

Consumers, particularly those in remote regions, will experience a disproportionate increase in their cost of living after the GST for two reasons. First, the GST will be applied to transportation costs which will be newly taxed under the GST. Second, high Northern transportation costs will be added to the already higher margins that are applied by retailers in Northern stores.

• (0450)

A study by the Northwest Territories' Department of Transportation, has shown that the combined effect of these two factors creates a significant advantage for consumers to buy goods, particularly high value, durable goods, in the south, and to arrange for separate transportation to northern points. This price advantage for durable goods is clearly indicated in the appendix that is attached to this brief.

Prices for these goods in Edmonton, Winnipeg, and Montreal are compared with prices for the same goods in Yellowknife, Fort Simpson, Baker Lake and Arviat, Aqaluit and Pond Inlet. The prices are then shown for the same goods purchased in the southern cities and transported to the north. A significant price advantage exists for purchasing these items in the south and transporting them north. This price advantage is exacerbated by the GST and will be harmful to northern retailers who will suffer the drop in sales.

The federal government has indicated that transportation costs relating to basic groceries will not be taxed. This is a real sore point in northern Canada because food shipments from the south to individuals in the North will be taxed at 7 per cent.

As Mr. Ballantyne says:

However, transportation costs on virtually everything else bought and sold in the North will be taxed. It is important to realize that the transportation costs to many

> remote Northern communities can be extremely high since such items have to be flown in or taken in by sea-lift—

Because of lack of roads. And it is important.

> Lack of competition in the North means that these transportation costs are more likely to be passed on by retailers to ultimate consumers.

> It is unfortunate that the federal government is choosing to implement the GST at this time in Canada's economic cycle. The Canadian economy has been showing severe signs of weakening and unemployment has been rising. Indeed, some economists have been warning of the recession.

I should say, this presentation was given to members of the committee on July 30. It precedes the great number of statistics that have come out in recent days, indicating that we are right into a major recession, which is believed by some to have the potential of being the second worst recession in Canada since the World War II.

Mr. Ballantyne notes that:

> Commodity prices have been falling and are quite weak. All these signs point to the possibility of severe economic dislocations once the GST is introduced.

> In addition, interest rates have been at their highest levels for some months and the Bank of Canada has shown that it intends to keep rates high until it sees a significant moderation in inflation and wage settlements. Higher price levels, which will be brought about by the GST could not come at a worse time since they would result in further damage to our already fragile export-oriented industry. Higher debt costs to our capital-intensive resource industries will also be debilitating.

> Principles of equity would require that northern residents bear a similar tax burden to southern residents with similar real incomes. The tax burden facing Northwest Territories residents is much higher than that facing a resident in southern Canada. This primarily results from the higher incomes that residents in the North must earn in order to compensate for living costs which are significantly higher than anywhere else in Canada. These higher incomes, under our current tax system, result in higher federal income taxes which more than offset any benefit territorial residents may enjoy from the lower nominal territorial income tax. The resulting inequitable treatment of residents in very high cost regions has been demonstrated in a number of articles in professional journals—

[Senator Fairbairn.]

Many of those have been drawn to the attention of senators throughout this debate.

> The difference in purchasing power and the inequitable treatment of higher Northern incomes is partially recognized in the income system by the Northern deduction which was introduced in 1986. This deduction is clearly necessary. However, it suffers from two major deficiencies and only partially compensates for the higher income tax burden facing Northern residents. First, the deduction is calculated after Net Income on the tax form. It is therefore not taken into account in the calculation of the income offset in federal income tested credits and clawbacks. These credits and clawbacks include the child tax credit; the proposed GST tax credit; and the old age security, family allowance and unemployment insurance clawbacks. As a result, Northern residents are treated the same as southern residents and are not compensated for the higher sales tax burden or the lower real value of the income tested credit. Second, the Northern deduction has not been increased since its introduction and it is not indexed to increases in Northern living costs. It was set at its current level of $5,400 in 1986 based on living costs which prevailed since 1982. The deduction has lost 18 per cent of its value since 1986.

> A study by the Northwest Territories Department of Finance has concluded that, even after taking the Northern deduction into account, the tax burden facing territorial residents is still much higher than for southern residents. For example, a territorial family of four earning $45,000 in 1989 would enjoy roughly the same purchasing power as a family of four in Alberta earning $30,000. The southern family faces a total federal and provincial tax bill of about $3,900, or 13 per cent of income, compared to the territorial family which pays total taxes of about $7,800, or 17 per cent of income.

● (0500)

> The tax burden facing the territorial family is therefore 30 per cent higher than that for the Alberta family.

> The GST will increase the tax burden on Northwest Territories residents even more. A study commissioned by the Department of Economic Development and Tourism concluded that since prices of consumer goods and services are higher in the Northwest Territories than in the south, the GST, which is applied at a uniform rate in nominal terms, will impose a higher dollar burden on territorial customers.

The study concludes that the real value of the federal sales tax credit will be 33 per cent lower for a Northwest Territories' family than for a southern Canadian family. It recommends that, in order to treat Northwest Territories residents equitably in comparison with southern families, both the credit values and the thresholds should be indexed to account for the cost of living differences between the two regions.

However, since the nominal value of the proposed credit is the same for individuals in southern and northern Canada, it will not fully compensate residents of the north.

It should be noted that it will not fully compensate residents of the south, either.

The shortfall will be even greater in the more remote communities of the North with higher costs. The Northwest Territories' Government believes that this enhanced credit will still be insufficient to adequately compensate residents of the Northwest Territories. As well, individuals and families whose income disqualifies them from a tax credit will receive no protection from the impact of higher prices as a result of the GST.

Higher price levels in the North require that individuals earn 50 per cent more on average to maintain a similar purchasing power as a similar individual in southern Canada.

We continue to be concerned that municipalities, schools and hospitals will be adversely affected by the GST even after the proposed rebate.

The Minister of Finance has proposed that municipalities, schools and hospitals receive a rebate of a percentage of the GST that they pay, so as to ensure that they bear a similar tax burden after the GST as before implementation. Except for municipalities, this percentage has not yet been set but will be applied uniformly across Canada.

I mentioned earlier that the imposition of the GST on higher Northern prices imposes a disproportionate burden on northern residents relative to residents in the south. For the Northwest Territories' municipalities, schools and hospitals, the change from a tax based on manufacturers' or wholesalers' prices to one based on retail price will cost more and consequently these institutions in the Northwest Territories will not be compensated fully for the extra GST that they will pay.

Because of the isolation of our regions, Northerners use air travel much more than the residents in southern Canada. Indeed, air travel is a necessity in many parts of the Northwest Territories and out of 65 communities, only 16 have year-round road access.

The federal government proposes to make the cost of airline tickets subject to the 7 per cent GST. This would be in addition to the air transportation tax, although this will be reduced slightly for higher priced tickets and for air tickets on larger aircraft.

The study by the Northwest Territories Department of Transportation referred to earlier, suggests that "No other nation in the world with a value added tax possesses the geographic size of Canada and, as a result, transportation does not play the same vital unifying role in these nations as it does in Canada. The application of the GST to the cost of transportation will serve to magnify the distance problem in Canada and exacerbate regional disparities."

Other transportation services are not now taxed under the excise tax. However, for all taxable and exempt goods, the added cost of transportation will be taxed under the GST. Although the transportation component for basic foods such as groceries will not be taxed, many other necessities such as fuel, clothing and construction materials will be taxed and high transportation charges will contribute to a higher tax on these products than at present in the North.

It is common in smaller settlements in the Northwest Territories that do not have grocery stores for residents to order food from Yellowknife or the south and to have it transported to the community. Most such freight charges will be attributable to basic groceries but if paid for by the consumer it appears that they would be taxable.

Indeed that has been confirmed by a number of the airlines who operate into the north.

This comes at a particularly inopportune time since Canada Post has just increased the postage rates under the Northern Air Staging Network. This resulted from a decision by the federal government to phase out the subsidy for this service. This service is heavily used in many of the remote communities in the Northwest Territories and will add to the adverse impact of the GST.

Electricity and heating fuel are two very important commodities for Northern residents and, because of the

> climate, northerners use more than residents in the south. Both these utilities are tax exempt but they will be taxed under the GST.

That concludes the brief by Mr. Ballantyne and I thank senators for their indulgence in my reading it in its entirety. As I said before, it was not presented to the committee and so, therefore, is not part of the record. Due to the comprehensive nature of this brief, I will not go into a number of the other very interesting briefs and comments that were made to senators during the committee hearings.

Our eighth and final amendment proposed that the government place a higher tax on luxury items in return for eliminating the tax on books, children's clothes and non-prescription drugs. This particular amendment was voted down on that tumultuous evening of Thursday, November 22nd, as were all of its fellow amendments.

Senators will know that, after a considerable skirmish, two other amendments were offered which also dealt with two substantive parts of the legislation. One of them was from Senator Waters of the Reform Party who urged that the government delay the implementation of the Goods and Services Tax to January 1, 1992. The final amendment was by Senator Lawson, who is an Independent, and his amendment would have guaranteed that all of the excess revenues collected by the Goods and Services Tax would be applied to reduce the public debt of Canada. Honourable senators know that both those amendments also were summarily dismissed.

● (0510)

As I move into the concluding area of this speech, I want to reflect again on the fact that mid-October was a daunting period for economic news, particularly as we heard it at the end of last week. In a very visceral way, I suppose the economic hens came home to roost on how the government has been managing economic policy and setting the stage for this very controversial tax. But more than that, some interesting models and alternatives were brought to light—models that are working in a number of European countries. In the month of October, if we recall, some of the economic news began with a report by the Conference Board of Canada, and this is what the Financial Post had to say about it.

> Ottawa's high interest rate policy has created the first made-in-Canada recession and the Goods and Services Tax will help keep the economy there till spring, warned the Conference Board.

The very next day, on October 10th, the Economic Council of Canada released its annual report casting a highly critical light on the long-standing high interest rate policy of the Bank of Canada—a policy, of course, aided and abetted and supported by this government. The day after that, a panel of three of the most powerful business groups in the country—the Business Council on National Issues, the Chamber of Commerce and the Canadian Manufacturers' Association blasted the government for allowing interest rates to stay so high. The business groups blamed uncontrolled government spending as the rationale for keeping interest rates high and demanded a two-year freeze on government spending.

These again, honourable senators, came from the Business Council on National Issues, the Chamber of Commerce and the Canadian Manufacturers' Association.

The Economic Council, however, came forward with quite a different analysis and prescription, and rather than continuing to flip back and forth between creating jobs and battling inflation, the Council suggested that we should be looking to European models, most notably, Austria, Norway, Sweden and Japan who have managed, during the same period, to contain inflation while keeping unemployment below 4 per cent.

This was recorded in a summary in a Toronto-Star editorial which went on to reiterate the five common threads running through these economies, threads that constitute policy alternatives that this government with its big business preoccupation has really ignored since coming to power in 1984. It might be useful for a moment to have a look at these ideas in the Economic Council's Report. They are not new, but they certainly are revolutionary in contrast to what has been happening in these countries.

First of all, these countries mentioned by the Economic Council have maintained a constant commitment to full employment. This is in contrast to Canada, where the government is committed to jobs if industry demands the workers, as it made clear in its refusal to follow through on the promise for special adjustment assistance in the face of free trade.

For this government, it would appear that jobs are subject to free market forces and come second to fighting inflation and reducing the deficit. The contribution that workers make to the economy by being employed and therefore being able to take an active role is not part of that equation.

Second, as the Economic Council report notes, these countries have established policies such as labour market programs and voluntary income policies—that is, voluntary wage and price controls, worked out on a tripartite basis by government, labour and business—so they can actively pursue full employment. In contrast, in this country we have cut back on training and employment programs by billions of dollars since this government coming into power in 1984. Indeed part of the thrust of the Unemployment Insurance Act amendments was to take a major portion of that money that in the past has been directed towards workers, particularly in parts of Canada where seasonal unemployment puts them at a distinct advantage. This money has been used directly for unemployment insurance purposes, and now will be rolled in to training programs as the federal government itself tries to move out of the unemployment insurance field.

Third, the Economic Council's report tells us that the policies of these countries it has surveyed are not framed unilaterally by government, but rather by a tripartite alliance

of government labour and business. The Canadian Labour market productivity centre was set up in the early 1980s by a Liberal government to initiate this kind of activity, but under the Conservatives, virtually nothing has been heard about this group in recent years.

Fourth, in the Economic Council's report, it notes that these countries have set up well structured, centralized labour and management organizations that allow centralized and synchronized wage negotiations. This provides the necessary framework for a voluntary incomes policy, or voluntary wage and price controls as referred to before.

What the Council has done is outline a set of policies that stand in stark contrast to the free market tendencies of this particular government, and indeed others like the United States in recent years and Margaret Thatcher's United Kingdom. Here are alternatives that are working, according to the Council report, in a number of countries at a time when it is clear that the policies being followed here in our country are not working effectively.

● (0520)

The fifth point made by the Council is that labour market programs in these countries are designed and carried out by all of the partners, not just by government, and are geared to regional and community needs. As the Council's report states concisely:

> The Canadian model does not embody any of these characteristics. In contrast, inflation control, along with price stability and deficit reduction, have been pursued at the expense of full employment.
>
> Moreover, contract negotiation in Canada is not centralized or synchronized and no institutions exist to support the concerted pursuit of full employment. The most basic reason—

and this points to another key difference in the Canadian situation,

> —is that the tripartite nature of the European model has simply never caught on in this country.
>
> Such consultation by government as takes place at all is restricted to a limited number of groups and it is often perceived by the participants to be cosmetic. The Canadian practice of enshrouding federal and provincial budgets in secrecy does nothing to promote a collaborative approach.

In this digression, honourable senators, I have tried to suggest that, in addition to the alternatives to the GST that have been suggested, there are also alternatives to the way in which the Canadian economy is being managed—alternatives that other countries have implemented so that they can control inflation and keep employment high.

Carol Goar, who is the National Affairs columnist of the *Toronto Star*, commented on the Economic Council and its report. She wrote her column in mid-October. I think it might be useful to refer to parts of it. She began by saying that, as a courtesy, the Economic Council of Canada gave its latest annual review, "Transitions for the Nineties", to senior Finance Department officials 15 hours before making it public and they stayed up all night poring over the documents so they could prepare Finance Minister Michael Wilson for the inevitable grilling he would face in the House of Commons. She said, "They needn't have bothered."

Opposition Leader Herb Gray led off by asking Mr. Wilson how he could justify using high interest rates to fight inflation when the Council, a government-appointed agency, had warned that this approach threatens to increase both unemployment and the federal deficit. Mr. Wilson's reply was a classic evasion and one that is used consistently by the government, and that is to ask the Opposition what it has done in the last few years to encourage the government to follow policies that would reduce the fiscal deficit.

It is interesting to note that the further questions asked by Mr. Gray of Mr. Wilson prompted from him a response in reading all of the legislation that was being held up by the Senate at the time, somehow drawing senators into the reason why the government does not have the kind of policies to reduce the fiscal deficit that have been suggested.

As Mr. Gray noted, the Economic Council did not mention the Senate in its report on how this country might be changing its tactics.

The Economic Council, it was felt, had fulfilled its mandate as an independent advisory body by pointing out that the tight money policies of the 1980s are beginning to do more harm than good. It suggested a new direction. I think the Finance Department wished that Judith Maxwell and her council would stop making waves for them. I think the Bank of Canada feels that it should be left alone to manage monetary policy and that the place where the Economic Council should have been listened to eagerly and open-mindedly was the House of Commons.

That did not happen. It is failures such as this, says Carol Goar, that have taught Canadians to treat Parliament with derision and with contempt.

Senator Marsden: On the question of the debt and the deficit, I wonder whether Senator Fairbairn has had a chance to consider Ricardo's problem of the equivalence theorem.

Perhaps I could give Senator Fairbairn a little context for my question, which is slightly complicated. This is from an article in *The Economist* recently on the question of the impact of government borrowing on economic activity, which, as is pointed out, has been a controversial issue in macroeconomics since the days of Adam Smith. The article goes on to point out that most classic economists believed that public debt is not a good thing until Maynard Keynes, who argued that budget deficits could be used to inject extra purchasing power into the economy and so boost output and jobs.

The article then goes on to point out—and I think this is relevant to what Senator Fairbairn was just discussing—that this economic consensus began to fall apart in the 1970s, but persistently large budget deficits in industrial economies during the past two decades have provoked renewed interest in the theory behind fiscal policy. Today, it states, many Keyne-

sians as well as fiscal conservatives accept that large budget deficits may be imprudent. One reason is that governments may be tempted to finance deficits by printing money, thereby fuelling inflation, as Senator Fairbairn has been suggesting to us over the course of the last little while. Inflation is one of the fears that many people have about the impact of this tax. Another is that investment may be crowded out as government borrowing pushes up interest rates.

The real purpose of this argument is to discuss something published by Mr. Robert Barro, who was then at the University of Chicago, who asked the question: "Are government bonds net wealth?" He argued that the case for public borrowing is flawed—not because borrowing is imprudent, but because changes in the size of the budget deficit do not affect economic activity. It makes no difference, he argued, whether government spending was financed by borrowing or by raising taxes. This, of course, comes centrally to the point that Senator Fairbairn has been making for the last little while.

What he was really doing was bringing back to life an idea that David Ricardo had thought of in 1821, although, as *The Economist* points out, Mr. Barro gave David Ricardo no credit at all. It is really the Ricardian equivalence theorem.

● (0530)

The real question is what people actually think wealth is. It goes on to a very interesting discussion and this is really what my question is. I wonder whether you want to comment on it because I do not think you have touched on it. The question is what people think debt is in terms of its impact on the future, on their children. The concept of inter-generational linkage and debt is discussed here. The question comes down to this.

If you care about future generations and derive pleasure from your children's consumption as well as your own, then you are part of this inter-generational linkage because you think your children will care about their children and so on. If you think that, then you act as if you will live forever. In other words, you take whatever tax credit you get, you invest it, you save it, you do not spend it. So that if the government increases its budget deficit, taxpayers know their children will face higher tax bills, they will therefore aim to leave them bigger legacies. To do that, they save more, so in effect government borrowing is kind of neutral in that system.

However, there are all kinds of exceptions. Some households are childless, some do not care about their children's tax bills, they spend their tax cuts. Some people are not able to leave their children bequests, in fact some leave their children debts. Capital markets are imperfect. Individuals, especially those with no collateral, may not be able to borrow as cheaply as governments. Also, young people borrow against future earnings. They go into detail on this. People do not have perfect foresight and information. Households may discount future taxes at a higher rate than they actually are. Ricardian equivalence assumes that all taxes are lump sum taxes. In practice, most taxes depend upon income for spending so they are a disincentive to economic activity and tax cuts therefore stimulate output and so on.

[Senator Marsden.]

None of this seems to me to have entered very much into the debate which has been carried on in this country about the impact of the deficit and the debt. There is a kind of perceived mythology about the actions of debt. Not to say it is a good thing but it is not being discussed in the context of the range of ideas available to us. I wonder if you have come across any of this kind of material or what you think about it. Where do you think the debate on the deficit is going in relation to this tax?

Senator Fairbairn: Thank you, Senator Marsden, for the question. I think it is very true that we do not have public debate on debt and deficits. We have had very lively public debate on social policy. We are having a lively public debate on this particular aspect of taxation policy, mainly because it is turning our whole tax system on its ear with something new that people genuinely do not want.

One of the things I have noticed in some of the mail I have received and some of the comments that people have made to me in increasing volume in the last couple of years, especially on this tax, is that all of a sudden there is a growing public perception of a looming danger in the high cost of the debt. Strangely, given all the money which has been put unsuccessfully into selling the GST, the government seems to have had some success in raising the public consciousness of both the deficit and the larger question of the public debt. It is growing in the same way as anxiety is growing among Canadians about the environment. There is a growing anxiety about what our children are going to be left with.

Senator Marsden: We are replacing the fear of the cold war with fear of damage to the environment and fear of the debt.

Senator Fairbairn: That may well be, but the fear is nonetheless there. One of the interesting commentaries that many people have made on this tax, and this was borne out by some of the testimony I have heard before the committee and in talking to ordinary people in western Canada where they seem to worry perhaps more about debt and deficits than they do here, was the point of Senator Lawson's amendment. Indeed, Senator Lawson told me he ran into the Prime Minister in the parliamentary restaurant the day of the vote on his amendment and the Prime Minister indicated that he thought the amendment was a pretty good idea. That is, if there was any excess revenue from the goods and services tax it would be directly earmarked for deficit or debt reduction.

A great many people who were concerned about the tax do not like the tax. It impacts negatively on them and all the rest of it, but a number of people have said to me that if they had had a very clear commitment by the government that the multi-billion dollar cash cow, as the GST has popularly come to be known, was going to be used to alleviate the deficit or the debt which would impact more on their children, they might have wanted to hold their nose and swallow the GST. But in the absence of any such commitment they have not been prepared to do so.

However, the preoccupation you have touched upon, I would say, is greater than it has been for a number of years. At least that is the indication I have had. At any rate, the verdict is

certainly in on this tax and I think every speaker on this side has underlined that and will continue to do so. No one in this country, for all of the reasons which have been discussed, wants this tax except the Minister of Finance. He says he wants it to reduce the deficit that in large part was created by those same high interest rates which he insists upon maintaining. Big business also wants the tax because they want the deficit reduced and because they see the GST as a relatively painless way to reduce that deficit.

Senator Hays: Senator Fairbairn, if I could ask a question?

• (0540)

In your long speech you have outlined all of the reasons that the goods and services tax is bad and that we should not have it.

At what point in the process did the government go wrong? Here we are at 25 minutes to six on a Wednesday morning for an extraordinary event in an extraordinary time. Where did the government go wrong with the conception of a value-added tax as being something we should have and then having hearings before the Finance Committee, and so on? Where should they have turned back on this? Where should they have realized that this is something which is so against the grain of the Canadian population? Where did they have an opportunity to take another road and, instead of taking it, have us here at an early hour on a Wednesday morning trying to represent the will of the Canadian people, with the other side bound and determined to put this bill through?

In fairness to Senator Kirby earlier, he did give an answer. He said 1988, but he did not elaborate on it.

Senator Fairbairn, could you give us your views on that.

Senator Fairbairn: I am inclined to say that the basic area in which the government went wrong was in coming out of the election of 1988 and making the assumption that it could move ahead with a proposition which it had fully bought privately—and, again, this is a characteristic of the way in which this government operates. It was going to move ahead with it without consulting widely in advance of making that decision. The decision had been made.

Consequently, the public again felt that it had had no part whatsoever in a consultative process and information-sharing process.

Another place where they went wrong was in making the assumption that they did not necessarily have to sit down and hammer the thing out with the provinces, even though, in the minister's white paper, he said that without full provincial participation the tax would be unworkable. If it was the internal conviction that this was required, then—

Senator Balfour: Was that something like the National Energy Program?

Senator Fairbairn: I have a lot of difficulty with the National Energy Program. I have no difficulty in conceding that had there been proper consultation and had there been a wider representation of western views within our own caucus, perhaps the National Energy Program would not have been conceived and carried out in quite the way that it was.

I will say, Senator Balfour, that it had an extraordinary effect on events in Alberta. I believe Senators Olson and Hays will agree that today it is still very much alive in people's minds. It is a symbol which they have not forgotten.

I will suggest to you that what our party has had to contend with in the National Energy Program in Alberta, in a single province, the Conservative Party will have to contend with in a similar fashion, in a very visceral way, with the GST, from one end of the country to the other. People don't forget.

This was a time, you will recall, when a great deal of consulting and negotiating was going on between the federal government and the provinces on a variety of issues. If a real effort had been made to lay the ground-work for the tax, with co-operation from the provinces—and, again, Senator Balfour, there have been some very valid criticisms, not necessarily from people who are closely associated with the Conservative Party but from many Canadians, individuals and groups and regions such as the North, which could have been utilized—in my opinion forging compromises on the tax which would have paved the way for something other than having the provinces taking the federal government to court.

There is no point, I suppose, in talking about "could have beens". But I believe there could have been a much more pointed effort in its political self-interest, if for no other reason, for the federal government to have made a greater effort to give the Canadian people a better understanding of the tax before it was set in concrete, and to have responded to some of the valid concerns and suggestions which have been expressed.

As the Minister of Finance has said, one of the major difficulties facing him in delivering this tax, if the tax passes the Senate, will be how to sort out the provinces. As he has said, it would be unworkable unless he were able to establish that. Maybe he was a betting guy.

The concept should have been laid before them and the need for revenue discussed with them. That should have been done without the idea that they would all, grumbling perhaps and ticked-off in some cases, say, grudgingly, "We will come along and work with you and share the base".

I believe that was a risky assumption for him to have made without creating the groundwork with the provinces. I believe, Senator Hays, that if that had been done, we might not have been here at a quarter to six in the morning today.

Senator Phillips: I have a question for the honourable senator.

She said in her reply to Senator Balfour that she had certain difficulties with the National Energy Program. Perhaps she could tell us about those. Up to now her remarks have not been particularly exhilirating and perhaps we would find that more interesting.

• (0550)

Senator Fairbairn: Senator Phillips, at this point in time, as I indicated to Senator Balfour, yes I did. I think a lot of

westerners had problems with it, and basically I am suggesting they were the same problems that you are having, and that your government is having with the GST. There was not consultation. We did not, in fact, have the advantage that you have in your government of having a slew of members from that particular region. We had stalwarts like Senator Olson, who was in a position, practically alone, of trying to talk about why there were difficulties—when he was meeting with the cabinet colleagues—and about not proceeding in the way that it was done. I suggested—and perhaps this could be a subject for an inquiry further down the road—but I suggested that a lack of consultation, a lack of representation, a lack of trying to work more closely—

Senator Olson: It was badly represented.

Senator Fairbairn: That is true.

Senator Frith: That is another big difference. We are representing this thing accurately.

Senator Fairbairn: That is true, Senator Olson, and unfortunately—

Senator Phillips: Am I correct in understanding the Honourable Senator Fairbairn when she says that Senator Olson opposed the National Energy Program? Because I recall he presented it as a wonderful program to this chamber. Am I not correct in that?

QUESTION OF PRIVILEGE

Senator Olson: There is something wrong with your memory. Senator Phillips—

Senator Frith: Senator Olson is up on a question of privilege. You triggered it. You accused him.

Senator Olson: That is misrepresenting the situation. I never came into this chamber and said it was a wonderful program, because from the first time that I came in here I knew that members opposite did not understand it well. Members opposite started misrepresenting it. I had some problems with both of them. Any good comprehensive program that envisages a massive program, usually you have some difficulties with it.

The only point I was making is that some members opposite, and I think probably Senator Phillips was one of them, and Senator Balfour was another of them, they got a few things wrong to start with and they never stopped talking about it, even though we amended and fixed most of it up.

Senator Balfour: And they never will.

Senator Olson: And they never will.

For example, I know that Senator Balfour has mentioned a number of things about the National Energy Program that were never implemented, and still he goes about saying that they were. We realized there were a few things wrong with it very shortly after it was announced on October 30 1980. We did not fix them, so we started right away to make some amendments.

For example, the throughput charge on natural gas that was outlined at 15 cents per MCF to escalate up until it got up to 75 cents per MCF, never happened. Yet you still talk about it.

[Senator Fairbairn.]

Senator Balfour: You bet.

Senator Olson: Why? Why do you want to talk about things as if they happened, when they never did happen? I do not understand that kind of reasoning. Of course, I know that you and Premier Lougheed, and a few other people, got the bit in their teeth, started to run with it, and they could not let go. I am not trying today to say that everything was perfect with the NEP. By no means. I tell you this, it never was what the opposition, especially Premier Lougheed of Alberta, said happened. A lot of things that he claimed might have been suggested, and might even have been in the program to start with, but they were never put into operation.

Senator Frith: Hear, Hear!

Senator Olson: You should get that sorted out, because credibility gets awfully bad if you keep saying that things happened that never really happened.

Senator Balfour: I would like to hear you make that speech in Calgary.

Senator Olson: I have. You know there are a few oilmen who are intimately involved in the business. They do not get up and cheer or anything, but they say it is time for a lot of honest talk about what the NEP was. We know that we got beat. Politically it was just an overwhelming victory for then Premier Lougheed. There is no doubt about that. It seems that if the Conservatives can find something that they can win on, even if they are wrong, they keep running with it forever until it is worn right out.

I have a bit of a privilege here because Senator Phillips said that I came here and claimed that it is such a great program. I know there were some things in that program that needed to be done, but I never came along like he said we did. We started to fix it up. This Bill C-62 needs to be fixed.

Some Hon. Senators: Hear, Hear!

Senator Olson: I know that some members opposite who were along with us on the committee, admit that, right in those regions where we held the meeting, that, "Oh yes, we are going to fix that."

Senator Fairbairn mentioned earlier in her speech that nobody here from the other side has offered to do some of the repair work that this faulted bill needs. I do not understand that kind of reasoning.

Senator Frith: In fact they give their back of the hand to it.

Senator Olson: "No amendments. We are so smart and so wise, that we go in and we write up a great big bill, 380 pages, not going to change one," that is how wise they are.

They did that with Meech Lake too. It happened in Meech Lake. I bet this: I bet you that every single one of the amendments that we propose will in fact be enacted before 18 months are up. That is why I think—

Senator Frith: Same with Meech Lake.

Senator Olson: Yes, we could have fixed that up too. It was not all bad, but there were a few bad things in it. These people

opposite, I do not know where they get this idea that you get all that wisdom, that you can do everything perfectly, and then say, "not one change."

Senator Frith: Another seamless web.

Senator Olson: That is what it is.

That is a little explanation for Senator Phillips so that he will not make that mistake again, I hope.

POINT OF ORDER

Hon. Orville H. Phillips: Senator Fairbairn has already spoken once in the debate. Our rules allow a senator to speak only once, once the previous question has been put. She did not yield the floor to the Honourable Senator Olson and Senator Olson now has the floor. Senator Olson has taken the floor from her and therefore her speeches should be terminated.

Senator Olson: That is wrong.

Senator Frith: Senator Olson got up on a point of privilege, but let us have a nice long debate on Senator Phillips' point of order. Thank you again, senator.

Senator Olson: I said at the beginning that I am getting up on a question of privilege because Senator Phillips was misquoting me. He was making a statement that just simply was not true. There is nothing that is a more solid basis for a question of privilege than that. I would not say that about Senator Balfour, if it was something that I knew was not right and not expect him to get up and object to it, and neither did he.

● (0600)

That is what it was. I am going to make a very extensive speech some day. This is a question of privilege.

Senator Phillips: You are making your speech now.

Senator Olson: If you want to keep it going, it is all right with me.

Senator Frith: Yes, sir. I like Senator Phillips; he is really our helper. Another question, perhaps, Senator?

Senator Phillips: Yes. It is getting very boring.

Senator Olson: I know I am not the only one, either.

MOTION FOR THIRD READING—DEBATE CONTINUED

Senator Fairbairn: I suppose I would really like to say this is the beginning of my conclusion. I want to make the point that the country has had time to think about the ramifications of this tax. Although the minister and his department have denied those ramifications, I would like to look at how much support this government actually has had for Bill C-62. I have tried to put on the record, as exhaustively as I can, what the Senate Committee hearings on the bill, held across the country, tellingly revealed. The kind of response the Canadian people have given to this legislation. I have to say I am utterly puzzled as to why the government has felt compelled to push ahead so single-mindedly and so bull-headedly without trying to make some of the changes in terms of the GST that were discussed by Senator Olson a minute ago.

One of the things that struck me in early November was the *Globe and Mail* story about the surveys that were ordered on the GST by the government over the past year. Six surveys. What did the surveys say? I will read the top of the story.

> The federal Finance Department has spent $413,700 in the past year on six public-opinion surveys that told it most Canadians hate the proposed goods and services tax and do not trust the government to spend GST revenue wisely.

Senator Olson: All they needed to do was ask me; I could have told them that.

Senator Frith: They would have saved some money.

Senator Fairbairn: You could have told them that. Clearly all of the witnesses who rallied round to come to these hearings had no difficulty in expressing that view. There was no need to spend almost half a million dollars to conduct surveys to find out what people thought.

Having done it and finding out what people thought, what did they do? They pressed on. They pressed on without adjustment, without compromise or without listening to what the people had to say.

Clearly, as they were doing their own polls, they had to be watching all the other polls that have been coming out right, left and centre, which I would say are pretty depressing news for the federal government. Apart from the trust factor, which they have had a problem with for some time, what has been the major issue that has bothered Canadians as they have responded to these surveys? The major issue has been the GST.

So you have the polls that the government did. You have the Angus Reid poll recently indicating seven in ten oppose the tax. Over and over again you have the provinces fighting the tax on constitutional grounds in the courts. As was mentioned a few minutes ago, as with Meech Lake and Senate Reform, we have a clear example of the failure of this government to develop broad and basic consensus before it acts. That returns to my answer to Senator Hays. This is at the heart of the problem in almost every area that this government is suffering.

Canadians across the nation told the committee in no uncertain terms what is wrong with this tax both in concept and in proposed application. The economic climate in which this tax will be proposed is horrendous.

I begin with a brief reference to the climate in which the government is imposing this tax and the policy alternatives that other countries are utilizing to try to avoid made-at-home recessions. I am not an economist but it does not take a particularly trained eye to see what has been happening to this country's economy.

Since the imposition of the Free Trade Agreement, Canadians have been struggling to adjust to the resulting loss of jobs and the economic activity which this government promised to ease with special adjustment programs.

In spite of all the work of the de Grandpre Commission, in the end it did not provide an adjustment. The Minister of Finance admits what everybody in Canada has known for some time—and what I have quoted at length—that we are into a deep recession just at the point where the government is about to deal the economy another severe blow through the imposition of this tax.

Senator Olson: I guess you cannot believe anything they say.

Senator Fairbairn: In this environment, the GST will kill thousands of small businesses whose activity has already been marginalized by the increased competition of the Free Trade deal and the economic downturn. The additional expense of dealing with the paper burden combined with a 7 per cent price increase, which the market is unlikely to bear, and a 7 per cent rise in overhead to cover all the goods and services needed to operate, will simply put thousands of these small firms out of business. These are the firms that are the big job creators in Canada. These people will be forced either into unemployment or into the underground economy.

The negative and punitive signs of the recession are all around us in the closing-out signs in store windows and the empty stores themselves. The pressures are stifling. Small business people, who have operated profitably for years, are sadly watching that success deteriorate in spite of all their skills in sales and marketing. They are doing things like taking a second mortgage on a house that once was paid off, and wondering how long they are going to keep their store operating.

There is an example I know of here in Ottawa of a booming business in collectibles which has begun to develop an international reputation for quality goods and services. Yet, to cope with the additional burden of this tax, the owner has had to reduce his overhead by moving to cramped and less accessible quarters. He is seriously considering moving a large part of his business to the United States. This is the reality being played out across this country.

The Minister of Finance chides us for excessive rhetoric. Our response is, where in the name of God are you living? Who are you talking to?

Senator Frith: Whom.

Senator Fairbairn: Whom are you talking to? Thank you, Senator Frith. Well, we know who this government has claimed to be: the great champion of entrepeneurialism. Yet it is the large corporations, usually considered the least entrepreneurial and most bureaucratic sector of the business community, for whom the government policies are clearly designed. They are certainly the only organizations equipped to deal with the vagaries of Free Trade and the burden of the GST. They are the only ones with the financial stability and flexibility to ride out these odds. The resulting ripple or cascading effect of this new tax will amount to a major drag on the entire economy just at the point when it is most in need of a boost. And let us remember that this tax does not just apply to the profit sector. This is a government that does not hesitate to tax the full range of voluntary effort, effort on the part of hundreds of thousands of citizens that saves government at every level virtually millions of dollars. This is a government that has no qualms about taxing clothes for children, taxing recreation and community social programs, taxing even fitness. This is a government that does not hesitate to tax the arts and books and reading in a country where Canadian art and culture have had to work so hard for even a modest market share. This is a country where the government is prepared to tax recreation and sports fees set up by amateur sports and recreation associations—except for those involving children under the age of 14, and the mentally or the physically disadvantaged—and at the same time, this is a country where the primary causes of death remain diseases linked to fitness and lifestyle, and health costs that amount to as much as one third of the total provincial budget.

• (0610)

It seems to me, particularly at this hour of the morning, that if the government could have figured out a way to put a tax on breathing they would have done so but, really, they did not have to because the GST amounts to the same thing.

Senator Frith: You are going to be paying taxes every time you breathe.

Senator Fairbairn: That is right.

Non-profit groups will also have to pay GST on all the goods and services they must purchase to run their programs, and in order to receive the concession of a 50 per cent rebate on the GST they pay, they will have to assume the burden of keeping the records and applying for it.

The Senate Committee, as we know, and as I have said in answer to a question, learned that even poppies sold by veterans and the wreaths that we placed at the Cenotaph on Remembrance Day are not exempt from this wretched tax. Indeed one of the veterans organizations sent a letter to the Minister of Finance to draw his attention to that situation.

Honourable senators, I want you to think for a moment of the kinds of benefits that this is producing for the government. We have headlines like, "Prime Minister's Politics of Fear Won't Win Votes," "House of Commons No Longer Democratic;" "Canadians Rejecting the Conservative Party and Its Leader," "Support for the Conservatives Among Decided Voters 14 per cent"—is barely ahead of two regional parties, the western based Reform Party at 11 per cent and the Separatist Bloc Quebequois at 10 per cent."

Senator Bosa: Would the honourable senator permit a question?

Senator Fairbairn: Certainly.

Senator Bosa: What was the date of that poll?

Senator Fairbairn: The date of that poll was in the *Toronto Star*, November 26, very recent, very up-to-date.

"31 per cent of Canadians say: "Brian Mulroney, the worst PM in years." "Most Canadians disapprove of Tory record, poll shows." "7 out of 10 Canadians could not find anything positive about the Conservative record."

Recently I was involved in commenting on a poll done for the *Globe and Mail* and the CBC, and it was an extremely distressing poll because the level of disrespect, the level of frustration, the level of anger that has circled around this government also is spilling over in the public mind against politicians and politics generally in Canada.

Senator Bosa: And institutions.

Senator Fairbairn: And our institutions, and the level of disrespect, total lack of respect is absolutely overwhelming.

In this poll, it says:

> About 30 per cent of the population goes out of its way to seek the most negative attributes about politicians, the way they work, the political process, the system as a whole. These are the highly alienated voters, and a good proportion of them have drifted to the Reform Party or the Bloc Quebequois. For these people, 30 per cent of the population, there is almost nothing that works, almost nothing good to say.

We have this kind of data, Senator Bosa.

> 77 per cent of Canadians think that politicians tell the truth only some of the time or hardly ever. 76 per cent think you can trust governments to do what is right only some of the time or hardly ever. 72 per cent—

These are just horrendous numbers.

> —think governments do not care about what people think. 67 per cent think governments are out of touch with the problems that people have to face. 66 per cent think Canada's system of government needs a lot of improvement or a fundamental overhaul. 64 per cent think politicians do not know where the country should be heading or how to get there. 58 per cent think the amount of corruption and conflict of interest has gone up recently, and 55 per cent say their level of respect for our political institutions, like Parliament, has gone down recently.

Senator Bosa: It has never been like that in years.

Senator Fairbairn: I cannot remember anything up in the 70 percentage area, three quarters of our Canadian people have almost reached the point where they do not believe or care to have anything to do with what good people in political life are committing themselves to try to achieve . As I say, the discontent, the frustration and the anger have tarred the whole political process in this country. What we are dealing with here is much more than a debate over whether or not Canadians should pay another 7 per cent for everything they buy. It is much more than a debate simply on economics. It is more than a debate about whether or not one particular political philosophy should prevail over another. It is a debate about how we want to govern ourselves as a free and democratic people. It is a debate which touches the core of what makes us Canadian and it is a debate about what makes us unique among the nations of the world.

● (0620)

Earlier in my comments I spoke about what has been happening in other parts of our world, particularly in eastern Europe—the barriers are coming down. The people are finally getting the opportunity to have their say. And it is not smooth sailing. It is not particularly easy, but at long last it is finally happening. What is happening in this country runs totally in the opposite direction.

Here we have a Prime Minister and a government who have completely and utterly ignored not only the wishes of the vast majority of the Canadian people but also the needs of the Canadian people. It is a government which has relentlessly pursued a radical right-wing economic and social agenda in the face of overwhelming evidence that nobody wants it and nobody needs it. In the process of pursuing that agenda, members of the government have decided among themselves that they and they alone know what is best and that they and they alone are equipped with the knowledge and the skills required for the job at hand.

To believe in your program, honourable senators, is not a sin on the part of any government. But this government has stepped far beyond simply trying to sell its programs, to offer its alternatives to the marketplace of ideas. This government has engaged in unprecedented and outrageous abuses of democracy in recent days in order to fulfil that right-wing agenda. I have outlined some of these in my comments last night and today; I guess that covers it.

The list is long.

The misleading and erroneous statements about what this tax is all about. The deception during the election campaign about how much the tax would be. the deliberate hiding of facts until after the election. The repeated use of closure to get it through the House of Commons. And, in my view, the absolutely reprehensible way in which senators have been treated in this house by being locked out of the chamber during a vote, by seeing the rule of law being completely abandoned in this chamber, by seeing the rule of protection of the rights of each senator, fall in the wake of dictatorial decrees.

The perversion of the whole idea of Senate reform with the appointment, through a rule never used before in our constitutional history, of eight new Conservative senators just to get this tax bill through is entirely wrong. One can go back to the early years of the government to see the same kind of evidence, and one asks: Is this the way we want to govern our country?

Senator Frith: No!

Senator Hébert: No!

Senator Fairbairn: Is this how any country should be governed?

Senator Frith: No!

Senator Hébert: No!

Senator Fairbairn: From on high, in secret, by decree, by executive order?

Senator Frith: No!

Senator Hébert: No!

Senator Fairbairn: Nobody wants that kind of government. Even pseudo-dictatorships simply do not work.

But the greater danger in all of this is that such behaviour harms not only its perpetrators—in this case, the current government—but it also causes people to lose faith in all of their public men and women. It debases the currency of all of us.

Senator Bosa: You are talking about cynicism.

Senator Fairbairn: Cynicism rampant, if one is to read and digest the polls to which I drew your attention a moment ago. It makes Canadians say: "What the hell? Why should we vote?" I have heard them say it. Some will not vote in the next election. Or they will vote and they will say on their ballots, as they spoil them, why they do not want to vote. And why? Because they are saying: "They never listen to anything we say, so why should we vote at all?"

That, honourable senators, is really why I have been standing here for this long time, and why many of my colleagues have done and will do the same thing. That is also why all of us are pleading with honourable Conservative senators opposite: Listen to what the people are saying. Listen to the cries of pain out there. They are all very real. They are coming from hundreds, thousands, millions of Canadians from coast to coast to coast. And those voices are begging all of you to listen. When it comes down to the final line and the final moment, the GST—and, with it, the perception of people in public life governing the country—it is your decision. You can strike a blow for democracy and for the people that we in this house also represent by striking down this tax. You can help all of us regain some of the trust we have all lost in the eyes of Canadians. You can say "no" to the GST.

On behalf of all of my colleagues, I sincerely hope that at least some of you do.

Some Hon. Senators: Hear, hear!

[*Editor's Note: For continuation of proceedings see Issue No. 115J.*]

THE SENATE

Thursday, November 29, 1990

[*Editor's Note: Continuation of proceedings from Issue No. 115I.*]

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE ACT
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMEND—MOTION FOR THIRD READING—DEBATE CONTINUED

Hon. John B. Stewart: Honourable senators, I am going to speak principally to the new senators and especially to those from Nova Scotia.

I am sorry, Senator Forrestall, I did not hear your question.

Senator Forrestall: It was not a question. I am looking forward to your speaking to all of us.

Senator Stewart: I thank the honourable senator for his interest. I hope that I can maintain it. I am also glad to see that Senator Buchanan is here. He, like Senator Forrestall, is a new senator from Nova Scotia.

I am not going to concentrate upon the proposed goods and services tax. I believe, from what I have heard in the speeches delivered from this side of the house and from what I have seen in the faces of honourable senators opposite, that there is a general consensus in this chamber that this country is not now ready for the goods and services tax. The tax itself, the bill itself, is not ready for enactment. It has not been carried to that point where it ought to go into the statute books. And, at the same time, the people of Canada are not ready for this tax. I think there is agreement on that.

But I believe that honourable senators who might wish to vote against this bill are deterred from doing so by various considerations such as the doctrine of responsible government, the notion of an electoral mandate, their concept of the role of the Senate and the like. It is going to be on those things principally that I shall be talking today.

● (0630)

Before I begin I want to say, as Senator Fairbairn said in her concluding remarks, we have been fortunate over the years in this country to have had parliamentary government. We have not had government by decree. Decisions in this country have not been made on high and then promulgated. Decisions have been made in Parliament.

Parliament is an old institution. We know pretty well what it involves. It involves making decisions. Decisions are the product. However, it also involves at least two other things. It involves rules and it involves debate. Decisions made without debate and without rules are not legitimate decisions. It is as simple as that. People are prepared to accept the decisions made as a result of genuine parliamentary activity, but people are not prepared, honourable senators, to accept decisions made when there has been no genuine debate and when the rules which were supposed to have prevailed have been swept aside by acts of outrageous usurpation.

I am going to invite honourable senators who support this bill, Bill C-62, to try to give it some legitimacy, if they are determined that it will be enacted. I do not ask them to filibuster their own bill, but I ask them to listen to the evidence which I will adduce today to support the proposition that they have not engaged in a genuine debate on this bill. I am going to ask them to try to refute the evidence which I will adduce that the rules of this house have been not just flagrantly violated, but have been swept aside.

Senator Frith: Abrogated.

Senator Stewart: Abrogated. So that there has been the rule of the jungle here, the rule of might.

I put it to honourable senators that if this bill becomes law without debate and by the exertion of the raw force of numbers it will not command respect. It will not have the legitimacy that a law, to be law in a democracy, requires.

What we have before us is a motion to cut off debate on Bill C-62. I propose that honourable senators consider the history of that bill before they decide how to vote. Second reading of Bill C-62 was moved by Senator Kelly on May 1, 1990. He spoke for approximately 30 minutes. On May 2, Senator Poitras spoke for about 17 minutes. Then after a total of about five hours of debate, most of which was taken up from the Liberal side of the house, Bill C-62 was sent to the Standing Senate Committee on Banking, Trade and Commerce.

On June 27, the government, speaking through Senator Doody, moved that the Senate take a three-month summer holiday. On the very first day we were back in late September the committee chairman sought to present the report of the committee. The Progressive Conservatives conducted a filibuster. The report was presented on September 26. Then Senator Roblin refused leave for consideration of the report later that day. That was his right, I am not objecting.

On October 4, Speaker Charbonneau revealed that he was in collaboration with the government when, contrary to the rules of the Senate, he conducted a vote at a clandestine meeting of some senators, clearly not a sitting of the Senate of Canada, at a time earlier than the hour which he himself had

appointed; and behind closed doors. That was not a meeting of the Senate of Canada.

Senator Forrestall: Why do you leave that impression? That is an untruth and you know it.

Senator Stewart: But it is true, Senator Forrestall. It is shown on the record of this house that the Speaker sent a letter saying that he was going to conduct the vote at 5:30. The record shows that at 5:25 he ordered that the doors be locked.

Senator Forrestall: I watched your Whip shoo people away from the door. I am just telling you what I saw and what I know. It may be in conflict with what you choose to put on the record.

Senator Stewart: Senator Forrestall, I know my own experience.

Senator Forrestall: So do I.

Senator Stewart: I speak from my own experience.

Senator Forrestall: So do I.

Senator Stewart: I came over here and found the doors of this Chamber locked.

Senator Forrestall: That is your own experience.

Senator Stewart: I speak always from my own experience unless I have good evidence otherwise. As a senator from Nova Scotia, I came here to what I thought was going to be a division of the Senate conducted at an hour, 5:30 p.m., improperly appointed by Senator Charbonneau. I arrived here from the Victoria Building I found the doors to the chamber locked. So I say that that was a clandestine meeting. It was not a meeting of the Senate of Canada. It was a secret meeting conducted at an hour at which I could not be present.

Senator Phillips: What flight were you taking?

Senator Stewart: I was in my office in the Victoria Building. I guess you were not in your office. You were over here conspiring to conduct a clandestine meeting.

Senator Phillips: How long did you take to get back from the airport?

Senator Stewart: Senator Phillips, you are just making up lies.

● (0640)

Senator Phillips: I am just asking you a question.

Senator Stewart: You are implying something that is utterly untrue.

Senator Forrestall: What do you think you did for about 30 minutes other than imply an untruth?

Senator Stewart: I told you, Senator Forrestall, what I said, and I explained what I said. If you wish to deny the facts as I have asserted them, that is your right.

I told you that I heard that there was to be a vote. I came over here as quickly as I could, and I found the doors locked. It may be that senators closer at hand arrived here and found them open; I don't know about that. I am talking only from my own experience.

I say to you that, as a senator from Nova Scotia, I have a right to be at every division of this house. And my record is good. Even Senator Phillips will concede that.

Senator Phillips: What time did the bells start ringing?

Senator Stewart: Senator Phillips, let me tell you that the previous week the Speaker had also turned off the bells on his own in violation of the rules of this house. How was one then to know what the significance of the bells, or of the silence, was? How was one to know?

I am glad that honourable senators have helped me to elaborate this point. Their interventions have been most constructive.

At 9:30 a.m. on Friday, October 5, at the same sitting, Senator Murray undertook to move that the Senate go to the Orders of the Day and skip to the order relating to Bill C-62. Given his conduct earlier in that same sitting, on the previous evening, Liberal senators were convinced that Senator Charbonneau would receive Senator Murray's motion, even though that motion obviously was out of order. By making noise, they prevented Senator Murray from moving that motion. He tried exactly the same tactic again on Monday, October 15. Again, a violation of the Rules of the Senate was prevented by Liberal senators.

On Thursday, October 18, the Senate agreed to a special order. That order set a limit of three days on the report of the committee on Bill C-62, and it provided for eight amendments to be moved by the Leader of the Opposition. Debate on each amendment was limited to six hours, for a total of 48 hours of debate.

When that phase of the operation was over, on November 2, Senator Kelly moved the third reading of Bill C-62. At that time, he said absolutely nothing.

The first Liberal amendment under the special order was moved on November 5. On that day, Senator Poitras gave us a short version of his stock speech on the relation between the goods and services tax and the reduction of the deficit. However, the star of the day was Senator Chaput-Rolland who told us, at page 3545 of the *Debates of the Senate*, that, while she knows in her head that it is dangerous to tax books, her faith in her leader overcomes all such obstacles.

On November 6, 1990, the second Liberal amendment was moved. It dealt with the taxation of electricity and heating fuels. Senator Barootes replied in very general terms.

The third Liberal amendment, moved on November 7, dealt with the taxing of co-operatives. Only Senator Simard could find anything to say against that amendment, and honourable senators know that he is ready to speak on any topic. Other Progressive Conservative senators sat in silence.

On the fourth Liberal amendment, moved on November 12, Senator Robertson made a speech. As expected, Senator Simard was on his feet. Other Progressive Conservative senators said nothing.

On the fifth Liberal amendment, moved on November 13, one Progressive Conservative senator, Senator Nurgitz, rose. As he said at page 3744 of the *Debates of the Senate*, he spoke because his whip, Senator Phillips, had ordered him to find his feet. Senator Murray uttered two short comments.

On the sixth Liberal amendment, moved on November 14, Senator David spoke. He told us that we cannot afford to exempt books, co-operatives or funerals from the tax. His principal message was that the GST will indeed reduce the debt. He recommended cremation because it will reduce the burden of the GST.

On the seventh Liberal amendment, dealing with the application of the tax in the north, moved on November 19, only Senator Cogger could find anything to say against the amendment.

The last Liberal amendment was moved on November 20. On that occasion, we heard briefly from Senator Di Nino.

On Thursday, November 22, Senator Murray tried to prevent an independent senator from getting the floor to move an amendment. As expected, Senator Charbonneau did his best to collaborate with Senator Murray. Liberal senators intervened to prevent an outrage.

By the time the situation created by Senators Murray and Charbonneau had been sorted out, we had reached Monday, November 26. On that day, November 26, Senators Murray and Charbonneau agreed to let Senator Waters speak on the motion for the third reading of Bill C-62. Senator Waters moved an amendment. Senator Phillips could find no Progressive Conservative senator who was ready to speak; consequently, he himself had to speak. To say that he dealt with Senator Waters' amendment would be to strain the truth.

On Wednesday, November 28, Senator Lawson moved an amendment. He asked that Bill C-62 be amended to provide that revenues produced by the goods and services tax in excess of $21 billion would be used to reduce the national debt. This amendment was especially important because it challenged directly the main argument of those who support Bill C-62, namely that the new tax will reduce the annual deficits and, thus, the national debt. Senator Castonguay spoke against that amendment.

Neither the House of Commons nor the Senate, Senator Castonguay told us at page 4000 of the *Debates of the Senate*, has the right to initiate appropriation. Whether the revenue produced by any tax will be used to reduce the debt is primarily the concern of the present government and future governments. In other words, those, such as Senator Everett, who justify the tax because it will reduce the debt, must trust the present and future governments. But, said Senator Castonguay, nobody should doubt the intentions of the present government. We have the word of the Prime Minister.

Senator Castonguay quoted the following words of the Prime Minister:

> If the GST throws off any more money than anticipated this money will not go to more program spending. If there is a modest or even a large windfall, I will give you the formal undertaking that we will either reduce the rate on the GST or we will take that money and apply it against the deficit.

That formal undertaking should suffice, says Senator Castonguay. But what, in fact, did the Prime Minister say? Did he say that program spending is to be frozen at the 1989 level? If not, his statement is a mere tautology. It is obvious that any revenue, whether above or below the anticipated amount, will be applied against the annual deficit as long as there is a deficit.

● (0650)

Senator Castonguay quoted also a statement made by the Hon. Gilles Loiselle.

> If we have any additional revenue from the GST, well, of course, it will be applied naturally, to the deficit.

What a remarkable revelation! No wonder Senator Castonguay is happy.

On Thursday, November 29 Senator Murray moved the motion now before us, the motion to close off debate on the motion moved by Senator Kelly on November 2.

Over two months have elapsed since we returned from our three-months long holiday, but by far the greatest part of that time, about 85 per cent, has been taken up by efforts to fend off assaults by Senators Charbonneau and Murray on the rights of honourable senators, the rights established by the rules of the Senate.

I have to say, of course, in fairness to the Conservative senators, that the special order which provided for the 10 amendments may have been somewhat unfair to them. If they intended to speak, they had to speak within the next four, five hours because under the special order, they had no notice of the content of the amendment. That situation may have contributed to the paucity of contribution from the government side of the house. Over two months, as I say, have elapsed, and very little has been said except in the last few days, other than what was said away back in May on the general thrust and the implications of Bill C-62.

In his speech on November 28 Senator Castonguay complained that Bill C-62 had not been dealt with expeditiously. What he failed to point out, of course, was that very little time has been spent on the Bill itself. He is an experienced parliamentarian. In all his long career, never did he ever see anything comparable to what happened here on November 22. Let me refresh his memory.

When the result of the division on Senator MacEachen's last amendment had been announced, the Speaker ought to have left the Chair, as it was after 6 o'clock. But he did not leave the Chair. Both Senator Waters and Senator Murray rose to speak. Senator Molgat moved under Rule 26 that Senator Waters be now heard. Speaker Charbonneau refused to receive that motion.

What was done is transparent. Senator Murray wished to prevent Senator Waters from moving an amendment. He also wanted to avoid a vote on Senator Molgat's motion. For the Progressive Conservatives to have been seen to deprive Senator

Waters of his undoubted right to speak would not have looked good in Alberta, or indeed anywhere else in Canada. So Senator Charbonneau rushed in to do Senator Murray's dirty work. I would be surprised indeed, if Senator Castonguay did not find that kind of conduct deeply offensive.

Senator Frith: Pardon?

Senator Stewart: Deeply offensive.

We had about five hours of debate on Bill C-62 in May. We had three days in October on the report. Since then, 60 hours have been available for debate on amendments. Now the Government has moved closure.

Most of the senators who support Bill C-62 have had nothing to say. We still hope to hear from those senators who came to the Senate for the announced purpose of pushing through the GST. Why has Senator Eyton remained silent? Why has Senator Keon found nothing whatsoever to say? Will they tell us why they believe the GST will help reduce the deficits? If they do not speak, their motives for coming to the Senate may be misunderstood.

We have new senators from my own province, Nova Scotia. Will they be candid with us? Will they tell us what they think about the GST and its implications for the people of Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland?

Senator Everett has spoken, and that is much to his credit. He has spoken two or three times on Bill C-62. He understands, and he has explained, the relationship between interest rates, the deficit, and inflation. He pronounced in favour of the GST in May, but by November 27 he was having some doubts. He was even considering voting, as he said, for Senator Lawson's amendment. But he got a letter. That letter convinced him that Mr. Wilson and his successors—be they Progressive Conservative, Liberal, or New Democratic Party—will use any extra revenue produced by the GST to reduce the annual deficits. Senator Everett needed that letter badly. Otherwise, he might have had to admit publicly that he had committed himself to this bill far too hastily. I do not believe that Senator Eyton, for example, would have settled for such a letter from an expiring minister.

This closure motion should be defeated. The government is asking all senators to pass Bill C-62 without having heard more than a half-hearted rebuttal of the criticisms launched against the GST. The government is asking us to have implicit faith in the present Prime Minister. By this motion, Senator Murray asks us for an act of faith.

Senator Buchanan denounced Bill C-62 when he was Premier of Nova Scotia. Senator Hatfield must have thoughts which he might share with us. But, no, the Progressive Conservatives' attitude to the task of explaining and defending the goods and services tax is exactly the same as was their attitude to explaining and defending the Meech Lake Accord in this house. Their attitude has been one of impatient indifference. If they were barristers, they would be disbarredfor failure to represent their client.

[Senator Stewart.]

• (0700)

Now they propose to avoid the tiresome work of defending Bill C-62 by imposing closure. In the interest of the country—indeed, in the interest of the Government—they ought to bestir themselves. Nobody asks that they make long speeches. We do not expect them to engage in a filibuster against their own bill. However, at least for appearance sake, they should put up half a dozen able advocates. Otherwise, the record will show them derelict in their duty. It will reveal yet another mistake in the management of this bill in Parliament.

If ever a bill was mismanaged, it is this one, Bill C-62. Here we have what the Government regards as the most important financial bill of the thirty-fourth Parliament. Senator Doody submitted an affidavit, dated November 7, 1990, to the Ontario Court (General Division) in the case between Tapishar Sher Singh and the Government. In the words, of that affidavit, "the Goods and Services Tax legislation, (Bill C-62), is the focal element of the current administration's economic and fiscal plan, . . ." Well then, how did the Government go about securing parliamentary agreement to this measure, a measure which it regards as of paramount importance?

This centrepiece of the new economic and fiscal order in Canada was to become operative on January 1, 1991. The Government put off the introduction of the bill in the House of Commons until January 24, 1990. Closure was used to end the second-reading debate. Closure was applied at the report stage. Closure was applied at the third-reading stage. Trouble in the Senate was expected. The Government decided to roll the dice in October.

In the meantime, an excuse for resort to section 26 of the Constitution Act was devised. A resolution of the differences between the Government and the Senate over Bill C-21 was deliberately avoided. In his affidavit, Senator Doody states that in May, 1990 "the Government motion of concurrence [in the message from the House of Commons on Bill C-21] was debated, adjourned and not resumed until October 19, 1990." Senator Doody forgot to mention that the motion was adjourned by Senator Ottenheimer on May 23 and that it stood in Senator Ottenheimer's name from that day until October 19. He forgot to mention that negotiations to resolve the differences revealed that the Government knew that the message that came to the Senate from the House of Commons was wrong. Senator Doody also forgot to mention that when it appeared that the remaining differences between the two houses could be quickly overcome, the Government refused to continue the discussions. He forgot that he himself moved a three-month holiday on June 27—thus revealing the panting urgency with which the Government longed for the enactment of Bill C-21.

Bill C-28, the claw-back Bill, also was used to justify the use of Section 26 of the Constitution Act. That bill had been reported with amendments to the Senate by the Committee on Banking, Trade and Commerce on May 16, 1990. The next day Senator Murray objected to the amendments on the ground that they raised procedural and constitutional questions. On that day I asked Senator Murray not to delay the bill

by a long wrangle over the constitutional powers of the Senate. I said:

> I wonder if the Leader of the Government in the Senate, taking into account the long delays that have taken place with regard to the unemployment insurance bill—delays occasioned primarily by debates, disputes and statements concerning procedural and constitutional questions—would consider the possibility of dealing with the amendments in this case on their merits. That is, to set aside the procedural and constitutional questions on which there is a long tradition of Senate jurisprudence so that the disagreement will not be encumbered by those other questions and a settlement in some form or other can be reached in a reasonable time. I hope the Leader of the Government sees the point I am making. In brief, it is this: Why encumber the government's refusal to accept these amendments by raising procedural and constitutional questions? Why not say, "We just don't like it, and that's it."?

Senator Murray dismissed my suggestion, but I tried to reason with him. I said:

> Senator Murray is undoubtedly right that there are procedural and constitutional questions here. However, I wonder what is to be gained by putting them up front. If the discussion on the merits goes on long enough, then the question of the Senate's right to insist would undoubtedly arise, but perhaps we will never get to that.
>
> As the honourable senator has said, in the past the House of Commons has asserted that it continues to enjoy certain privileges, but that it has been prepared to waive them. That means that while the two houses may not be able to come to an agreement on these procedural and constitutional questions, nevertheless, accommodation has been possible. It seems to me that that is a line of thought that ought to be explored before we put this bill on the same protracted course that Bill C-21 is on.

But Senator Murray knew better. He was adamant. Bill C-28, he said, had come to Parliament with a royal recommendation. The time had come to settle these constitutional questions once and for all time. Clearly, Senator Murray—perhaps preparing for the day when Canada will have an NDP government—wished to strip the Senate of its right to amend tax bills.

Despite arguments made by Senators Roblin and Beaudoin, the Speaker ruled two of our three amendments in order. Those two amendments were rejected by the Government.

On June 19, Senator Doody moved for a message stating that the Senate did not insist on its amendments. He did not speak in support of his motion. Senator Frith adjourned the debate.

On June 27, without any attempt to have his motion on Bill C-28 dealt with by the Senate, Senator Doody moved for a three-month summer holiday. He saw no urgent need for Bill C-28. None at all! And, of course, there wasn't any urgency. The Government had been operating the clawback every since January first.

During the hearings of the Committee on Banking, Trade, and Commerce on Bill C-62, Senator Murray sent members of his staff across the country—harassing and spinning as they went. He was not taking any chances. Everything possible had to be done to assure that the Liberals voted against the GST.

On September 26, 1990, the committee reported against the passage of the bill. Then Senator Murray got his eight new senators. The eventual enactment of Bill C-62 now seemed assured. It would have taken time, but it would have happened. Two months of debate would have exhausted even this Opposition.

• (0710)

Was there no way to embitter the debate? Was there no way to show the country that the Liberals were opposed to this splendid new tax? Of course, there was. Have the Speaker usurp the power to run the Senate. Hire more advisers to devise outrage after outrage. Bring Flynn back. And so all this was done.

On September 27, Speaker Charbonneau left the Chair and ordered the doors locked although a sitting of the Senate was still in progress.

On October 4, Speaker Charbonneau deliberately arrogated to himself the right to set the time for divisions.

On October 4, Speaker Charbonneau violated the constitution by supplanting the Senate by an irregular meeting.

On October 30, Speaker Charbonneau interrupted a senator then speaking so as to enable Senator Doody to move "that the Orders of the Day be read now."

On November 22, Speaker Charbonneau attempted to let Senator Murray move a closure motion at an hour when the sittings of the Senate are suspended.

On that same day he sought to deprive an independent senator, Senator Waters, of his right to speak on the motion that Bill C-62 be now read a third time.

Real ingenuity, nay paranoid madness, was required to bedevil Bill C-62 as it has been bedevilled by the Government since September 25. And to what end?

—to impose a tax of dubious value

—to gratify the bureaucrats in the Department of Finance

—to drive home to the country the fact that the Liberals oppose the goods and services tax

—to show Stephen Lewis, Ed Broadbent, Ian Deans, and the other NDP friends of the Government that Progressive Conservative senators hold that the Senate has no right to amend or defeat tax bills.

The goods and services tax is a bad tax at a bad time. It is a tax which erodes, a tax which destroys the bonds of consent which unite Canadian society.

Senator Castonguay and Senator Chaput-Rolland have told us that they have implicit faith in Mr. Mulroney; he is their leader. But millions of Canadians lack their blessed assurance.

Rightly or wrongly, most Canadians distrust the Mulroney Government.

Why this new tax? Senator Everett believes that it will produce new revenue for the government. He believes also that the additional revenue will be used to reduce the annual deficits. Senator MacEachen told us last Wednesday that Senator Everett's hopes are not supported by the Government's own figures. Ever since last Wednesday, we have waited to hear clarifying words from Senator Kelly. He has said nothing. He remains silent. His silence does nothing to banish uncertainty.

Why this new tax? Is Bill C-62 the means by which the bureaucrats are bringing in the negative income tax which they have advocated for many years? Does Mr. Wilson understand the implications of this bill? Does he see that the sales tax credit can, and probably will, be pushed higher and higher on the eve or on the morn of each successive election?

Why this new tax? Is it intended to invade and occupy the retail tax field, thus preventing sales tax increases by provincial governments?

Are we to have a replay of the debate between the provincial governments and Ottawa that took place in the 1950's over the personal income tax field?

Does the Government intend by this tax to exert new pressure on Canadians to move away from the eastern and northern extremities of the country, where the tax will have the greatest impact?

Why is one absolute necessity, heating fuel, taxed when another, basic food, is exempt?

Will the tax be used in the future as a sumptuary tax to discourage conspicuous consumption—the purchase of luxury automobiles, paintings, jewellery, motor yachts, large sailboats and the like? How delightfully ironic that would be!

Is the tax intended to squeeze money out of Canadians, especially middle-income Canadians, to support costly new tax expenditures, to support lavish by-elections such as the one in Lac-Saint Jean that brought the Hon. Lucien Bouchard into Parliament in June, 1988?

What will be the effect of the sales tax credits on the accuracy of income tax returns?

The questions go on and on. Even if the people of Canada were given reassuring answers to these questions, they would remain hesitant and uncertain. After their experience with this Government's management of the fisheries, its management of interest rates, its management of federal-provincial relations, its implementation of those wonderful programmes promised by the Prime Minister to help Canadians make the adjustments brought on by the Free Trade Agreement, the people doubt the ability of this Government to introduce this tax without disrupting the economy.

Honourable senators, some of the factors which hold a society together are physical: it is far easier to hold together a compact state like Iceland than a far-flung state like Canada. Some factors are economic: it is far easier to hold together a country like the U.S.A., which is largely self-sufficient, than a country like Canada which imports many goods and services, and which, in turn, must export many goods and services. Some factors are national: race, language, and traditions. Some are religious: religion can unify, just as religion, we have seen, can destroy the unity of even a small island state like Sri Lanka.

A society is united by consent—and I stress the word "consent". The members of a society accept a common set of government institutions and a common set of laws. They accept the restrictions imposed by the laws common to the society; they accept taxation burdens; they accept the costs of defending the society against domestic criminals and foreign enemies. In return, they receive many goods and services from the government: protection for their persons and property, public works such as highways and wharves, and law courts to settle civil disputes.

Why do the members of a society consent to continue as members? Why do they consent to obey the laws made by the government and pay the taxes?

• (0720)

One answer is economic: They consent to obey, pay, and serve because if they do not, they will be deprived of access to the means of production. This was manifestly true under the feudal regime. The lord was also the landlord. To refuse to obey the lord was to forfeit access to land.

Another answer is that they consent to obey, pay, and serve because they believe that the ruler, the government, has the right to make laws and to give commands. It is their opinion that the government has authority.

Occasionally we hear Canadian citizens say: "This law is defective. It should be changed. I shall work to have it changed. But until it has been changed, I shall obey it." Ask them why they take this attitude and their reply is: "In this society, we live under a rule of law. Moreover, we have laws which designate those who have the right to make laws. The particular law we are discussing was made by those who, under our Constitution, have the right to make laws. Other men, other women, may be more sensible, more reasonable. But what those more sensible men and women say is not law because they do not have the right to make law. If we allowed every sensible man, every reasonable woman to make law, there would be no common body of law. Predictability is the basis of liberty, and when every Tom, Dick or Harry—or every Jean, Jacques or Guy—presumes to make laws on his own, we have anarchy. You ask why we obey those who have legitimate authority. We answer: To have a rule of law. It is better to heed even badly flawed laws than to live under a tyrant."

But suppose the rightful rulers make bad laws. Suppose the rightful rulers persist stubbornly that their bad laws cannot be changed. In that situation, will the ruler's authority continue? Will public opinion, the lifeblood of legitimate authority, survive in those circumstances, year after year? The answer is that it will not. Gradually, like a snowdrift in the spring, abused authority melts away. The rulers remain the authorities

by constitutional law, but no longer will that constitution be acceptable to the people.

The right to rule is a product of public opinion. If the public becomes convinced that the rulers are doing a thoroughly bad job, those rulers no longer will be thought of as rightful. In short, mere right to office, mere title, is not enough. It may suffice in the short run, just as a snowdrift will survive a short thaw. But in the long run, it is gone.

When the members of a society become convinced that the rulers are not ruling in their general interest, they withdraw their consent. They begin to ignore the laws; they begin to do what they themselves think is right. To avoid chaos, they may turn to new leaders.

My point, honourable senators, is that the right of rulers, of governments, is the product of what the members of a society see as their own interest. A government regarded by a large part of the people as bad, a government seen as governing in the interest of a small group—perhaps a trade union elite, perhaps a religious denomination, perhaps a corporate elite—and not in the interest of the people as a whole, soon loses the sceptre of rightful authority.

I want to apply this line of thought to the situation that prevails in Canada at this time. But I want to go back, particularly for the benefit of new senators from the Maritime provinces, to apply it to the circumstances which produced the Constitution under which we now live.

In 1840, two provinces, Upper Canada and Lower Canada, were united. They were given a common Constitution. Canada East retained its own civil law, based on the laws of France. Canada West retained its own civil law, based on English common law. But the united province had a legislature in which each part, Canada East and Canada West, was represented equally in the Legislative Assembly and in the Legislative Council. In 1849, the Province of Canada achieved "Responsible Government." Thereafter, on most matters the Governor would follow the advice of the provincial ministers rather than the instructions of the Colonial Office at London, England.

Soon it was found that the governments produced by the 1840 Constitution were thoroughly unacceptable to an increasingly large number of people in Canada West. Governments with strong support in Canada East supplemented by minority support in Canada West were making laws for the whole province; laws contrary to the wishes of the increasingly large majority in Canada West. Those unpopular laws dealt with education. They dealt with the granting of land. They dealt with taxation. They dealt with the appropriation of money for public purposes.

To make matters worse, the population of Canada West was growing far more rapidly then the population of Canada East. Yet each of the two parts was represented equally in both the Legislative Council and the Legislative Assembly. The result was a demand in Canada West for Representation by Population.

Very soon the political system was paralysed. A solution had to be found for the situation in the Province of Canada.

The eventual remedy was the Confederation plan. That plan involved two main features. The first of these was the division of the Province of Canada into two parts, each with its own local legislature. To each legislature was assigned those matters that were regarded as local. The second was the establishment of a Parliament to make laws dealing with matters of common interest throughout the entire country. Parliament was to have two houses. The people in each province were to be represented in one house in proportion to the population. In the other, each division of the country was to have an equal number of representatives.

Our concern now is not with the division of powers as set forth in sections 91 and 92, but with the Constitution of the Parliament. However, it is worthwhile to recall what Lord Carnarvon said in presenting the British North America bill to the House of Lords.

> The real object we have in view is to give to the central government those high functions and almost sovereign powers by which general principles and uniformity of legislation may be secured in those questions that are of common import to all the provinces, and at the same time retain for each province so ample a measure of municipal liberty and self-government as will allow them, and indeed compel them, to exercise those local powers which they can exercise with great advantage to the community.

● (0730)

The men who worked out the British North America Act were skillful statesmen. They analyzed the political problems of the province of Canada. They were thoroughly informed about the solutions available for dealing with those problems.

They wished to retain Responsible Government: That is, they wished to retain the system in which the ministers of the executive government could not retain office unless they could get the Crown's supply business done in Parliament. They wished—as a concession to Canada West—also to have representation in one of the houses of Parliament based on population.

At the same time, they saw that Canada East would never agree to such a system. Another principle had to be observed, namely, the federal principle. That principle led to the creation of the Senate. When the House of Commons and the Senate were given their respective powers in the general legislature, those powers were made roughly equal. It was provided that tax bills and appropriation bills must originate in the House of Commons. Thereby respect was paid to the principle that the Crown may not be given revenue without the consent of the taxpayer's elected representatives, and to the well-established practice that neither tax bills nor appropriation bills are dealt with by the House of Commons, even at the first-reading stage, unless the content of those bills first has been given general assent in a committee. Tax bills and appropriation bills were to be founded on the results of the work of the commit-

tees of the Commons. Aside from that difference, the powers of the House of Commons and the Senate were to be the same.

But would not this constitutional structure produce stalemate after stalemate? On the one side, there might be a government with a majority in the House of Commons; on the other, a Senate which refused to pass the government's bills. The two principles, Responsible Government and Federalism, each indispensable if the Confederation scheme was to be acceptable, seem incompatible. And they are incompatible if either is pushed to the extreme. The solution is the practical politician. Practical politicians avoid extremes.

It was recognized that the House of Commons would be the engine of the new vehicle. One of the tasks of the Senate would be to prevent legislation harmful to the less populous provinces. The Senate would be the brakes.

Since taxation and appropriation were seen as of the essence and highly controversial, the braking power of the Senate would be the same for such bills as for all other bills.

To assure that the Senate did not try to become a second engine, one pulling in a different direction, it was decided that senators would not be elected; rather, they would be appointed. This would assure, first, that the Senate would not take over from the House of Commons as the house to which the executive government is responsible, and, second, that the brakes would not be applied excessively.

The Senate was also thought of as a defence against too much democracy. It is to be remembered that "democracy" was feared throughout the 19th century. The term "democratic" ceased to be a term of opprobrium only about the time of World War I. However, to protect men of property from democracy was only a subordinate purpose. Primarily, the role of the Senate was to give the federal principle its place in the Parliament of Canada.

Senators from Nova Scotia will have noticed that I have analyzed the federation scheme as a solution for the political problems of the Province of Canada. That, of course, is what it was; a solution for the political problems of one of the British North American provinces. Canada West and Canada East had found the Union of 1840 unworkable. The federation plan was the proposed solution.

The scope of that plan soon was expanded. It came to be thought of as a proposal for the confederation of all the British North American colonies. The term, "confederation" in the late 20th century, as Professor P.B. Waite has written ". . . has the connotation of a weakly centralized federation. That was not, generally speaking, the meaning of the word to Canadians. 'Confederation' meant federation of all the provinces, as opposed to federation of the two sections of Canada. If anything the prefix 'con' seemed to contemporaries to strength the centralist principle rather than to weaken it." This is a quotation from *The Life And Times of Confederation*, pages 37-8.

It is easy to forget how far removed the Maritime provinces were from the Province of Canada before 1867. Let me quote from Edward Porritt's book, *Evolution of the Dominion of Canada*, published in 1918. Porritt will be familiar to hon. senators as the author of a far more famous work: *The Unreformed House of Commons*, a study of the British House of Commons before 1832. This is what he wrote about the Maritimes:

> The interests that the Maritime Provinces then shared with the United Provinces were only those that arose out of the fact that all five provinces were on the same continent, and were under the same crown. Otherwise the United Provinces and the provinces down by the sea stood to each other almost in the relation of foreign states.
>
> Hostile customs houses guarded their frontiers. Tariffs for protection in the United Provinces, and tariffs for revenue in New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland, choked the channels of intercolonial trade. There was no uniformity in banking. There was no common system of weights and measures; and there was no identity of postal service. The currency differed. The sovereign and the American dollar were legal tender in the United Provinces. British and American coins were also current in New Brunswick. In Nova Scotia, Peruvian, Mexican, and Columbian dollars were legal tender; while in Prince Edward Island the complexity of current moneys and of their relative values was even greater.
>
> In the Galt and Cartier memorial, Bulwer Lytton, the colonial secretary, was reminded of these conditions. He was reminded that each colony was distinct in government, customs, industries, and legislation." pp. 192-3.

The reference to the Galt and Cartier memorial is to a memorandum dated October 23, 1858 to the Colonial Secretary on the need for an urgent solution to the political turmoil in the Province of Canada and on the possibility of the confederation of all the provinces in British North America.

It happened that in the 1860s the Maritime Provinces were seeking a solution to their own difficulties. These difficulties were not political. They were economic. To some extent they flowed from the disruption of trade with the United States caused by the Civil War and the anticipated denunciation by the U.S.A., which was to come at the end of 1864, of the Reciprocity Treaty of 1854. They related also to the costs of projected railway construction.

In addition, there was the view of the Colonial Office in London that in an era of free trade "Little England" no longer needed colonial possessions, and indeed was handicapped by colonial dependencies. As if to show that "Little England" could go it alone, in 1865 the British appropriated only 50,000 pounds for the defence of British North America, when 1,000,000 pounds would have been a reasonable estimate. That brings us to the defence question: Would the military forces mobilized in the United States for the Civil War push north? Would they forget to stop as they came home at the end of the Civil War? That danger was aggravated by the St. Alban's affair.

• (0740)

There is a very good description, honourable senators, of the impact on the development of this country of the St. Alban's affair in the book by Professor Waite to which I made earlier reference, at pages 31 and 32. For example:

> . . . on December 16, 1864 the *New York Times* said . . . . "We were never in better condition for a war with England". General Dixs' orders for the Eastern Department were published: American army commanders were to pursue any other raiders right into Canada, and under no circumstances to surrender them to Canadian authorities but to return them to New York for trial under martial law . . .
>
> On Decmeber 17 an executive order from the State Department required passports for all British North Americans travelling to the United States.

That was a very heavy burden because in winter, many Canadians could not get out of North America except by travelling down into the United States and out through an American sea port such as Portland or New York. The effects of this, says Professor Waite, were felt from Vancouver Island to the east coast.

The events of 1864, says Professor Waite, sharpened the sense of insecurity in British North Americans. Americans might well "cry havoc and let slip the dogs of war". The huge Union armies and the truculence of the government at Washington were dangers enough, but the basic indefensibility of Canada was even worse.

The zeal of the people in the maritime provinces in the 1860s for Confederation should never be over-estimated. Many young people had made their way to Boston to find employment. The natural lines of trade ran from places such as Yarmouth, Saint John, and Charlottetown to Portland, Boston, New London, and New York.

While it may be difficult for some senators to believe, Canadians were not held in high regard in the maritimes. In an effort to remedy this situation in August 1864, some 100 Canadians made an exploratory social visit to New Brunswick and Nova Scotia. Professor Waite of Dalhousie University describes the beneficial effects of this visit for the confederation scheme. What he says is enlightening and should be borne in mind:

> The Canadians had little need of conversion, for they were convinced of the merits of Confederation whether they had seen the Maritime provinces or not, but the Maritimers had developed a considerable suspicion of the Canadians. Canada had a lurid history: rebellions in 1837, the Governor General pelted with rotten eggs in 1849, the Grand Trunk scandals punctuating the 1850's, and the crowning touch, the Canadian treachery after the Intercolonial Railway negotiations of 1862. The history of the past thirty years had shown how untrustworthy, how irresponsible, how impossible, Canadians were. Incapable of running their own Union, bogged down in a welter of debt and bad finance, they were, all too often in the Maritime eyes, bent on relieving themselves of their embarrassments at the expense of others. They were suspect; their good faith was not something that Maritimers were prepared to take for granted. The removal of this miasma of hostility and suspicion was not to be the work of three halcyon weeks in August, 1864. No one reading the Maritime newspapers for the three years after 1864 can escape the conclusion that it continued to exist. But there is no doubt that the manifest goodwill of the Canadians, combined with the warmth of their reception in Saint John and Halifax, produced an atmosphere of geniality that radiated sunlight through the fog and gloom of Canadian-Maritime relations. And, coming as it did two short weeks before the Charlottetown Conference, it achieved its maximum effect at the time when it was most needed.

It is interesting, honourable senators, to notice that even then, 125 years ago, Canadians were bogged down in debt.

What made the Maritimes interested in the Canada scheme was the prospect of a society extending from sea to sea, a free trade market bound together by a railway, with Halifax and Saint John as the eastern terminals of this great continental transportation scheme, and all under the British crown. We never should forget that section 145 of the British North America Act provided for an intercolonial railway. A railway was indispensable if Nova Scotia and New Brunswick were to join in. What other major constitution contains a section providing for a railway?

> **145.** Inasmuch as the Provinces of Canada, Nova Scotia, and New Brunswick have joined in a Declaration that the Construction of the Intercolonial Railway is essential to the Consolidation of the Union of British North America, and to the Assent thereto of Nova Scotia and New Brunswick, and have consequently agreed that Provision should be made for its immediate Construction by the Government of Canada; Therefore, in order to give effect to that Agreement, it shall be the Duty of the Government and Parliament of Canada to provide for the Commencement, within Six Months after the Union, of a Railway connecting the River St. Lawrence with the City of Halifax in Nova Scotia, and for the Construction thereof without Intermission, and the Completion thereof with all practicable speed.

One of the great obstacles to the participation of the maritime provinces was the proposed scheme for financing the projected new British North American society. As commercial provinces, the maritimes relied heavily on indirect taxes—customs and excises—to pay the costs of government. Under the confederation plan the Parliament of Canada was to have exclusively the power to impose indirect taxes. Direct taxes for provincial purposes, as distinct from municipal purposes, were regarded as thoroughly dangerous to the political life of every politician. It was only when a scheme of transfer payments was added to the confederation plan, a scheme of transfer payments designed to compensate the maritimes for the revenues from indirect taxation that they were giving up to the new

central government, that confederation with Canada became even considerable in Nova Scotia, New Brunswick and Prince Edward Island.

The ultimate result was a new society, a confederation called Canada.

• (0750)

It is interesting to notice what happened in the first election after Confederation.

In Ontario the Macdonald government elected 52 members, 30 in opposition.

Senator Frith: Out of how many?

Senator Stewart: Out of 82.

In Quebec, the Macdonald government elected 47, with 17 in opposition. That adds up to only 64. There was one constituency, Kamouraska-Rivière-du-Loup, where the election broke down. I will not go into that. In Nova Scotia, the Macdonald Government elected one out of 19. In other words, 18 were in opposition. In New Brunswick, the Macdonald government elected eight out of 15.

The total popular vote for the government of Canada, the Macdonald government, was 134,269. It sounds like contemporary Scarborough.

Senator Frith: I was going to say that is about the size of it. It is a big riding.

Senator Stewart: The opposition, in all Canada, got 131,-364. The total number of voters was 268,217. There we have the origins of a central part of the constitution of Canada. That constitution assigned legislative rights over matters regarded as local and private to the several provincial legislatures. It assigned rights to the House of Commons. It assigned rights to the Senate.

The new constitution had its critics, chiefly because it was seen as financially unfair to some provincial governments and because free trade with Ontario had the result that Nova Scotia and New Brunswick firms were bought out and closed down by their Ontario competitors. Yet the new Canadian society lived and grew.

It survived the terrible strains of World War I and the strains of World War II. Whether it will survive the strains of the 1990s remains to be seen.

Honourable senators, one of the factors now eroding the basic consensus that holds this country together, one of the factors eroding that basic consent, is Bill C-62.

It would be a great mistake, honourable senators, to see the votes recorded by senators on Bill C-62 as related only to that bill. True, Bill C-62 is a very important bill. Those who want to impose a goods and services tax on the people of Canada want the bill very badly. Those who oppose the bill oppose it strongly. Yet the truth is that our differences over Bill C-62 are also symptomatic. They are symptomatic of far more fundamental disagreements.

We are divided by differences over the role of the Senate as one of the parts of Canada's parliament.

We are divided by differences over the constitutional significance of elections. Those senators who support the government believe that an election victory gives a Prime Minister a mandate for all his measures throughout the following four or five years. Victory in an election, they say, means that a Prime Minister is not to be resisted by either the Senate or his followers in the House of Commons. We, on this side of the house, do not believe that winning at the polls on one day every four or five years ought to have so weighty an effect.

We are divided by our different views on the political consequences of opposing this tax at this time. Some of us think that even if Bill C-62 were flawless, given the state of public opinion produced by what has gone on in Canada during these past few years, the imposition of this tax at this time is an act of political folly. The Progressive Conservative senators disagree. They extol Senator Everett for what he said on October 25, 1990, as recorded in *Senate Debates* on page 3242. On that occasion Senator Everett told us that he will vote for Bill C-62 because the Goods and Services Tax is a means for reducing the national debt, and that it is not for him to consider the long-term political implications of imposing this tax at this time. In other words, he told us that as a senator he has an obligation to try to make decisions about financial matters, but that he can ignore, indeed he said he should ignore, the health of the polity. I, for one, think that senators ought to look at the health of the polity as well as at the debt.

Honourable senators, we can not ignore the differences that divide us. These differences exist. They are important. They should be discussed.

To say that these differences are only partisan differences is sophistry. Obviously, all Progressive Conservative senators are united and moved by party loyalty. Senator Chaput-Rolland went so far on October 30, as to tell us that her fidelity to Mr. Mulroney must take precedence over her own judgment. Obviously, Liberal senators, too, are influenced by party loyalty, although not, I hope, to the extent of attributing infallibility to their leader. To recognize that there are two major parties in this house is not to say that the positions and arguments of either party necessarily are meaningless. Long ago Plato refuted the sophistry that the fact that physicians accept fees shows that making money is the business of physicians. The differences that divide us in this house are fundamental. We must not ignore them. Perhaps if we discuss them, we can remove a few of them.

Let us look for a moment at the three elements of our parliament. Parliament is a fundamental institution of our Confederation. Do those elements command the respect essential to legitimacy? Do those three elements of parliament have true authority?

Before I go into this, honourable senators, may I say that when I make, as I intend to make, certain critical comments, I want it clear that I am not directing those criticisms exclusively at the present Mulroney government.

• (0800)

The criticisms apply also to the Trudeau regime and to regimes beyond that.

Senator Frith: Beyond in the sense of earlier?

Senator Stewart: Back beyond. I will argue that what we have now is the product of a slow deterioration. The troubles we are having over this particular Bill C-62, in a sense, are symptomatic of fundamental institutional problems in this country.

I want it clearly understood I am not directing these critical remarks at Brian Mulroney or his colleagues exclusively. In a sense, they have been caught up in and are being carried along by the current.

A constitution is a constellation of independent but related powers. The more all power is concentrated in one person the less a regime has a true constitution.

In our constitutional system—constitutional monarchy—we need a head of state who stands apart from the political parties. This is true because the Crown has reserved powers. It is true because no leader of a party—no leader of one party—can represent the whole country.

By our constitution the executive government of Canada is vested in the Queen. The Governor General acts for her. But in fact the Governor General now is appointed by the Prime Minister, just like senators. The head of the government creates the head of state. Mr. Hnatyshan is the third Governor General chosen from party ranks.

Senator Murray: Who were the other two?

Senator Stewart: Yes, I will come to that. I am going to come to that.

Senator Murray: I think there were more than three. Vincent Massey should be added.

Senator Frith: The party ranks.

Senator Stewart: When was he in the House of Commons?

Senator Murray: I thought you said from the party ranks. From the party ranks?

Senator Stewart: Well, all right, yes, I will accept that point.

Senator Murray: Good.

Senator Stewart: There is no doubt that Vincent Massey, at one point in the 1920s, was very close to Mr. King and to the Liberal party in Ontario.

Senator Murray: He was a fund raiser.

Senator Stewart: I believe that maybe right. Senator Murray should also remind the Senate—

Senator Murray: Which is an honourable role.

Senator Stewart: I do not think you should scoff at that at all, Senator Murray. You should also remind the House, Senator Murray, of the relation that existed between Mr. King and Mr. Massey twenty years later at the end of the Second World War. I am sure you remember, from your reading of Mr. King's diaries, that wonderful description of Mr. Massey asking Mr. King to come to his room in—was it the Dorchester?—to see his new medal and ribbon. King says that Massey had it draped over the back of a chair. "He led me in and there we stood as he displayed it; nay, as he worshipped it." Mr. King, whatever his views on Mr. Massey back when he was a Liberal fund raiser, as you say, Senator Murray—I am glad we did not use Mr. Mulroney's term, "Bag man".

Senator Roblin: Mr. Mulroney did not admit that.

Senator Stewart: By 1945 it would hardly be said that they were political buddies.

Let me read two or three paragraphs which appeared in the May 1990 issue of *The Idler*. They reveal how the relationship between head of state and head of government has been turned upside down. Senator Murray will be pleased at the first reference.

> His (Trudeau's) surprise nomination of Schreyer was a typically vain and capricious act calculated to display his will and power. It made the Governor General obviously Trudeau's creature. Trudeau exploited his advantage by showing public disdain for Schreyer. At a notorious dinner with the premiers in 1980 he snapped at Schreyer to hurry up the meal and ostentiously walked out before the end.
>
> Disdain for Schreyer was a common sentiment. The youngest Governor General since Lansdowne, Schreyer was already languishing as leader of the opposition in Manitoba. Partianship was not a major issue on his appointment, as he came from provincial politics and the "third party", but Schreyer did not give up on active politics and seemed to be looking for trouble during Clark's minority government and Trudeau's constitution push of 1981.

I am sure that when Senator Murray speaks, he can give us some delicious details about those transactions. Then we have this from *The Idler* on Schreyer's successor:

> Despite ill health Jeanne Sauvé was happier in her public role. But despite her insulation in three and a half years as speaker, her seven years as a Liberal minister, and her husband's four, put an end to any inhibition about appointing party politicians, as Hnatyshyn's appointment proves. She settled too comfortably into her fancied role as head of state. She connived at a practice of substituting a toast to herself for a toast to the Queen. A vigorous reorganization of Rideau Hall led to closing its ground to the public. She would refer to the Queen as "Elizabeth". Presumably she considered her as an equal, as one head of state to another.
>
> Mulroney's juvenile extreme of the politician's craving for publicity and centre stage led to a clash with Sauvé over the Shamrock Summit of March, 1985. He tricked her into giving up the Citadel and not showing up to greet the visiting American head of state, claiming that it

would be a working visit. He then played host to Reagan at a largely public summit.

And now we have the Rt. Hon. Ramon Hnatyshyn—

With Hnatyshyn, the only insulation from partisan politics is his defeat in the last general election. No doubt he and Mulroney will discuss politics freely but Mulroney can hardly feel any deference for someone he made both Minister of Justice and Governor General.

Honourable senators, we all remember the address Mr. Mulroney delivered in this chamber on January 29, 1990. It was a mixture of funeral eulogy and political nomination speech. Mr. Mulroney recommended his new creation like a proud cook. Even he saw how comical it was. "Sounds good to me", he quipped at the end.

The relationship now prevailing between the head of state and the head of the government is far from what our system of constitutional monarchy requires.

We have a House of Commons which now sits less than 30 hours a week, and in which closure and the allotment of time are used regularly to cut off debate.

In 1969, when the allotment of time rule was being adopted, the editors of the *Globe and Mail* cautioned the nation against closure.

One of the essential purposes of an opposition is, in matters of great importance, to act as a brake on the Government. It should be able to hold up the processing of any piece of legislation long enough for the country to become acquainted with it and express its views.

Without this braking power to discipline it, a majority government can limit real challenge by the people to once in five years. Too much can be forgotten in five years, particularly if a government has taken steps to ensure that controversial legislation is not impressed upon the public mind.

This is the principle—the safeguarding of the public's right to know—that has so far prevented Canadian governments from limiting debate in Parliament except by use of closure.

Honourable senators, I note here that the reference to closure refers to a specific standing order, the standing order adopted by the House of Commons in 1913 and not to the allocation of time rule. I know that journalists find it very difficult to distinguish between the two. Indeed, the *Globe and Mail* thinks that there is no real difference.

● (0810)

I continue:

The principle has, of course, been abused by opposition; but that does not invalidate it. An argument can be made for a more flexible means of closure, but no form of closure should be adopted that would make it easy for a government to shut up its critics.

The proposed standing order 16-A, which was bitterly opposed last December—-

That was December of 1968.

[Senator Stewart.]

—-and which the Government eventually relinquished, would have been just such an improper form of closure (and let us be done with describing any form of limiting debate as anything but closure, for that is what it is.)

I'm sorry, Senator Frith. I said July 1969, I should have said June 23, 1969.

Senator Frith: What is the significance of that?

Stewart Stewart: Well, you asked when this was published. It was written when the allocation of time rule was being added to the standing orders of the House of Commons, and this is what the *Globe and Mail* said at that time slightly over 20 years ago.

Senator Murray: Donald MacDonald was the author of the rule.

Senator Stewart: No, that is not accurate, Senator Murray. I know who wrote the rule.

Senator Murray: He was the author.

Senator Stewart: There were two people who were principally concerned in the writing of the rule. I was one of them and Gordon Dubrois, First Clerk Assistant of the House of Commons, was the other.

Senator Murray: I see. Mr. MacDonald was the Government House Leader.

Senator Stewart: Mr. MacDonald was the president of the Privy Council. He was the one who carried them in the House. Yes, that is right.

Senator Doody: Now we know.

Senator Stewart: I thought the editorial writer of the *Globe and Mail* simply did not understand the problems of the House at the time. I am quite prepared to defend the allocation of time rules in the House. I have no problem about that. But I have to say this, honourable senators, that perhaps the *Globe and Mail* was more insightful than were people like Stanley Knowles, Gerald Baldwin, Donald MacDonald at the time, because what those members of the House of Commons had in mind was a specific problem, especially at the committee stage in the whole House and at the report stage. Closure can always be used easily on second or third reading, but the new problem was that the committee of the whole House often would get bogged down on the first two or three clauses of a Bill; then everybody would lose patience, and all the remaining clauses would go through without any attention. At the same time the House of Commons was activating the report stage. The rules there are different from here. At the report stage members of the House of Commones now can move amendments. It was thought by people like Stanley Knowles, Gerald Baldwin, and Mr. Stanfield that there should be some way to establish something like a railway timetable to assure that all available time was not expanded on the first one or two amendments at the report stage. That was the intention. It is quite true that it has not worked out that way. The *Globe and Mail* in a sense was abler to look ahead.

Senator Frith: More prescient.

Senator Stewart: Prescient, that is the word. The editor of the *Globe and Mail* was more prescient. The rule has come to be used, not as was intended, but indeed as a form of simple closure.

On November 8, 1990—of this year—Senator Robertson undertook to show that closure and time allocation have been used more sparingly by the Mulroney government than by the Trudeau government. Let me attempt to give a wider and therefore more accurate picture.

The closure rule—that in simple closure—was put into the Standing Orders of the House of Commons in 1913 by the Borden Government. Incidentally the motion that a specific member we now heard was used on that occasion to prevent Sir Wilfred Laurier from speaking before the previous question was moved.

> That new rule was used 16 times before 1964. It was used once in 1964, by the Pearson Government.

That was to terminate the flag debate.

> It was used three times by the Trudeau Government. In other words, in the 71 years between 1913 and 1984 the closure rule was used a total of 20 times. The Mulroney Government has used the closure rule 17 times in 6 years. Let us now turn to time allocation, the new order added to the standing orders of the House of Commons in 1969.

Time allocation motions were adopted 40 times in the 1969-84 period when the Liberals formed the Government—40 times in 15 years. Time allocation motions have been adopted 26 times in 6 years by the Mulroney Government.

In 15 years the Trudeau Liberals used those two procedures—closure and time allocation—a total of 43 times. In 6 years the Progressive Conservatives have used them a total of 43 times.

Debate in the House of Commons—over the years, not just in the last 6 years—has lost importance. The question period has become the one big act at a sitting of the House. The Government refuses to heed argument. It pushes its bills through.

As testimony supporting the view that the importance of the House of Commons has declined I quote from a former Member of the House of Commons. On November 18, 1976 Professor John Meisel, of Queen's University, had stated that: "We [Canadians] are eminently governable but not really overloaded but we do have some problems."

● (0820)

In contrast, *The Economist*, on November 5, 1977, had described Great Britain as a kind of dictatorship. *The Economist's* critique was concerned ". . . less with the jaded cries for electoral reform as such than with the undignified, inefficient, undemocratic and, above all, unparliamentary government that is Britain's lot today." Having set Meisel's view over against that of *The Economist* our Member of Parliament, the Honourable Robert L. Stanfield, stated:

> I must say immediately that the savage attack of *The Economist* on the Mother of Parliaments would seem far from inappropriate if made, with some changes of emphasis and some modifications, on the Parliament and government of Canada. I have great respect for Professor Meisel, but I find it hard to believe he is writing about the Parliament I have been working in for the last ten years and the governments I have been watching for many more years. In my opinion we no longer have parliamentary responsible government in Ottawa.

Later in that address, Mr. Stanfield said:

> Frankly, I do not know how the House of Commons can be restored to effective supervision of the government, how we can restore government really responsible to Parliament, except by cutting back on the role of the government and thereby making it possible for Parliament to cope. I am not one of those who glorifies the Parliament of past generations. Except on great occasions, I suspect the House of Commons was usually a pedestrian place, but it did not much matter, because government was not so involved in the lives of Canadians; and the House of Commons could bring government into line when it wished to do so because it could delay the passage of Estimates as long as it liked.
>
> Under current conditions, there is no way of getting back that unlimited power to delay Estimates. No government would agree to that. The government does not have enough parliamentary time now to get its legislation passed. But even if—and this is a basic point—Parliament somehow regained its old power to control the purse, it could not effectively control the manifold operations of the contemporary government in Ottawa. The Cabinet cannot exercise such control. How could the members of the House of Commons?
>
> The frustrations of Members of Parliament are increased by federal-provincial deals, agreements and resulting legislation which confront Parliament as faits accomplis. There may be no way to avoid this in contemporary Canada, but federal-provincial arrangements have significantly reduced the role of Parliament.

Mr. Stanfield was speaking in Victoria in 1978 at a conference on the legislative process in Canada.

Another participant at that conference, Mr. Geoffrey Stevens, made reference to a book which I had written. He quoted me as follows:

> They, the opposition, strive to wear the ministers down by attrition. In this attitude they are almost certain to be supported by the newsmen, who feel deprived when there are no parliamentary skirmishes to report.

Then he quotes me again:

> The House of Commons is the ordinary scene of the battle. It is the great public stage at the centre of the national amphitheatre.

Then we have Stevens himself:

> Leaving aside the skirmishes of the Question Period, the trouble with John Stewart's statement is that it is very

> rarely borne out in practice. The pipeline debate of the 1950s and the flag debate of the 1960s stand out because they were atypical. Great debates rarely occur in Parliament. Witness the 1974 debate over wage and price controls, or the debate since November 15, 1976, over the future of the Canadian federation. Both debates were waged or are being waged outside Parliament and the legislative process.
>
> Parliament no longer—if it ever did—exerts a major influence on public policy. Parliament does not control government expenditures. Parliament's role as a legislative body is limited to ratifying legislation and occasionally amending it, usually in minor ways. Parliament is confronted with decisions made elsewhere by: (a) the cabinet, (b) an increasingly powerful civil service, and (c) the institution of the federal-provincial conference. It is no wonder members of Parliament feel frustrated. It is no wonder that the press looks elsewhere.

Well, so much for the House of Commons. Let us turn to our own house. We know that we have vast powers under the Constitution Act. Nowadays we attract attention and gain some support from time to time when we resist unpopular bills. But our authority is small. That is not primarily because senators are appointed. Canadians have great respect for judges even though judges are appointed. In contrast, the man in the street ordinarily sees the Senate as useless. It is seen as a quiet retreat for defunct politicians, party functionaries, some corporate barons and perhaps a union man or two. A few others are tossed in from time to time—perhaps a university president, perhaps a woman active in voluntary societies, and so on—in an attempt to create the illusion that this is a prestige body. It is not the composition of the Senate that offends; rather, it is the view that it is merely a quiet retreat—a pleasant club for elderly ladies and gentlemen. We are regarded as loafers, well-paid loafers.

That perception is inaccurate; many senators work very hard. Yet we had better recognize that it is the perception held by many Canadians. It is a perception deeply rooted in history.

I commend to honourable senators the little book on the evolution of Canada from which I quoted earlier, the book written by Edward Porritt. I want to quote again from that book.

Senator Frith: What is the title of it, again?

Senator Stewart: It is *The Evolution of the Dominion of Canada*, published in 1918 by the World Publishing Company in New York. Mr. Porritt was the author of the famous book on the unreformed House of Commons.

Senator Frith: What was his discipline?

Senator Stewart: He was a newsman—a very able newsman. I think he probably would have been hired by the *Globe and Mail* at a certain period when that was a great newspaper. Mr. Porritt was an Englishman, by the way. He had the advantage, not of being an Englishman, but of being an outsider. This is what he said about the Senate:

[Senator Stewart.]

> It is a modern claim for the House of Lords that it acts as a revising chamber. The same is made for the Senate of Ottawa. To what extent the Senate acts as a revising chamber can, to some degree, be judged from the report of its work from 1867 to 1913. It amended 1,246 of the 7,871 bills it received from the House of Commons, or 21.5 per cent.

It rejected 113 bills or 2 per cent. Of course, the thrust of Porritt's argument is that the Senate was doing virtually nothing.

● (0830)

> As furnishing a basis for the claim that the senate is of value as a revising body these figures covering a period of forty-six years are of only limited service. They cannot be taken at their face value. They cannot be accepted as a measure of the service of the senate as an independent and impartial chamber of review, because since 1874—

That is when the Mackenzie government supplanted the first Macdonald government—

> —and especially since 1896—

—when Sir Wilfrid Laurier first assumed office—

> —it has been well known that the vigilance of the senate in amending or rejecting bills depends on conditions which should have no influence with a really independent or impartial chamber of revision.

Porritt goes on to argue that senators are positioned so that they can do a good revising job. He says:

> The position of senator is a highly privileged one. He is free from individual claims by constituents on his time and energy during the parliamentary session. He takes no part in elections. Political propaganda has never made any large demands on his time. A senator is free constitutionally to play a bold, strong, and independent part in the political life of the Dominion. But privilege and freedom have been of no avail. Senators, as members of one division of Parliament, have never played a prominent part, to say nothing of a bold or strong part, in Dominion politics.

This is all very good stuff but I will forego most of it.

Senator Corbin: Senator Stewart, of the 113 bills rejected by the Senate during that period, were any of them, shall I say, of relative importance to the government of the day? What was the nature of the bills rejected by the Senate, if that is relevant to the debate?

Senator Stewart: That is a good question. I have not done an analysis of those bills, but I think what Mr. Porritt says in another connection will help you.

He says that during the years 1896 to 1901, during which the Liberal government was confronted with a hostile majority in the Senate, the Senate rejected four or five government bills. One was a measure for extending the inter-colonial railway, a government undertaking, from Lévis to Montréal. Another bill, rejected in 1897, would have authorized the construction of a government railway from the Stikine River to

Teslin Lake, a railway designed to form part of the rail and water route to Dawson City.

I am sure that Senator Lucier would say that the railway to Dawson City was of great importance. Certainly, I believe we would all agree that the railway from Lévis to Montreal in that period would be regarded as a matter of fundamental importance. It would be part of the inter-colonial railway system to which reference is made in Section 146 of the *British North America Act*.

> The Senate between 1911 and 1916, when a Conservative government was faced with a Liberal majority, rejected six or seven bills, or so amended bills as to make them unacceptable to the house of commons and the government. One of these measures was a bill passed by the house of commons in 1912—

I would have said 1913 but I may be wrong—

> —under which Canada was to provide three battleships as an addition to the British navy. A second bill, also in 1912, was for the creation of a permanent tariff commission; and a third, passed by the house in 1914, was to provide for increases in the salaries of railway mail clerks.

Now here this, honourable senators:

> With harmonious majorities in the senate and house of commons, government bills are never rejected, or even amended in any way that is unacceptable to the government. At these times there is not a more docile second chamber in the English-speaking world than the senate at Ottawa.
>
> At these times its sittings for public business are not continuous from day to day like the sittings of the house of commons. Sittings seldom extend beyond the dinner hour; for almost the sole business of the senate as regards government bills is to say ditto to the house of commons. Only a new government, which is temporarily without a majority in the senate, need fear the power that the senate can exercise as a chamber of revision.

Porritt says, in his last paragraph on the Senate, that the Senate—

> . . . .chiefly by its failure to realize the professed expectations of the Fathers of Confederation, by its failure to make a benificent impression on politics in Canada, or at any time in its fifty years' existence to convince the people of Canada that it was of any possible public usefulness, is, from the standpoint of students of the working of parliamentary institutions, the most interesting second chamber in the English-speaking world. It is especially so, when it is kept in mind that it represents the fourth attempt since 1791 to establish a second chamber, modeled after the house of lords, in the portion of the British empire that is now comprised in the Dominion of Canada.

So there we have an objective observer's view on the third part of the Parliament of Canada, the view of Edward Porritt published in 1918. He would have recognized the Senate as described in a much later book entitled *The Parliament of Canada*. This book is used in university after university from the Atlantic to the Pacific. The author is Professor C.E.S. Franks of Queens.

French says:

> The Senate rarely sits more than three days a week, whereas the Commons sits for five. Its sittings are brief, its holidays long, although its committees often work during holidays. Some senators attend only rarely. Senators usually have none of the arduous constituency chores of MPs, although Liberal senators from the west in recent years have had to perform this sort of work to make up for the lack of party regional representation in the Commons. Senators enjoy the use of the parliamentary library, restaurant and other facilities on Parliament Hill. In short, the Senate is a comfortable, easy-going, and rewarding club to belong to.

Senator Haidasz: Who said that?

Senator Stewart: Professor C.E.S. Franks of Queens University.

Senator Haidasz: He was never here, I think.

Senator Stewart: He has observed the Senate again and again.

Senator Haidasz: From the galleries or from reading the newspapers?

Senator Stewart: Many times from the gallery.

Senator Haidasz: How can he talk like that?

Senator Stewart: That is what he says.

Senator Haidasz: Only a man with experience in the Senate can write like that.

Senator Stewart: You mean a man with experience in the Senate would write like that?

Senator Haidasz: No, I mean could pontificate like this man is pontificating.

• (0840)

Senator Stewart: My aim, honourable senator, is not to annoy you but to inform you. This is the view that is conveyed to the people of Canada by highly prestigious authorities.

Senator Haidasz: Theoreticians: not political scientists.

Senator Stewart: I am not interested in that, senator. What I am interested in is the impact that this kind of representation can have on the authority of this institution. I believe that this kind of teaching—and whether it is right or wrong may be a matter of dispute—goes a long way to explain the reputation that this place, shall I say, enjoys.

Senator Bosa: Or suffers.

Senator Stewart: Suffers. I accept the correction.

I intended to quote more from Franks —

Senator Doody: Don't. You might provoke Senator Haidasz.

Senator Stewart: If I did, some of my colleagues might become apoplectic.

Frank sums up as follows:

> The activities of the Senate in its investigative studies and in its revision of legislation are a useful complement to the work of the House of Commons. In both of these spheres of activity the experience and competence of the senators and the freedom they enjoy from the partisan and other pressures of the Commons add a valuable dimension to their work.

Perhaps, Senator Haidasz, he had you in mind.

> The Senate has been criticized for being a lobby within government for big business, but it would be more accurate to describe it as a defender of the rights of property, a function which it was intended to perform by the fathers of confederation. Nevertheless, in other areas where it was expected to be useful, especially in defending the interests of the provinces and regions, minorities, and human rights, its record has not been impressive. It is difficult to disagree with Dawson's long-standing conclusion: 'It would be idle to deny that the Senate has not fulfilled the hopes of its founders; and it is well also to remember that the hopes of its founders were not excessively high.'

Senator Haidasz: May I ask Senator Stewart just when what he is reading was written and published?

Senator Stewart: It was written, I would say, four or five years ago. I was about to say three years, but time slips away faster than we sometimes think. I remember writing a review of the book about four or five years ago.

I believe that Senator Corbin has been reading the book lately. Perhaps, when he has finished reading his copy, he will make it available to you, Senator Haidasz.

Senator Corbin: Senator Stewart, I was looking under my desk for that very copy. I believe I brought it back to my office and, if Senator Haidasz is interested, I will be glad to lend it to him. I choked on it.

Senator Haidasz: I really question where I am, after hearing the comments which Senator Stewart has just read.

Senator Corbin: I will send for the book immediately, and you can peruse it at your convenience.

Senator Stewart: Dr. Haidasz, I am not bringing these comments to your attention to trouble you, although there is some gratification in that, I admit.

A great deal of the weight of public business is coming upon the Senate. The question is: Can our institutions bear the weight of this legislation? I don't know whether you were here earlier when I described the way the head of the government now creates the head of the state. I don't know whether you were here earlier when I read Mr. Stanfield's comments on what has happened to the House of Commons. I am now examining some outsiders' views of the Senate, outsiders who look at the patient with an objective eye. It may be wrong, it may be a faulty diagnosis, but this is at least their diagnosis.

Back in 1985, when the retirement age of senators was being set at 75, Mr. Stanley Knowles stated the New Democratic Party case against the Senate. He did so in the House of Commons on April 26 of that year, at pages 412-3 of the *House of Commons Debates*.

He stated:

> Perhaps because in the United Kingdom the House of Lords cannot finally veto legislation but can only delay its passage, or perhaps from the fact that in the United States the veto of the President can be overridden by a two-thirds vote of the two houses of Congress—whatever the origin—there is a notion held generally in Canada that the Senate can only go so far, that it can only turn down legislation once, twice or three times, or something like that.

However, the constitutional position is that the Senate could block a measure passed by the House, year after year, to the end of time. I know this has never happened. I know that the number of times the Senate has vetoed something passed in the House of Commons has been very limited. The outstanding example is the first old age pensions Act back in 1926, and two or three matters in the years from 1957 to 1963. I know the Senate does not do this very often, but it has, as a constitutional entitlement, the right to say no to what the people's elected representatives have decided. In terms of political theory, in terms of democratic practice, I think this is wrong, and that we should be taking a serious look at the position of a non-elected body in our parliamentary institutions.

Having said all that and having later said that he knew that there are some fine ladies and gentlemen in the Senate, Knowles stated:

> —[the fact of the matter is] that they are not elected by the people of Canada and I do not think they should have the role in our parliamentary institution that is accorded them by our constitution—and I believe that is the change we ought to be making, namely the abolition of the Senate itself.

Senator Haidasz: I have a question for Senator Stewart. What did Stanley Knowles think at that time of the Mother of Parliament and the great role that the House of Lords plays in the British Parliament? Did this great parliamentarian ever ask for the abolition of the House of Lords in the Mother of Parliament?

Senator Stewart: I am not in a position to give direct evidence on that. However, I believe there is some indirect evidence.

We have to remember that in 1911 the Parliament of the United Kingdom passed the *Parliament Act*. We also have to remember that the Attlee government in 1947 initiated a bill, under the terms of the *Parliament Act,* 1911, to reduce the period that the House of Lords can delay a bill from two years to one. The Attlee government wanted to reduce the powers of the House of Lords so as to be able to go ahead with the nationalization of the iron and steel industry.

● (0850)

Consequently, by the middle 1960s, the threat that the House of Lords posed to socialism was not as great as it had

been earlier. Certainly it would not be as great a threat as the Senate of Canada.

We always have to remember, Senator Haidasz, that when many writers, whether they are university professors or journalists, deal with the Senate in Canada, they write from a New Democratic Party viewpoint. They want to reduce the powers of the Senate so as to ensure that when the great day comes when there is a New Democratic Party government in this country, the Senate will not be able to amend or defeat what are called "money bills". That view has been fundamental to political discussion in Canada in recent times.

Senator Corbin: Senator Stewart, would you allow a further question on this very topic that you are dealing with?

I do not know to what extent you are a Churchillian, that is to what extent you have read the speeches of Sir Winston Churchill when he sat in the British House of Commons, and his many other writings. He made a speech at Huddersfield on October 15, 1951. I am quoting from a small pocketbook, a Signet Key Book which I purchased some 30 years ago for 50 cents. It is entitled, *The Eloquence of Winston Churchill*, edited by F.B. Czarnomski. In that speech at Huddersfield on October 15, 1951, Sir Winston Churchill said:

> The concentration of all power over the daily lives of ordinary men and women in what is called" the State," exercised by what is virtually single-chamber government, is a reactionary step contrary to the whole trend of British history and to the message we have given to the world.

Are those not wonderful words?

Senator Stewart: Yes, Senator Corbin, I agree that they are. I wonder if we could remember them for a later point in my comments, because they will be highly pertinent when I come to talk about what Lord Hailsham has called "elective dictatorship". I referred earlier to Mr. Stanfield's reference to an article in *The Economist*. That article in the *Economist* was prompted, I believe, by an address given by His Lordship, an address in which he described the British government as an "elective dictatorship". I want to return to that and to quote His Lordship. At that point, if I remember, I will say something about what Sir Winston Churchill has said.

I want, at this point, to turn to another authority, one greatly admired by senators opposite. On April 27, 1965, Mr. Douglas Fisher made a slashing attack on certain Senate appointments made by Mr. Pearson. He then went on to make comments about the Senate. These appear in the House of Commons Debates, page 640. I quote:

> Obviously, we have in the Senate a constellation of major business and economic figures which, because of the nature of the private corporation legislation that may be introduced in this particular House, may go through the House or may originate in the Senate, gives these people, a great deal of power. As a matter of fact, an appointment to the Senate is almost a guarantee of nice, fat appointments to directorships of various Canadian corporation, so you can have some kind of leverage. In making that point, Mr. Chairman, I indicate just some of the difficulties in connection with the Senate which do exist.

I find it discouraging, honourable senators, to see how closely the views on the Senate shared by Mr. Mulroney, Mr. Harvie Andre and Mr. Otto Jelinek, parallel those of the old CCF and the modern New Democrats. Senators, we have it from the best authorities, we are all defunct. We are a useless lot.

It is revealing also to see how closely Progressive Conservative senators follow the NDP in their views of the role of the Senate in legislation; at the very most, only a modicum of sober second thought, from time to time, but never, never an important amendment to a tax bill or an appropriation bill. The thought that the Senate might actually defeat a "money bill"—that term, "money bill" they utter as if they were speaking of something holy—causes Progressive Conservative senators to blanch in horror.

It is revealing to see how both the Conservative senators and the New Democratic Party agree on the importance of the pre-study of bills as practised before 1984. Both think that the pre-study was very important, but for diametrically opposite reasons.

Senator Molson sighs for pre-study; it was a truly splendid practice. On October 4, 1990, he lamented that it no longer is used. On Thursday, October 25, he extolled the merits of prestudy. It enabled the Senate, he told us, to improve bills. He said:

> This report distressed me because, in my humble opinion, the Senate did not do its duty. As I mentioned on October 4, the practice of "pre-study" which we call the "Hayden Formula" gave this chamber enough time to study legislation and deal with it in a more thorough way than was ever possible before. Those of us who have been here for a length of time can remember how often we would receive legislation just before an adjournment or a parliamentary recess with the request or instruction to pass the legislation within a matter of days, or sometimes even hours. By introducing study of the subject matter of legislation in one of our committees as soon as it was introduced in the House of Commons usually gave us the time we needed to deal competently with any complex matter.

That is from our own *Debates* at page 3250.

Senator Molson was back on "pre-study" on November 7, 1990. Because Bill C-62 had not been pre-studied, he found himself bound to vote for the unamended bill.

Senator Murray too has always been a keen advocate of pre-study. Beginning on February 20, 1985 he has told us again and again that pre-study is the way the modern Senate should do its legislative work.

Senator Murray: We will be getting back to it.

• (0900)

Senator Stewart: You are committing the government to reinstate the practice of pre-study in the Senate?

Senator Murray: Definitely. I think I will have a lot of support—perhaps silent, but support—on that side.

Senator Stewart: That is a most interesting forecast.

Senator Frith: You have done a little study, have you? A little sondage.

Senator Stewart: Let me say something about pre-study because, in view of Senator Murray's commitment, it obviously is a highly pertinent topic. First, a word in the defense of pre-study. We all know that clots of bills come to us late in the spring, and sometimes just before Christmas. The ministers are frantic in their haste: their bills ought to be passed by the Senate in a couple of days, certainly in time for Royal Assent and adjournment on the Friday before the holiday adjournment. One way to accommodate the ministers is to begin to study their bills shortly after the bills have started to make their way forward in the House of Commons. But what happens? First, some senators, those with muscle, bring their influence to bear on the ministers. They exercise clandestine power so that bills are amended at the committee stage in the House of Commons. Second, when the bill finally comes to the Senate, there is nothing much left to be done on a bill; the bill passes quickly; and the view is confirmed that the Senate is an old-folks club, agile only at rubber-stamping. If the Senate is to gain respect, senators must work hard and in public.

The pre-study of bills by Senate committees is recommended honestly by certain Senators as a way to expedite the work of Parliament. But some of those who have examined the working of the Senate contend that, in fact, pre-study served a far more sinister purpose. The argument is that one of our committees—Banking, Trade and Commerce—over the years served as a business lobby; that senators used pre-study by that committee to reshape bills to accommodate business interests.

It appears that this argument was initiated in the *Globe and Mail* on July 8, 1964. I have here a long quotation from that day's issue of the paper, but I will read only a few paragraphs.

> The public, which is perhaps more simple and direct in its thought process than some senators, is likely to be disturbed by what has been happening in the Senate Banking and Commerce Committee.
>
> To put it simply and directly, what has been happening is this: the Committee has been processing private legislation designed to create a number of new banks and mortgage companies. Some of the Senators on the Committee are directors of existing banks to which the new banks would be rivals. Or they are directors of the parent companies of the new mortgage companies. Or they are both.

I see there are some names here. I do not wish to read them; I will skip that paragraph.

> The Banking Committee then proceeded to approve the legislation permitting the establishment of the new mortgage companies, which could benefit the companies of which some of the members are directors, but found it necessary to delay the legislation permitting the establishment of the new banks, which would compete with the banks of which some of them are directors.

The Senators gave reasons for what they did, and what they did may have been right. The trouble is that it does not look right.

Senator Hayden defended his action and the action of other director-senators. It would be quite improper as well as illegal, he acknowledged, for a Senator "to vote upon any question in which he has any pecuniary interest whatsoever, not held in common with the rest of the Canadian subjects of the Crown".

This, to the simple and direct minds of those other Canadian subjects, would seem to prevent director-senators of companies interested in establishing new mortgage companies from voting on the subject. Directors get paid.

Senator Hayden's defense of this kind of voting was a little complicated, but he was entirely simple and direct on the matter of Senators who were bank directors voting on banking issues. It would be wrong for a Senator to legislate for his own bank, he explained, but right for him to legislate for the rivals of his bank.

We can look for a vast torrent of explanations from the red chamber to prove that these senatorial activities are all right and proper. But the explanations won't wash. The position of our legislators is like the position of our courts; not only must justice be done but it must be seen to be done: not only must legislators avoid conflicts of interest, they must be seen to avoid them.

It is doubtful if directors of banks, mortgage companies, trust companies or any sort of financial institution should sit on the Banking Committee, especially at this time, when the committee will be considering the report of the Porter Royal Commission on Banking and Finance, which could affect all their companies. Their special knowledge of such affairs would not be lost if the Committee were composed entirely of lay Senators; they could always be called, or requested to appear, as expert witnesses.

It is certain that no Senator who has a personal interest, either direct or indirect, in an issue before the Committee should take part in judging that issue. However pure his heart may be, he is still creating in the public mind the suspicion of a conflict of interest. The only course open to him, if he respects the body of which he is a Member and the country it serves, is that taken by Senator Crerar—to declare his interest and withdraw.

An Hon. Senator: Who signed that editorial?

Senator Stewart: That was not an editorial; I believe that was written by Mr. Bruce West. Senator Doyle, I am sure, remembers it because there was also an editorial which made the argument as that expressed in Mr. West's piece. I think I see Senator Doyle nodding.

An Hon. Senator: So Senator Doyle wrote it?

Senator Stewart: No, I do not say that. Perhaps he does not remember it.

The criticism expressed in the *Globe and Mail* in 1964 has become an article of academic faith in Canada. That criticism is stated and documented by Dr. Colin Campbell in his book: *The Canadian Senate: A Lobby from Within* published by Macmillan of Canada in 1978. Campbell depicted pre-study as a form of covert lobbying.

Presumably some senators will say that Dr. Campbell got it all wrong: that again and again, Ministers of Finance, advised by the bureaucrats—men who know the real world of the economy only vicariously through university lectures—bring forth unrealistic bills, and that Canada has been well-served by the Committee on Banking, Trade and Commerce. Certainly, in the case of Bill C-62 that would be the view of many on this side of the house.

Yet Campbell's view is shared by many in the public. His view helps explain the scorn with which we are dismissed by professors, students, and, of course, by the N.D.P.

Senator Frith: And partly by the government.

Senator Stewart: Many members of the public believe that the Senate is not just an innocent cosy club, but that it is a cosy club which operates chiefly, although not exclusively, to protect business interests. That is one of the reasons why many demand that the Senate be abolished.

I have here an excerpt from Dr. Colin Campbell's book. I will read a few paragraphs; he says this:

> By looking into the Senate at work on business review, one looks right into the heart of Canadian liberal democracy. Here the business community applies subtle and not-so-subtle pressure for adaptations of government legislation to fit their viewpoint. Senators play crucial roles in the process. In a very real sense they are the lobby from within. They bargain and negotiate on business's behalf for amendments which are essential for a favourable financial and commercial climate. When the government refuses to accommodate certain business claims, senators can convey to business the "necessity" of the government policy.

Another paragraph reads as follows:

> The Senate's Banking, Trade and Commerce Committee conducts most business review. Headed by Senator Salter Hayden (a top corporation lawyer and businessman), the committee gained attention in 1961 when it aimed a vigorous attack on the Customs Tariffs and Bank of Canada bills.

● (0910)

Then he goes on to mention its work—I guess he would say its distorting work—in 1964 on the Companies Bill. He mentions its work in 1964 when it pigeonholed three bills which granted charters for three banks: a Bank of Western Canada, a Laurentide Bank and a Bank of British Columbia. In 1968 its proposed amendments to the Hazardous Products Bill passed the Senate but were so extensive that the bill as a whole died in the House of Commons. Later in 1969, according to Dr. Campbell, the committee had further success in protecting the interests of the business community with the Investment Companiess Bill. He says:

> We see here how pressure subtly and cleverly applied in the right places helps advance the interests of the business community. First, individuals make their interests known to the civil servants who draft the legislation. Then they take their case to the House of Commons committee. If they do not get a favourable response there, they then try to convince the Senate's Banking Committee that their views are reasonable and deserve support. If they succeed here, Senator Hayden and some of his colleagues confer with and court the approval of the civil servant in charge of the legislation. If they win him over, most likely the Cabinet Minister to whom the civil servant reports will likewise give his assent to the amendment, and it will probably pass the Senate without offending the government.

Campbell goes on to talk about how Mr. Turner bent to the will of the committee in 1973 on the income tax legislation, and then he proceeds on to discuss the effective work done by the committee on improving—of course, "improving" is always the word—the bill restricting foreign investment. Again, he gives a summary statement.

> By studying bills before they reach the Upper House, the committee has kept a sharp eye on bills which affect business. This has been its greatest influence. Perhaps even more than the members of the Commons Finance Committee, the Senate Banking Committeemen, through astute use of expertise and privileges, have learned the art of political bargaining and are accomplished at negotiating with government representatives to gain their ends.

Dr. Campbell does not restrict his admiration to Banking Trade & Commerce Committee. He goes on to say:

> Competing with the Banking Committee in recent years for some of its work has been the Senate National Finance Committee. Douglas Everett, its chairman since 1970, has directed much of the committee's energies to business review.

And Campbell concludes:

> This chapter has focused on the privileged position of senators as legislators. Many are endowed with high standing within two crucial elite groups in Canada, the political and the business communities.

His conclusion is that because of the sinister work done in pre-study by the Senate Committee on Banking Trade and Commerce, the Senate as a whole deserves to be abolished.

I mentioned this book by Dr. Campbell when I spoke here on November 7th. At that time, prompted by a question asked by Senator Finlay MacDonald, I told honourable senators, even if Campbell were completely wrong, what he has written is being taught to young Canadians across this country. Since then I have checked a couple of the most widely used university textbooks. For example, the *Canadian Legislative System* by Robert J. Jackson and Michael M. Atkinson says:

> "The formal limits on the power of the Senate sometimes creates the misleading impression that the Senate is entirely excluded from important legislative matters. On the contrary, a small portion of the Senate's membership is actively engaged in challenging, delaying and amending any government legislation which may be detrimental to major business and financial concerns. In a critical analysis of the Senate, Colin Campbell has argued that these "business reviewers" enjoy the indulgence and encouragement of the Government and the advantage of a specific mission in their work. Employing the Hayden formula and the Senate's Banking Trade & Commerce Committee, this group has anticipated changes in government policy by studying bills introduced in the Commons and launching the equivalent of preempted strikes. Their narrow constituency and the absence of publicity accompanying their work has given business reviewers a formidable role in the legislative system.

I checked two other books, perhaps even more widely used than that one, and the same story is carried.

Let me now present the verdict pronounced on the Senate by John Turner some 30 years ago. Turner had written an impressive honours essay on the Senate when he was an under-graduate of the University of British Columbia. A copy of that essay is available in the Library of Parliament. In 1960 he contributed a carefully considered piece to a volume entitled, *Canadian Issues: Essays in Honour of Henry F. Angus*. In his very first paragraph Turner says:

> "It is probably fair to say that most Canadians who are aware of the subject feel that the Senate has outlived its usefulness and has become a superfluous appendix to the political system. Indeed the prestige and authority of the Senate has probably fallen to its lowest level in Canadian history.

In his second paragraph Mr. Turner says:

> Today the debates in the Senate are so dull, dreary, futile that the press rarely thinks it worthwhile to give them any coverage. Even more symptomatic of its decay is the political fact that recent governments of the day seem to have abandoned and ignored it. The Senate has become an object of ridicule. Cynics call it the most exclusive club in the country, a haven of old men, retired politicians, and contributors to party funds.

Turner then goes on to quote with evident approval the analysis of the legislative tasks of the Senate made by Arthur Meighen back in 1937. According to Mr. Meighen the House of Commons has its proper function within Parliament, and so does the Senate. He quotes what Meighen thought was the proper legislative function of the Senate. Turner then comments:

> Unfortunately, the legislative record of the Senate during the past twenty-five years has not fulfilled these hopes; it has been far from impressive.

[Senator Stewart.]

● (0920)

> Except for a brief interlude of Conservative administration in the early 1930's and for the immediate post-war period, the chamber scarcely justified the outlay of expenditure for its upkeep. The Senate has been neither a workshop nor a theatre.

His final paragraph bespeaks deep frustration:

> "Now, finally, the conundrum can be stated. The Senate, in terms of current facts, no longer plays a useful part in the government of Canada. Its historical purposes have been lost. It no longer operates (albeit through forces beyond the control of its own members) as a restraining influence on legislation. Its initial historical function, that of representing and protecting the rights and interests of the provinces, was never discharged; and it is scarcely equipped with the necessary mandate for that role today. Consequently, the argument for its abolition is difficult to resist. However, the attainment of this goal or, indeed, of any appreciable reform, would require an amendment to the B.N.A. Act which is constitutionally beyond the scope of the federal government alone. The better view is that the unanimous consent of the provinces is required and, certainly, in view of the expressed attitude of nine of the ten provincial governments on the subject, practical politics would dictate that such consent must be sought and obtained. Yet the current climate of provincial sensitivity (limited by no means to Quebec alone) would indicate that, notwithstanding the experience of almost a hundred years, which should demonstrate that the provinces have never depended upon the Senate for help in their wars against successive federal ministries, provincial authorities would look askance at any attempt to abridge whatever constitutional rights are consecrated to the provinces in the institution of the Senate. Political bodies are notoriously long in dying; in a federal state they live well past the age of usefulness.

Mr. Turner was writing in 1960. Obviously, he was not in a position to comment on the effects of "pre-study". Whether, as a result of his experience in ministerial office, he found the pre-study of his bills helpful or not, I do not know.

Donald Shell, of the University of Bristol, is the author of the most recent scholarly study of the British second chamber. In that book, entitled, *The House of Lords*, he comments on the Senate. Based on the pre-1984 situation, he had this to say at pages 3 to 4:

> The Canadian Senate represents the provinces in a formal sense, but unevenly, with twenty-four members from both of the largest provinces and six from each of the five smallest. In its activity, however, the Canadian Senate does not defend provincial interests; but neither has it any real political role: rather, it has become a very quiescent, if not moribund, body.

All this—the general view that as a legislative body the Senate was useless or even a disutility — helps explain what has happened in the Senate since 1984.

Since 1984 an effort has been made by Liberal Senators to see if the Senate possibly can be revived. We saw an opportunity after 1984, an opportunity that would not be as readily available if the Liberals had been in office. We believed that, contrary to what Prime Minister Mulroney has said repeatedly, Canada needs a bicameral Parliament, and that the only way to save the Senate from abolition is to be visibly active and to get rid of that highly-suspect practice, pre-study. Now, in 1990, the Senate, never held in high regard, has been packed in an unprecedented way for the specific purpose of passing a bad bill at a bad time.

This very morning, honourable senators, we heard the Honourable Senator Murray, the Leader of the Government in the Senate, tell us that pre-study is going to be revived: pre-study, that practice which has given the Senate of Canada a very bad name in the institutions which shape the minds of influential young Canadians.

Honourable senators, when he derides the Senate, the Prime Minister says that an active Senate is contrary to responsible government. When he says that, he is not breaking new ground. The ultimate attack on the Senate always has been that the Senate is antithetical to responsible government. That is the attack the CCF made on the Senate in 1933.

The New Democratic Party had—and it still has—a powerful hostility to the Senate. It imported that hostility into Canada from Great Britain where for generations the Labour Party saw the House of Lords as an illegitimate conservative obstacle to the achievement of socialism. The NDP believed that, like the House of Lords in Great Britain, the Senate, composed of non-elected Liberals and Tories, would use its vast constitutional powers to veto the socialist measures of a democratically elected NDP government. The fact that they could decry the Senate as the pinnacle of old-line party patronage was exploited to the full by the NDP, but that charge was always of secondary importance. It was the constitutional powers of the Senate that the New Democratic Party feared. The denunciation of the Senate as patronage writ large served chiefly to rob the Senate of legitimacy.

Over the years many Liberals and Progressive Conservatives saw no real value in the Senate. Out of office, they demanded radical Senate reform. In office, they held their noses and made appointments.

"But", says the Prime Minister, "all those institutions—the Governor General, the Senate, the House of Commons—are as naught before me. In Canada we have 'responsible government'. I won the election of November 21, 1988. That means that I have a mandate." The Prime Minister talks much about his mandate.

Let us see what all this talk about a mandate and about responsible government means in 1990.

In the United Kingdom between 1715 and 1832 the King never lost an election—1741 may be an exception. Given the small number of persons eligible to vote and the large number of pocket boroughs, those men in whom the King had confidence and selected as his ministers were always able to win the elections. The Reform Act of 1832 changed all that. No longer could the outcome of elections be determined by the government. The result was a highly independent House of Commons. It was a house in which many members regarded every vote as a free vote.

● (0930)

In the three or four decades after 1832 the ministries depended for their survival on the collective will of those highly independent members. No ministry that could not get its supply bills past the House of Commons without major amendments could continue in office. Consequently, ministry after ministry courted the House of Commons. Before 1832 ministers had been responsible to the king. After 1832 they became responsible to the House of Commons.

The heyday of simple responsible government—meaning that the ministers were responsible to independent-minded members of the House of Commons—lasted no more than forty years in the United Kingdom.

After the Second and Third Reform Acts political parties of the modern type were organized. The party leaders began to engage in nation-wide campaigns. Increasingly the electors voted for party candidates. They voted for men committed to support a party platform, and for the party leader, the chief advocate of that platform.

The importance of the change after the Second and Third Reform Act is suggested by the horrified outcries of statesmen of the old Responsible Government school. In 1868 Lord Derby complained about the "balderdash and braggadocio" in which Gladstone had engaged in his "stumping tour." In 1874 Selborne complained that Gladstone had delivered a popular budget as an election address. The Midlothian campaign of 1879 was seen as disastrous; it was, Selborne said, "a precedent tending in its results to the degradation of British politics, by bringing in a system of perpetual canvass, and removing the political centre of gravity from Parliament to the platform". In the 1890s Lord Rosebery dared to address a popular meeting on a policy not previously discussed with the Queen. She was not pleased. Clearly, the old order—the classical version of Responsible Government—was passing away.

The result, of course, was a major change in how the system worked. To remain in office a ministry still required the support of the House of Commons. But most members no longer did much thinking for themselves. Power shifted back to party leaders. The main difference between the modern system and the pre-1832 system is that the Sovereign's confidence in his or her ministers no longer is decisive. What is decisive now is the electorate. In the eighteenth century a prime minister had to woo the king. Now a prime minister has to woo the people. But there is a second major difference. While the king could fire a prime minister at any time—true, it very rarely happened after 1783—the people get only one chance every four or five years. For about 12 hours every four or five years their support counts. It is not even a window. It is a mere loophole.

Nevertheless, honourable senators, the system still is called Responsible Government.

In British North America the introduction of Responsible Government had an important additional facet. The introduction of Responsible Government meant that the ministers ceased to be responsible to London and became responsible to the colonial assemblies.

The struggle for Responsible Government in British North America goes back to the decades before 1850. What was the proper role of the Governor in a colony? That was the question. Was he to act as an agent of the government at Westminster—an agent either fully instructed or an agent with wide discretionary power, but in either case, an Imperial agent? Yes, said Metcalfe, the governor was an Imperial agent.

Metcalfe refused to heed the advice of his Canadian ministers. He was having no nonsense. I quote:

> If you mean that the governor is to have no exercise of his own judgment in the administration of the government, and is to be a mere tool in the hands of the council, I totally disagree with you. That is a condition to which I never can submit, and which her majesty's government, in my opinion, can never sanction. If you mean that every word and deed of the governor is to be previously submitted for the advice of the council, then you propose what, besides being unnecessary, is utterly impossible, consistent with the due despatch of business.

So spoke Governor Metcalfe.

The alternative was that in most matters—the great exceptions were trade and foreign affairs—the governor would act in conformity with the advice of those who enjoyed the confidence of a majority in the colonial assembly.

When responsible government was achieved in the British North American colonies at mid-century the imperial leash was slipped as far as matters internal to the colonies were concerned.

As I have said, the practice of responsible government has undergone major changes since the middle of the 19th century. Once it meant that the executive government, the ministry, depended precariously on the support of a majority in the assembly. The horse, the assembly, pulled the cart. No longer is that true. Except when no party has a majority, the ministerial cart now pushes the legislative horse. The practice behind the theory has changed. The relationship has been reversed. Prime Ministers now insist, of course, that their supply bills must pass without reductions; a little minor tinkering may be suffered. They insist that their tax bills be left intact. Indeed, sometimes they insist that any amendment to any bill, any amendment not acceptable to the government, raises a question of confidence. In that way they keep the backbenchers in line.

And, of course, Responsible Government as it now works conforms to the bureaucrat's vision of paradise. He exercises power without accountability. He operates behind a screen. Always soothing his minister—"Yes, Minister; Yes, yes, of course, Minister"—he takes him by the hand. If anything goes wrong, it is the minister who is responsible. But, clearly, that means nothing because the Prime Minister casts the protective cloak of collective responsibility over the minister's head. If you doubt what I say, have a chat with Senator Pitfield. Because of party discipline, the members of a Prime Minister's party follow their leader. They are, as they say in the elegant language of the House of Commons, "trained seals". A member who persists in thinking for himself is out on his ear. He is stripped of his committee places, even of his place in interparliamentary organizations. If you doubt what I say, ask Pat Nowlan, who until Thursday, November 1, 1990 was the Co-chair of the Canada-U.S. Interparliamentary Group.

As a Member of Parliament from Nova Scotia and the son of a famous father, Pat Nowlan's treatment attracts attention in that province. The *Chronicle-Herald*, November 5, 1990, records his fate. Nowlan had done the unthinkable; he had shown independence.

● (0940)

> When Parliament resumed its sitting this fall, Nowlan had been relegated to the ranks of the independents.
>
> The Conservatives have already taken steps to make sure he will not be re-elected chairman of the high-profile Commons' transport committee.
>
> But they heightened the dump-Pat campaign by removing his control of the Canada-U.S. Group.
>
> Conservative whip Jim Hawkes first quietly cajoled Pat to quit the post. When he refused, the Tories passed a motion declaring the post vacant.
>
> The committee is headed by a senator and an MP who are chosen every second year. Ironically, it was the time to pick a new co-chairman from the Senate side this year, but the Tories dumped Pat as well. The new Senate co-chair is Alberta Senator Staff Barootes.

It is true, of course, honourable senators, that some Prime Ministers are more patient than others.

Responsible government still means that the executive government is coupled to the assembly. But now the executive government controls the assembly. One cannot even run for re-election as a Liberal, as a Progressive Conservative or as a New Democratic Party candidate without the signature of the party leader on one's papers.

In Canada nowadays only minority governments live precariously. We all know that. Let me quote briefly from the Honourable Thomas Hockin. This article written by him was published in 1979 in the *Journal of Canadian Studies*. At page 13, he states:

> It is now, of course trite but nonetheless instructive, to note that in the 112 years since 1867, all but one change of the Canadian government (apart from those caused by retirement, death or ill-health of the Prime Minister) have occurred not because of a parliamentary reversal but because of a vote in a general election against the government. This century-long reality can be praised as a triumph for democracy insofar as it signifies the direct influence of the people on government. In other words, no

> longer is the electorate separated by a governor, an executive council, and a legislative council from directly dismissing a government from office. One must be clear though about the limits this change really implies. It would be inaccurate and confusing to say that this advance in democracy has meant increased and continued parliamentary control of government activity, policy and administration. The advance of democracy is on a different level altogether. The words of A.H. Birch (speaking of Britain) are appropriate for Canada. What has developed
>
> > . . . is not so much a form of Parliamentary control of the executive as a form of voter's control, exercised through Parliamentary elections. And since elections take place infrequently it is not clear that the word 'control' is appropriate.

So there we have it. Responsible government now means little after the ballots have been counted and a majority government has been formed.

"That's all true," you may say to me, "but, Stewart, you've forgotten the second aspect of responsible government, the really important aspect. It is in that second aspect that the true substance of modern responsible government resides. A Prime Minister has a mandate from the people. It is only right that the backbenchers should follow him like the Hussars and Lancers of the Light Brigade at Balaclava."

So we come to the doctrine of the mandate. Prime Minister Mulroney dotes upon his mandate; he coos over it constantly. He was given a mandate in 1984, he reminds Canadians. He is now halfway through his second mandate, the 1988 mandate.

What is a mandate? In Great Britain they talk about policy mandates. They mean that a party has put a policy explicilty before the people in an election. If successful, the party then has a mandate to carry out that policy.

But that is not what Prime Minister Mulroney means by his mandate. He means something far grander. He means that, as a result of having an election, he is free to do whatever he wishes for the next four or five years. He is even free to do things he promised not to do before the election. For a Prime Minister with a mandate the word "sacred" is meaningless. His mandate makes him omnipotent. He alone is the prophet.

Prime Minister Mulroney concedes that he is not infallible. If he goes astray, he will suffer the consequences at the next election, or so this branch of the journalists' theory of responsible government holds. But is that true of Prime Ministers in the real world?

Mr. King resigned as Prime Minister a few months before the 1949 election. Mr. Pearson resigned as Prime Minister almost immediately before the 1968 election. Mr. Trudeau resigned as Prime Minister shortly before the 1984 election. In such cases, what does the retrospective judgment of the electorate mean? Precisely nothing.

And let us not forget the rapid turnover of the House of Commons. Many members—on the average about 30 per cent—choose not to run again. They are gone. In that situation, even senators begin to appear responsible. At least, many of them can still be found on Parliament Hill.

So far I have said nothing about the role of political parties in responsible government. True, many members of Parliament do not run again and cannot be held responsible. True, Prime Ministers drop out and cannot be held responsible. But the political parties, you may say, carry on election after election. Without the political parties, Viscount Samuel once commented, the House of Commons would be merely "a fortuitous collection of atoms." It is the party which provides the continuity essential to ministerial responsibility.

Surely this reliance on party continuity is to strain the concept of ministerial responsibility beyond the breaking point. Party positions change. Party memberships change. If continuity is essential to responsibility, where is continuity to be found?

What Prime Minister Mulroney believes, and preaches, is the popular civic textbook version: the Prime Minister is responsible to the House of Commons, and the House of Commons is responsible to the people. But reality has moved on. Once successful in gaining election, a Prime Minister controls the House of Commons and Parliament rules the people.

Understandably, Prime Minister Mulroney has no use for the Senate as a legislative body. It has no place in Parliament. It is a potential rival. The Senate may have its uses, but not as an active part of the legislature. When one hears Prime Minister Mulroney talk about responsible government, one is led to think of Caesaristic dictatorship. Without a single formal change in the republican constitution of Rome, Caesar took dictatorial power unto himself.

Conservative senators may applaud the Prime Minister's constitutional doctrine. Would they applaud so enthusiastically if that same doctrine were preached by Jean Chrétien or Audrey McLaughlin?

• (0950)

Just the other day Mr. Mulroney spoke about beginning the second half of his current mandate. If he meant simply that enough Progressive Conservatives were elected to the House of Commons on November 21, 1988, to enable himself and his cabinet colleagues to continue as ministers of the Crown for up to five years, nobody could complain. If he meant that the result of the election enabled him to continue as the chief minister of the executive government—I emphasize "executive"—nobody would object. But that is not what he means.

Nor does he mean that he explained his plans to the people before the elections and consequently gained their support for those plans. He follows the John Crosbie strategy. We all remember John Crosbie, how in 1979 he said:

> "If we had told the people our plans, they never would have elected us". In other words, if we had sought a mandate for our program, the people would have refused to give us a mandate.

In 1983 Mr. Mulroney dismissed the idea of a free trade agreement with the United States. After the election—after he

got what he calls his mandate—he proceeded to negotiate a free trade agreement with the United States. When Liberal senators argued for an election on the agreement, we were denounced by the government for failing to repeat his mandate.

What the Prime Minister means, what he believes, is that in 1984 and 1988 he was given a mandate to make any change he wants to make in the laws and policies of this country. He means that the people gave him a legislative carte blanche. He means that those who voted Progressive Conservative in 1988 were giving their authorization to the Meech Lake Accord. He means that those who voted Progressive Conservative in 1988 were mandating the changes in the Unemployment Insurance system—even although the senior minister in Atlantic Canada, John Crosbie, promised that the Unemployment Insurance system would not be altered. On October 14, 1988 the Honourable John Crosbie stated:

> We will be looking at UI in a couple of years, presumably to see what improvements can be made or whatever. But there are no changes planned for UI.

Mulroney means that those senior citizens who voted Progressive Conservative in 1988 voted for a reduction in their old-age pensions. They voted for Wilson's claw. He means that those who voted Progressive Conservative in 1988 voted for this tax on goods and services.

The Progressive Conservative Briefing Book on Bill C-62 explains that the people of Canada gave the Mulroney Government a mandate to impose the goods and services tax. I quote from that book:

> Question: Why not have a referendum on the GST and let the people decide?
>
> Answer: The people did decide. In the last election Canadians gave the government a mandate to reform the sales tax system. The government's intentions have always been clear and up front. A White paper in June 1987 set out plans to replace the existing federal sales tax. On the day the 1988 election was called the Prime Minister said tax reform would be part of the campaign. In the televised debate just before the last election, the Prime Minister said clearly that the existing federal sales tax would be changed.
>
> Question: The government says it wants to get on with its agenda. So why has it bogged down in a fight about the GST?
>
> Answer: This is not about the GST. It's about un-elected Liberal Senators denying the elected government its right to govern.

Now let us turn to the pages of the *Globe and Mail* for an accurate account of how the Mulroney Government sought a mandate to bring in the goods and services tax. Let us see what kind of mandate for the GST Mr. Mulroney sought from the electorate. I am referring to a commentary written by Linda McQuaig, published on October 17, 1990.

> One of the most misleading statements coming out of Ottawa these days is the contention of Brian Mulroney's government that the goods and services tax was part of its 1988 election platform.
>
> The government is advancing this theory now, of course, in an effort to suggest that it was elected with a mandate to impose the GST. Even if the electorate is now overwhelmingly opposed to it, the theory goes, the public elected the government knowing full well of—even presumably endorsing—the GST.
>
> This is a considerable distortion of what happened. It is true that the government had indicated in vague terms in its 1987 tax-reform documents its intention to replace the Manufacturers Sales Tax with a new sales tax. But the government went mum on the subject during the 1988 campaign. This silence was with good reason.
>
> The new tax was going to benefit only a small segment of the population—primarily manufacturers, who had long disliked the existing sales tax and would enjoy a much lighter burden under the GST. Indeed, some $4-billion of the sales-tax burden was to be transferred from the corporate sector to the household sector.
>
> So the government saw no particular advantage in mentioning the new tax to the general public during the election campaign. It was bound to raise suspicions that the tax would be used to soak additional revenues out of the public for the ongoing war against the deficit.
>
> For the Tories, there was no advantage in turning the GST into an election issue. Everybody who would like the new tax—manufacturers, business economists, tax experts—already knew about it. The rest were better kept in the dark.

The commentary goes on and on, and honourable senators are probably quite familiar with it already.

The Prime Minister believes that to win an election is to gain a mandate for any laws and policies he happens to want. I do not know from what ideologist the Prime Minister learned this strange and dangerous theory. He seems to think that he is the sole voice of the people; that he is their prophet. To resist his bills is to resist the will of the people.

The idea of an electoral mandate is relatively new. It came to the fore in the United Kingdom in the nineteenth century.

Honourable senators, it is obvious that the Senate is not the House of Lords. The British second chamber is an old bottle, an old bottle filled with both old wine and new wine. Some peerages come down by inheritance from great 18th Century landowners. Other peers inherit their places from men who were successful in manufacturing and commerce in the late nineteenth century. Nowadays the House of Lords is recruited from many different sources. Perhaps one might say that it embodies the principles of inheritance and merit.

In contrast, the Senate of Canada was created primarily to embody the federal principle. It was included in the Parliament as a House in which each of the less populous divisions of the country would have a role in legislation equal to that of Ontario.

Although these two upper houses are very different, as I have said, there is something to be gained by looking at the British experience.

I say that because it may well be that our own consideration of Bill C-62 will prompt us to ponder how this chamber should be changed. I have no doubt but that it will prompt others to ask what should be the future of the Senate. Consequently, it is worthwhile looking at the British experience.

In 1860 the House of Lords rejected Mr. Gladstone's bill to repeal the duties on paper. The Lords had not rejected a tax bill for many years. That date is significant for Canadians. It shows that the authors of the British North America Act, 1867, were fully aware of the possibility of a head-on conflict between the House of Commons and the Senate on tax and appropriation bills. Yet they made the Senate's powers virtually the same as those of the House of Commons. The British were anxious to increase the Prime Minister's power somewhat, but the Canadians resisted. They knew that politics is the art of the possible. They knew what was possible in the British North American provinces. They knew that without giving the Senate virtually equal power in all legislative matters, confederation would never be achieved. Most reluctantly the Canadians agreed to the inclusion of clause 26 in the bill—to permit a Prime Minister to make minor additions to the Senate—but only if the Governor General and the Queen, advised by Her British ministers, thought this necessary to break a major legislative deadlock.

Senator Haidasz: Honourable senators, may I ask Senator Stewart a question on this point about section 26 of the British North America Act? Senator Steward, you stated a few moments ago that the appointment of these so-called eight divisional senators in Canada is to be made only if there is an impasse between the House of Commons and the Senate. To my knowledge, from what I see, we have not had a problem yet with the House of Commons. We are still studying the bill. We have not sent the bill back with amendments.

Just what kind of impasse has occurred in the eyes of the Prime Minister or in the eyes of any of his advisors or lawyers or perhaps any judges who have pronounced themselves on this matter?

Senator Stewart: Senator Haidasz, it would be impossible to say that there was an impasse of the kind contemplated when the British North America Act was made. References are made by speakers such as Sir John A. Macdonald to the parliamentary impasse in Great Britain over the first reform act in 1832. The reform bill had been passed by the House of Commons; it was rejected by the House of Lords. There was an election. The bill was passed again by the House of Commons and it was about to be defeated a second time in the House of Lords. At that point, the King agreed that, if the impasse could not be overcome otherwise, he would create a sufficient number of new peers to assure the passage of the bill. That was the kind of impasse they had in mind.

In the situation which prevailed in Canada in 1990, we had one bill, Bill C-21, which stood on the Order Paper in the name of Senator Ottenheimer from May 23 until October 19. Discussions were initiated. Senator MacEachen has told us about those discussions. He has offered to put the letters on the table. The government walked away, not because the negotiations appeared likely to fail but because it was clear that they would be successful. Bill C-21 was needed for the contrived log-jam. Then with regard to Bill C-28, the clawback bill, it was obvious that there was no urgency because the government was doing what they would never think of doing in Great Britain. They were collecting the clawback money from January 1. The government was quite prepared to have the Senate adjourned for a three month holiday.

When we focus directly on Bill C-62, we see that it went forward swimmingly at second reading. It took only five hours of debate; there was an affirmative vote of the Senate.

The New Democratic Party keeps insisting that the Liberals are really in favour of the goods and services tax, and their evidence is that the bill passed second reading. It was only very late in the summer that the Liberal members of the committee saw that the bill was irreparable and decided to recommend that it should not go forward. Even if the Senate had voted to accept the report of the committee, this would not have constituted a legislative log-jam. It would have been open to the government to terminate this session of Parliament, bring on a new session, and put the bill through the House of Commons again very quickly. They used closure repeatedly in the House of Commons the first time; they could have used closure with greater justification the second time. They could have had the bill over here and said, "Yes, you have told us that this is a bad bill, but the House of Commons has spoken again."

Now, that would not parallel exactly what would be required in Great Britain under the Parliament Act. That act would have required the delay of a full year. But at least there would have been a record of a vote in the Senate against the GST. At the moment there has not been a single decision of the Senate against the bill. There was anticipation of a negative decision. There is not a single decision in which the Senate turned down the GST bill exactly as it came to us from the House of Commons.

● (1000)

The rejection of Gladstone's bill in 1860 started a fifty-year war between the House of Commons and the House of Lords. On one side were the Liberals pressing for reform—reform of education, reform of the ecclesiastic establishments in Ireland and Wales, reform of the suffrage, and of course home rule for Ireland. On the other side was the Tories, determined to conserve the old order in church and state. That war between the two houses of Parliament reached its climax in 1910 and 1911.

In 1911 the new King, George V, agreed to create a sufficient number of new peers to assure that the House of Lords would pass the Parliament bill. An election had been fought on the legislative powers of the House of Lords. The Liberals continued in office; the Conservatives had not gained a majority. The Liberals believe that they had a mandate from

the people for the Parliament bill. But, still, the Tory Lords refused to pass the bill. They passed it only when King George agreed that he would create enough new peers to swamp them.

Honourable senators will be interested in what happened in the United Kingdom in 1911 for two reasons. First, there was a possibility that the Liberal government would be given a majority in the House of Lords by new creations—the sort of thing we saw in Canada in 1990. Second, the outcome—the Parliament Act, 1911—reduced the powers of the upper house.

We have had discussions in Canada concerning reducing the power of the Senate. Honourable senators will recall that in 1985 Mr. Crosbie developed a resolution on a model of the Parliament Act, 1911.

I should like to quote the account given by Sir William Anson of what happened in 1910 and 1911. I will be quoting from his book entitled *The Law and Custom of Parliament*. It will be noted that Sir William, who published his account in 1911, thought that the Liberal government had not acted with full constitutional propriety. He said:

> In 1909 the House of Lords declined to pass the Finance Bill of the year on the ground that it embodied principles of taxation so novel in character as to need the express approval of the electors before passing into law. Parliament was dissolved. At the general election which took place in January, 1910, the Government lost more than 100 seats, and the two great parties were left almost on an equality of numbers; but Mr. Asquith, supported by the votes of the Nationalist and Labour groups, could command a majority of 120.
>
> The House of Lords accepted the verdict of the general election and passed the Finance Bill; nevertheless the Government introduced resolutions, subsequently embodied in the Parliament Bill, with a view to the curtailment of the powers of the Second Chamber. These resolutions were carried in April, 1910, after a discussion which lasted for eleven days of Parliamentary time, and the Parliament Bill of 1910 was introduced and read a first time without discussion.
>
> The death of King Edward VII, and the Conference in which the leaders of the two parties endeavoured to come to terms on the constitutional questions in issue prevented further discussion until November.
>
> The Conference broke up without result, and as those who took part in it were bound to secrecy, we have no knowledge of the concessions which either party was prepared to make, nor of the point at which negotiation became useless. What happened afterwards we learn from Mr. Asquith, speaking in the House of Commons on the 7th of August, 1911.
>
> On the 15th November, 1910, the Cabinet advised the King to dissolve a Parliament which was not a year old, and which never had the opportunity of discussing the Parliament Bill. But at the same time they asked for a promise that

> "in the event of their policy being approved by an adequate majority in the new House of Commons, His Majesty would be ready to exercise his constitutional power, which may involve the prerogative of creating peers, if needed to secure that effect shall be given to the desire of the Government."

They further advised

> "that no communication of the intention of the Crown should be made public unless and until the actual occasion should arise."

At this point I interrupt Anson to say that Asquith seems to have made a mistake in his account of the King's promise. The Cabinet Minute laid before the King on November 15, 1910 did not ask the King to create peers to ensure that "the desire of the government" be given effect provided the government had won re-election; rather, it asked the King to create peers "to give effect to the decision of the country." In other words, the government could have new peers only after having won an explicit mandate from the country on the Parliament bill. Later, Mr. Asquith's speech in the *Debates* was corrected to conform to the Cabinet Minute.

On April 26, 1990—the Speaker of our House of Commons, the Hon. John Fraser, in his encyclic address to the House and the nation spoke with warm admiration for the Parliament Act, 1911. What does that act provide?

Under that act, any "money bill" may be presented for Royal Assent even if it has not passed the House of Lords, provided that the Lords have had the bill for at least one month. Any other bill may be presented for Royal Assent without passing the House of Lords provided that the bill has passed the House of Commons a second time in a second session, and that a specified time has elapsed between the first second reading and the second third reading in the Commons. In 1911 the delay was set at two years. In 1949 the Labour Party used the Parliament Act, 1911 to amend the Parliament Act. They amended it so that the Lords may delay a bill only one year.

The term "money bill" is defined by the Parliament Act. A "money bill" may contain no clause relating to a matter other than appropriation, taxation, borrowing, loans and the management of public money all strictly defined. Most of the bills that are described here in Ottawa as "money bills" would not be "money bills" at Westminster.

Honourable senators will have noticed that the Cabinet minute laid before the King asked him to promise to create enough peers "to give effect to the decision of the country." The Liberal government was to have an explicit mandate for the Parliament bill before the King would act.

That brings us to the British—or should I say "the British conservative" doctrine of the mandate. Away back in 1869 Lord Salisbury told the House of Lords that it was not the function of Their Lordships' House to be a mere echo of the House of Commons.

> The object of the existence of a second House of Parliament is to supply the omissions and correct the defects which arise in the proceedings of the first.

It is said, he commented, that the House of Commons represents the will of the nation.

> In ninety-nine cases out of a hundred the House of Commons is theoretically the representative of the nation, but is so only in theory. The constitutional theory has no corresponding basis in fact, because in ninety-nine cases out of a hundred the nation, as a whole, takes no interest in our politics.

In those indifferent cases, the 99 on which the House of Commons could not be said to have a mandate, he saw no reason for admitting that the Commons spoke for the nation any better than the Lords. In the remaining one case the situation was quite different. In those special cases, the one case in a hundred:

> . . . the nation must be called into council and must decide the policy of the Government. It may be that the House of Commons in determining the opinion of the nation is wrong; and if there are grounds for entertaining that belief . . . it is the duty of this House to insist that the nation should be consulted, and that one House without the support of the nation shall not be allowed to domineer over the other. We must decide whether the House of Commons does or does not represent the full, the deliberate, the sustained convictions of the body of the nation.

When it was clear that the House of Commons and the nation were at one, then, said his Lordship, ". . . the vocation of this House has passed away."

● (1015)

Here we are reminded of what John A. Macdonald said on February 6, 1865:

> "It [the Senate] must be an independent House, having a free action of its own, for it is only valuable as being a regulating body, calmly considering the legislation initiated by the popular branch, and preventing any hasty or ill-considered legislation which may come from that body, but it will never set itself in opposition against the deliberate and understood wishes of the people." *Parliamentary Debates on the subject of Confederation*, p. 36.

The doctrine of the mandate was restated in 1964 by another Lord Salisbury. He had served as the Leader of the Conservatives in the Lords during the period of the Labour government between 1945 and 1951. Describing the position of his party during the period of the Attlee government, Lord Salisbury said:

> . . . our broad guiding rule [was] that what had been on the Labour Party programme at the preceding General Election should be regarded as having been approved by the British people. Therefore we passed all the nationalisation bills, although we cordially disliked them, on the second reading and did our best to improve them and make them more workable on Committee stage. When however measures were introduced which had not been in the Labour Party manifesto at the preceding election, we reserved full liberty of action.

That is from the *House of Lords Debates*, November 4, 1964, at page 504.

In the debate in 1975 on whether to insist on their amendments to the Trade Union and Labour Relations (Amendment) Bill, Lord Carrington, known personally to several honourable senators opposite, dealt with the questioned how far it was right for the House of Lords to use its powers to delay under the Parliament Act, 1911, as amended in 1949. This is what he said:

> In our system we have hitherto taken the view that the will of the elected House must in the end prevail, but that there should be a second House which has the opportunity—in rare cases, perhaps—to enforce a delay in which there can be reassessment by Government, by parties and by the people of this country of the rights or wrongs of an issue. If now we decide to use that very limited power, we are not thwarting the will of the people for, in so far as it is represented by the House of Commons, it will and must prevail in a comparatively short time. We shall be using those powers for the purpose for which they were given to us—that is, as an opportunity for further consultation, for second thoughts before this legislation inevitably reaches the Statute Book and because we did not want the Second Chamber to be associated with what the Government are doing.

That is from the *House of Lords Debates*, November 22, 1975, at page 505.

Given the political composition of the House of Lords in the United Kingdom, the doctrine of the mandate has tended to be thought of as a conservative doctrine—a doctrine intended to stop a willful, impetuous Prime Minister—perhaps a Conservative Prime Minister, but far more probably a Labour Prime Minister—from having his or her own way unimpeded. How appropriate that doctrine is for Great Britain is not suitable for me to say.

Surely, however, it is of some relevance to this house. We know that the Senate was created as a brake on a Government supported by the majority in a house elected on the basis of representation by population. Without the Senate there would have been no Canada. The Senate was given a braking power over all the different kinds of bills—over taxation, appropriation and all the rest. The Senate was made appointive, not elective, so that senators would not be overly aggressive in applying the brakes.

An electoral mandate—using the term "mandate" as it is used in Great Britain—requires that a proposal—a plank—be clearly stated and thoroughly discussed with the electorate.

For example, in 1988 the Prime Minister of Canada was given a mandate for the Free Trade Agreement with the U.S.A. The Liberal-dominated Senate respected his mandate. Let me read what I said on December 30, 1988, in reporting the Free Trade Agreement bill to the Senate from the Standing Committee on Foreign Affairs. I stated at that time that

the committee had been mindful of several points; these I enumerated. The first point related to the mandate. I quote:

> . . . on November 21, 1988, the people of Canada elected a House of Commons in which the majority favoured the implementation of the Free Trade Agreement. Bill C-2 is virtually the same as Bill C-130, which was passed by the House of Commons on August 31, 1988, in the Thirty-Third Parliament. Moreover, the committee received Bill C-2 only on Tuesday, December 27, while the implementation date under the agreement is January 1, 1989. Those facts pointed to the conclusion that the committee should not propose amendments to the bill, even though some members of the committee believe that, on the merits, major amendments are highly desirable.

Later, I said:

> Honourable senators, this is a unanimous report. As the record shows, some members did not participate in the vote to carry the clauses of the bill. In the third paragraph on the first page of the report, which begins with the words, "From the testimony heard", the committee provides a summary of its views on each of the five specific matters to which I have already referred. Honourable senators will notice that the views set forth in that one paragraph are attributed only to a majority of the members of the Committee.

There, honourable senators, we have a pretty good example of the application of the policy mandate doctrine by the Canadian Senate. However, the Prime Minister's view of his mandate, the mandate gained on September 4, 1984, and the mandate gained on November 21, 1988, is far more inclusive. He holds, as we have seen, the view that the people gave him a mandate to do whatever he thinks best. Nobody, certainly not the Senate, should resist him. As recently as November 5, 1990, he pronounced his understanding of his constitutional position clearly on a television hotline show. The *Toronto Star* quotes him:

> We're elected for four or five years. If at the end of that time you disagree with what we've done, the beauty of the British Parliamentary system is that you get a chance to throw the politicians out.

So there we have it. Once in power, a Prime Minister is virtually omnipotent. Nothing can be done to deter him. There is, perhaps, punishment, but it comes so far after the fact as to not be a remedy.

Let us suppose that in Canada we had a constitutional amendment comparable to the Parliament Act as it now stands; would Prime Minister Mulroney accept the delays on bills the Senate could impose under the terms of such a suspensive veto? Certainly, he would not. I want to return to this point later on.

For the benefit of new senators, and I am glad to see them here, let me now review relations between the Mulroney government and the Senate since 1984, with particular attention to financial bills.

Senator Simard: Please spare us.

[Senator Stewart.]

Senator Stewart: Sorry, I did not hear your question?

Senator Corbin: Senator Stewart, may I ask a question? You did not hear Senator Simard, but he said, "Please spare us". I guess he did not want you to read that quotation. However, I have a quotation here from Sir Winston Churchill which is extracted from that same pocketbook I alluded to earlier, *The Eloquence of Winston Churchill,* when he spoke in the British House of Commons on October 18, 1948. You will note, Senator Stewart, that this extract from one of the Commons' Speeches of Sir Winston is highly pertinent to the point you are currently making in your speech.

> The attitude and function of a Second Chamber in any land is essentially one of safeguarding and delaying violent or subversive measures which may endanger the long-gathered heritage of the whole people, without the gravity and significance of the issues involved being fairly and intelligibly placed before them.

Would you not think that this quote applies squarely to the GST and the manoeuvres of the government to force this down the public's gullets?

Senator Stewart: Thank you, Senator Corbin, for your question. I said earlier that I think this is a bad bill and a bad time, and I put special emphasis on the latter part of my statement. I do believe it is a bad bill, but I think a more important reason for not voting for it is that this is a bad time for it. I think that given the poor health of our polity—and I am going to come to that later on—it is dangerous to attempt this surgical operation now. It may be that we are going to have to have a serious tax operation. But, this is not the time. The patient should be allowed to put on some weight.

There are times when one should move and there are times when one should not move. Any experienced politician would agree to that. However, what very often happens—and it is not a characteristic of one government—once it gets a roll on, its own momentum tends to carry it forward. One of the advantages of having a second house which is prepared to put the brakes on is precisely to prompt a government to consider whether pushing ahead is worth the inevitable costs. I think that that is the thrust of Sir Winston's argument.

Honourable senators, I want to, as I said, review the relations between the Mulroney government and the Senate since 1984, particularly for the benefit of new senators. Those new senators arrived here at a juncture when all attention is focused on Bill C-62. Bill C-62 is, in a sense, just one care in this railway train and we have to look at the bill in context.

● (1030)

Honourable senators will remember that Edward Porritt, in his book, *Evolution of the Dominion of Canada: Its Government and Its Politics*, back in 1918 commented that relations between the government and the Senate always are far more harmonious after an election in which a party long in power loses office. He commended the way the Senate sprang to life at such times; otherwise it was a tedious place. That was true in 1896 and in 1911. It was to be true in 1926, 1935, and again in 1958. Given that fact, it would have been surprising if the

symbiotic relationship between the government and the Senate had continued after September 4, 1984. We can all agree on that.

Probably, also, we can agree that the business of the Senate is conducted by the political parties. History has shown that when every member of an assembly is his own party, the result is instability, even chaos. In addition, there is the question of commitment or motivation. An announcement of independence may well be an announcement of retirement from work. During the past few weeks a series of amendments to Bill C-62 have been proposed. It is interesting to count up the voting behaviour of our six independent senators. Two of them voted 19 times; 1 senator voted 3 times; 2 of the independents voted twice; 1 voted once; and there is 1 senator who could not manage to get to Ottawa to vote even once. Compare that with the record of the Progressive Conservative Party or the record of the Liberal Party. We all agree that business is normally conducted here primarily on a party basis, yet it is a fact that relations between the parties since 1984 have been far more adversarial, even hostile, than any of us would have predicted. It is fair to ask why.

One obvious reason is that, for one reason or another, from the very beginning the Mulroney government fell under the spell of Ronald Reagan. Consequently, it adopted policies which, willy-nilly, will bind Canada economically and politically to the United States. Many Canadians opposed those policies. Liberal senators gave expression to that public opposition. We found that Brian Mulroney as Prime Minister was all too ready to sing for those who controlled Ronald Reagan's White House.

A second reason has been the Prime Minister's failure to make adequate provision for government leadership in the Senate. I say this to some extent in defense of Senator Murray. From the beginning the Prime Minister saw the Senate as a patronage club—a Liberal patronage club; a Progressive Conservative patronage club. It was to be treated condescendingly, with mingled humour and contempt, even when it cooperated with him. When it failed to do his bidding, he lashed out in language that would have caused a Billingsgate fishwife to blush.

For the first little while after 1984, Senator Roblin, who is here today, led the government in the Senate. He showed the skills of an experienced legislator. Yet I think he had a rough time, not so much with the Senate as with uncomprehending Cabinet colleagues. Then came Senator Murray, a diligent man, a man with all the virtues of the true bureaucrat. He is a competent man, but he is a man who trusts his own opinions and only his own opinions. He is a man who is impatient with debate. I do not think that he understands that, in a democracy, it is not enough to produce a good bill, even a perfect bill, but that strong opposition often is necessary in the process of generating consent. Nor does he understand that the process of generating consent is often slow and tedious. He was busy, very busy, with important administrative work away from the Senate; consequently, the Senate was left for weeks without ministerial leadership.

I think that relations between the government and the Senate would have been far smoother if the Prime Minister had appointed a second senator to the Cabinet, a senator to serve full-time as Government Leader in the Senate. Half a dozen names spring immediately to my mind.

Senator Corbin: Name them?

Senator Stewart: I am sure everybody has his own list.

Senator Corbin: Senator Doody. He is my favourite.

Senator Lucier: He is everyone's favourite.

Senator Stewart: There is Senator Roblin, Senator Bélisle and a lot of people who could have done it. But it was not done. The Prime Minister permitted himself to be controlled by his old prejudices against the Senate. They are not unique to him, I can assure you.

A third reason for a highly adversarial relationship has been a basic disagreement over the role of the Senate in the Parliament of Canada. Before 1984, except for the Diefenbaker period—six years—and the Clark episode—nine months—the Liberals had formed the government ever since 1935. They had formed the government 42 of the 49 years before September 4, 1984. Perhaps, understandably, the Senate had become a rather supine body. That was certainly the popular impression. People asked: "Does the Senate still exist? If so, why?"

The question in 1984 was: Had the constitutional role of the Senate been defined, fixed, determined, during those long years since 1935. The question was: Had those years worked a permanent change in the Constitution of Canada's Parliament? The Progressive Conservatives said, "Yes, the role of the Senate was settled during those years. The Constitution has undergone a kind of amendment by convention." The Liberal senators disagreed. They said, "No, the Constitution of Parliament remains unaltered until changed by a formal constitutional amendment."

During the disagreement over Bill C-11, the Borrowing Authority Bill, in the winter of 1985, Senator Murray instructed senators on their role. He gave them the benefit of his carefully considered opinion. This he did on February 20, 1985 and his statement is to be found in the *Debates of the Senate* at page 557.

He said that senators have only one legitimate role in legislation: the pre-study of bills. He said that they should confine themselves to pre-study and that if they did not do so, the final solution, soon, would be their fate. Aside from back door amendments—deals between the Standing Senate Committee on Banking, Trade and Commerce and the relevant minister—Senator Murray argued that the Senate had no legitimate part to play in the enactment of laws.

He expressed himself with characteristic candour and finesse when he said:

> Finally, I wish to say a word about what this exercise is doing to the Senate, to the role of the Senate and the future of this chamber. While much criticism can be made of it, and some quite far-reaching reforms have

been advocated by senators themselves, I believe the Senate has usually done useful work with respect to legislation, to policy, and to government spending and borrowing programs.

Senators are familiar with the device of pre-study by which we have an opportunity to suggest to ministers and to the government amendments that should be made in the legislation before it comes to us officially and formally. Senators are also aware that from time to time we take it upon ourselves to pass a bill about which we have some doubt, or about which we have reservations as to the process or principles involved. We pass a bill and we attach a narrative or commentary stating what we consider to be the proper course, and telling the government that we consider that changes should be made to the procedure in the future.

All of these devices are used by the Senate precisely for the purpose of avoiding confrontation between this chamber and the elected house. These devices that have been used have been helpful and constructive; they have contributed to the legislative process, to policy development, and to the welfare of this country. But it seems to me that the conduct of Liberal Party senators on this bill indicates that in the present Parliament they have decided to take the path of confrontation. They have decided to abandon the path of moral suasion vis-a-vis the government and the House of Commons. They have opted instead for the confrontational approach. I say that if they think they are going to repeat this performance on future bills coming before this body, they are signing their own death warrant—

Some Hon. Senators: No, no.

An Hon. Senator: And yours.

Senator Murray: And mine, but more important than that, the Senate, because I tell honourable senators that we have a Prime Minister and a government that has (a) an overwhelming mandate in the House of Commons; (b) overwhelming popular support still in the country, as evidenced by every poll that he has taken since the election—

Senator Roblin: You are in third place now.

● (1045)

Senator Murray: —and the people have had an opportunity to judge the conduct by the government of the nation's affairs; and (c) I suggest, on the basis of last week's meeting in Regina, that there is now a climate of federal-provincial relations that would enable the government, if it were faced with systematic obstruction by the Senate, to get whatever provincial consent is required to take whatever measure of reform, up to and including abolition, that I thought was necessary under the circumstances. I believe it is important for honourable senators to bear that in mind, particularly those honourable senators who value the work that this Senate and its committees have done over the years and who have themselves, in the past, made a useful contribution to that process.

So there we have Senator Murray's ultimatum: our way or you are out.

Senator Frith: Up to and including abolition.

Senator Corbin: Senator Stewart, I should like to clarify one statement that you made in the course of your remarks a few minutes ago. I am not sure if this was a direct quote from Senator Murray or if it was an *ad lib* comment on your part. I believe I have the words correctly written down. You said, "The final solution would soon be their fate." Was that something you said or was that a quote from Senator Murray? If it was a quote from Senator Murray, I wonder what he meant by "final solution".

Those are rather shocking words in this day and age. They have a very definite sense going back to World War II and the period prior to that. Is that not a gross and indecent exaggeration in the circumstances?

Senator Stewart: The words were mine. They are used as a gloss for the quotation I was just about to give from Senator Murray, where he talked about abolition, which I suppose is the final solution.

Senator Corbin: His final solution?

Senator Stewart: That is what he talked about.

Senator Simard: Carry on, Senator Stewart.

Senator Corbin: It is nice to know that the government senators are listening to the debate, even though they are not participating. The very essence of Parliament is to have an exchange of views in debate, but at least they are listening.

Senator Stewart, you should be very careful in your choice of words. When I hear a term such as "final solution", I spring to life because that brings back bad memories.

Senator Stewart: Senator Corbin, would you prefer the KGB term "termination"?

Senator Corbin: What exactly do you mean by those words?

Senator Stewart: I will use Senator Murray's own terms: "abolition, termination, conclusion".

Senator Haidasz: Dissolution.

Senator Corbin: Do you mean putting the padlock on the doors?

Senator Stewart: I suspect it is rather more than that.

Senator Corbin: Speaker Charbonneau did put the key in the lock. Is that the sort of solution you are proposing?

Senator Stewart: I believe that Senator Murray had something far more dramatic than that in mind. The statement I referred to was made by Senator Murray before he became Leader of the Government in the Senate. On June 30, 1986 Senator Murray become Leader of the Government in the Senate. It cannot be said that he was either slow nor less than generous in enlightening the Senate on its proper role.

On June 26, 1986 the House of Commons passed Bill C-67, to amend the Parole Act and the Penitentiary Act. That bill had been introduced in the House of Commons a full year earlier on June 27, 1985. Second reading was on September 23, 1985. The committee reported on January 29, 1986. The report stage was completed on June 17, 1986. In other words, the bill was before the House of Commons for almost a full year. Clearly, it was not a top priority bill!

However, late in June of 1986 the bill suddenly became extremely important. The Solicitor General vibrated with urgency. According to him, only one thing was sure:

> . . . every further day of delay jeopardizes innocent people. When we continue to talk, it is their safety that is at risk.

That is taken from the *House of Commons Debates*, page 14647, June 18, 1986. The lives of Canadian women and children were in great danger.

Bill C-67 came to the Senate on June 27. It had been pre-studied. The government insisted that pre-study meant it should be rubber-stamped that very day. The Liberals refused to yield to "summer closure". The House of Commons adjourned for a long summer holiday.

On June 30 Senator Murray took over as Leader of the Government in the Senate. He had us back here on July 2, but he refused to give any assurance that if the bill was passed, with or without amendment, the House of Commons would be brought back for Royal Assent. Nevertheless, we were told repeatedly that unless the bill was passed by the Senate without amendment the people of Canada would be in grave peril. The Solicitor General went public:

> Every further day of delay jeopardizes innocent law-abiding citizens and Canadians across the country

That is taken from *The Citizen* of July 3, 1986.

It was in these circumstances that Senator Murray undertook to have a quiet, parental talk with senators on how they should do their work. At page 2810, leaving little doubt, he said:

> In modern times we have tried to influence the course of legislation and the course of public policy not by exercising to the full our theoretical Constitutional powers but by way of quiet diplomacy and by way of persuasion. It will be clear to my honourable friends opposite that in this case — and I am not really discussing the merits of the arguments put forward so passionately and eloquently by Senator Hastings — it is very clearly going to take a little longer to persuade, if they are going to persuade, the government and the other place as to what they regard as the wisdom of their position on this matter.
>
> It has been a very, very, long time since the Senate has attempted to exercise its full theoretical Constitutional powers on a matter of legislation, and I would hope that honourable senators would reflect over the lunch hour, and when my friends are meeting in caucus, on the modern role of the Senate, which is one, as I said, of quiet diplomacy. It is one of persuasion rather than resort to the majority in the Senate when the elected majority in the other place, after reflection, has taken a different position.

Later that day at page 2815 he drove home his point with authority. He said:

> Mr. Chairman, before the committee votes on this amendment, there are some things that I believe I should say to you as the Leader of the Government in this place. It has been a very long time since the Senate has taken the initiative to amend in any substantial way any important government bill coming to us from the House of Commons. The last occasion of that kind that I can recall took place during the days of the Diefenbaker government when a customs and excise bill was amended by the Liberal majority in the Senate. The fate of the customs and excise bill was that when it returned to the government, the government chose not to proceed to re-introduce it as amended into the House of Commons. It chose not to do so, I surmise, precisely in order to avoid a confrontation between the two houses of Parliament, the majority in the House of Commons having passed the bill some time previously. I do not know, none of us knows what will happen to this bill if the Senate takes it upon itself to amend it, although I must say that I suspect that it will have the same fate as the customs and excise bill. I think we have to ask ourselves at what risk we may be taking this quite unusual step. If we pass an amendment to this bill, what are the implications?
>
> First, there is at least a potential danger to the public safety. I am not familiar, nor do I believe that many senators, with the individual cases of inmates that will come up in the next little while for release in the absence of this new law.

For greater certainty, he resorted at pages 2816 and 2817 to repetition:

> Honourable senators, as I say, I believe that substantively we are running some risk only to our own reputation in putting the government and the other place in the position where this bill will not have been passed by Parliament before the summer adjournment. I also ask you, honourable senators, to consider and reflect on what it does to the Senate if we take this unusual step of amending a government bill that has come to us from the House of Commons. As I have said, it has been some considerable time since the Senate has done that. There is no question about its constitutional powers; they are there. However, it has been more than 40 years, I believe, since the Senate has defeated a bill.
>
> As I said this morning, that is not the way we have proceeded in this place in modern times. We have not proceeded by way of bringing in important amendments to government bills from the House of Commons. We have not proceeded by way of defeating bills; we have relied on quiet diplomacy and on persuasion.

Then, just in case some senator might have lingering doubts about the direction of his thought, Senator Murray, at page 2818, summed up and said:

> I ask honourable senators, before they vote in this committee on this amendment, to respect the limitations that we have placed on ourselves as a legislative body in modern times. Honourable senators know what I mean. I ask honourable senators to stay on the path of moderation, conciliation, quiet diplomacy, persuasion and of common sense in the Senate's relations with the members of the other chamber, and with the majority of the members of the other chamber. I ask honourable senators to stay on the path that has been so productive in the past for the political and legislative process of this country. I ask honourable senators not to put the Senate in the position of appearing to be casual about matters where there is a potential danger to public safety.
>
> **Senator Frith:** The government will be in that position, not the Senate.
>
> **Senator Murray:** I ask honourable senators, finally, not to run the risk of an unnecessary confrontation with the members of the elected House of Commons. I ask honourable senators to defeat this amendment.

The new government leader knew the proper role of the Senate. His way was the right way. He intended to make his way prevail.

Last Wednesday Senator Castonguay did not neglect to blame the Liberals for the Meech Lake fiasco. The failure of Meech Lake, he said—and this may be found in the Debates at page 4002—was engineered by the federal Liberals. Well, let me tell Senator Castonguay something. The Meech Lake Accord failed because the terms of the accord were defective, as the Charest Committee found unanimously. The Meech Lake Accord failed because the accord was pushed through the House of Commons and through several provincial legislatures by a process Canadians found unacceptable. It may be tolerable for the first ministers to make seamless-web deals over federal-provincial fiscal arrangements and the like, and then to put them into law by exerting party discipline. But when that approach—what has been called by some the responsible government approach, but what more properly could be called the autocratic government approach—is applied to constitutional reform, many Canadians find the process illegitimate. Senator Castonguay comes from Quebec. Perhaps, therefore, it is understandable that he should view the accord and its failure chiefly from a Quebec viewpoint. But let me tell him that even if there had been nothing in the accord about Quebec as a distinct society, the accord was on rough seas in Nova Scotia. The most commonly heard objections had nothing to do with the distinct society clause. The objections heard there related to the fisheries jurisdiction question and to the provisions concerning new shared-cost programs.

● (1100)

A third reason for the failure of the accord was the Progressive Conservative attitude that the accord was, as they said, "a done deal"—a deal not to be explained or even seriously defended. Let Senator Castonguay examine the work of the Senate on the Accord. He will see immediately what I mean.

[Senator Stewart.]

In June, 1987, Senator Murray held—and this is found in the *Debates* at page 1200—that the Senate ought not to be so bold as to presume to make its own examination of the Meech Lake Accord. But we were recalcitrant. The accord was sent to the Committee of the Whole Senate.

Many important, thoughtful witnesses appeared before the Senate to help us study the implications of the accord. Senator Murray and his senatorial colleagues virtually opted out. They declined to ask witnesses favouring the accord to appear here. They absented themselves or sat sullenly silent as the witnesses testified. The Meech Lake Accord was a "done deal." When Mr. Trudeau appeared on March 30, 1988, only Senators Tremblay and Ottenheimer deigned to speak to him. When Mr. A.W. Johnson appeared on March 16, 1988, he was virtually ignored by Progressive Conservative senators. When the excellent witnesses from the Canadian Nurses Association appeared, they, too, got the silent treatment. The accord was just perfect. It was so perfect that even to discuss and question—indeed, even to defend—its ramifications would have been sacriligious. Senator Murray and his allies were the advocates—the silent advocates—for the Meech Lake Accord. It was an astonishing performance, one that a party led in the Senate by Senator Castonguay would never have thought of putting on.

In October 1987, Senator Murray—and this is found in the *Debates* on pages 2060 to 2062—dismissed the use of "free conferences" as a means of reconciling the views of the Senate and the House of Commons. Free conferences, he told us, are a nineteenth-century procedure. They have been left behind in the dust of history. Nevertheless, as late as 1906 the House of Commons had made provision for the first time for free conferences. Yet Senator Murray dismisses free conferences as a nineteenth-century procedure. Why? Because they pre-suppose that the Senate has some legitimacy as a legislative body. Again he repeated his recommendation for quiet lobbying. We heard his declaration here this very day that, now that the Progressive Conservatives have a majority in the Senate, the quiet lobbying known as pre-study is to be reinstated.

On June 29, 1987, when Bill C-19, the motor vehicle transport bill was at the second reading stage, a revealing discussion of the implications of pre-study took place. Bill C-19 had come up from the House of Commons on June 25. Both Senator Doody and Senator Finlay MacDonald took the position that, because the Senate had not pre-studied Bill C-19—which was accompanied by Bill C-18, another transport bill—it ought not to be sent to a committee after second reading. In other words: "pre-study or no study!" That was the choice with which Senator Murray confronted the Senate.

The following exchange, which can be found in the *Debates* at page 1484, took place:

> **Senator Frith:** Perhaps Senator MacDonald still does not understand the implication of what he said. The two

things we have put together now is: It is too bad we did not have the chance to hear these comments on a pre-study of this bill. Then, when I asked him if he is going to move that the bill be referred to the committee for study, as is usual after second reading, he said, no, that he is not going to.

I take it his position is that because we did not pre-study the bill, it would not go to the committee now for study.

Senator MacDonald: My position, Senator Frith, is quite clear. I consider that this bill has received an enormous amount of attention by the Transport Committee in the other house.

Senator Frith: So, we should not bother with it now.

Senator MacDonald: They have travelled the country extensively. All the provinces have been involved. Amendments have been considered. Hundreds of witnesses have been heard.

I have acquainted myself as best I can with the bill, and I am quite confident that it is a good bill. I have no intention of referring it to committee. However, be my guest.

Senator MacDonald argued that it was a new policy for committees to stand idle when they could be pre-studying bills. To this Senator Frith—at page 1485—replied:

Senator MacDonald is talking about a so-called new policy in which we do not always pre-study a bill simply because there is a request for such a pre-study.

Senator MacDonald: Right!

Senator Frith: What is new is to suggest that it is normal for us to pre-study a bill. The normal legislative process is for a bill starting in the House of Commons to be studied in the House of Commons, according to their rules, to come here, to be given first reading, to be given second reading, on the basis of principle, and then to be referred to a committee for study. That is the usual process; that is not new. So there is nothing new about saying that committees should not automatically pre-study. But there is certainly something brand new in the suggestion that if they did not then the mover of the bill will not send it to the committee, and the committees will be told, "Sorry, you had your chance to pre-study." Well, pre-study is an exceptional and special procedure.

And so it goes, on and on. Senator Doody entered the discussion, as did Senator Frith again. The government eventually refused to move that Bill C-18 be sent to a committee after second reading. The same was true in the case of Bill C-19. In other words, because there had been no pre-study they were prepared to refuse to move the bill forward for the next stage of the legislative process.

We know what went on. Senator Murray had managed to convince the new chairman of the Committee on Transport and Communications. One can imagine the conversation that took place. "I tell you, Finlay, pre-study really works. By a little quiet lobbying we get all the improvements we want. Then we rubber-stamp a big batch of bills on the very last day. After that it is Royal Assent and we're away to Ingonish, Chester, Bayfield, or wherever. It's just a grand system, I tell you. It never interrupts our summer holidays." But what Senator Murray was very careful not to tell Senator Macdonald is that the quiet, down-the-back corridor-lobbying has a chance of working only if the right to amend bills remains alive. Give up the right to amend bills and ministers and bureaucrats will give senators the back of their hands.

On September 9, 1988, Senator Murray gave what may be regarded as the definitive account of the relationship of the Senate to the House of Commons. At page 4352—and I delete certain interruptions—he said:

What I have been trying to explain to my friends opposite over the past few days and, indeed, throughout the life of the present Parliament is that the modern convention governing the conduct of this appointed body are that we debate . . . we deliberate and we draw the attention of the other place—and I suppose indirectly of the Canadian public, while we are not representative of them—to any imperfections we believe exist in the bill, and then we accede to the wishes of the elected representatives of the people . . .

There is a proper role for this body, even as it exists. That role has evolved in modern times. I ask honourable senators only to respect and to honour that role for an appointed body in Canadian parliamentary democracy in modern times.

On September 15, 1988, during the debate on Bill C-130 to implement the Free Trade Agreement, Senator Murray argued that the agreement ought not to be exposed to the people in an election. He said: "Honourable senators, the present disagreement between us about the role of the Senate is fundamental and sooner or later will have to be resolved or there will be a crisis in this country." That is found in the *Debates* at page 4443. Again and again Senator Murray quailed at the thought of controversy and confrontation.

He then proceeded to tell us once again—truly we were a slow lot—the proper role of the Senate: Senators should busy themselves in pre-study. He then explained the origin of pre-study.

● (1115)

Then, on legislation, they struck a compromise, and the compromise was the technique to pre-study, which has now been abandoned for purely partisan reasons by my friends opposite. It was the Hayden formula. It bears the name of one of our most illustrious former senators.

Senator Frith: That was not the Hayden formula.

Senator Murray: It was a matter of detailed pre-study of legislation and what I have called in this House, on previous occasions, quiet diplomacy on the part of the Senate. That process persuaded numerous ministers of the Crown to make many changes, improvements and amendments to bills before they left the House of Commons.

Now, I say to the Senate that that process of pre-study effected far more changes, far more improvements, in public policy and in legislation than the confrontational and partisan attitude of the present Liberal majority in this chamber.

There we have it. I speak largely to the new senators when I say that there was a fundamental difference as to what the proper role of the Senate in legislation is. As Senator Murray believed, as he still believes and as he said here this morning, the proper role of the Senate is pre-study. A bill is introduced in the House of Commons. The bill, notwithstanding that it has not formally come to us, is sent to a committee where a pre-study is made. We slip down the back corridor. We talk to the minister. We hope that the minister will accept an amendment or two. Some of the descriptions of these seances between ministers and Senator Hayden are really quite hilarious. Senator Hayden was quite ready to use the constitutional powers of the Senate to get his way. He would say something to the effect, "If you do not, Mr. Minister, make the amendment, then I doubt very much that the bill will ever be reported out of my committee." I remember the Honourable Don Macdonald turning all hot and red-faced from what one might call a parliamentary ultimatum delivered by Senator Hayden.

That is one approach. But that has not been an approach that has recommended itself since 1984 to Liberal senators. My view, and one which is shared by many Liberal senators, is that if we are going to participate in the legislative process, and if we are going to amend bills, then we have to do it up front. We have to be prepared to carry our amendments down the front corridor and hope that they will recommend themselves to the people in the other place.

The pre-study technique tends to convert the Senate into a lobby. Once we become a lobby we are open to the accusation that we are a lobby for special interests. The specific allegation has been that the Senate, through its Banking, Trade and Commerce Committee, became a lobby for business interests, primarily financial interests.

Honourable senators, I do not think that that is an accusation under which we can survive. If that accusation is going to be purveyed to the country, as it has been in textbook after textbook after textbook, then it would be better that this place were abolished.

There is a very fundamental difference between Senator Murray and many Liberal senators as to the role of the Senate in legislation. That difference is one of the subterranean differences which underlie our differences with regard to Bill C-62. The pressure has been all building up, honourable senators, and now it erupts over Bill C-62.

Senator Grafstein: Would the honourable senator allow a question?

Senator Stewart: Yes, Senator Grafstein.

Senator Grafstein: Senator Stewart has raised an important point of public and parliamentary policy. That is to say, the difference between efficiency and effectiveness, on the one hand, through the legislative process of the Senate utilizing the Hayden pre-study approach and, on the other hand, public credibility. I am not sure honourable senators would agree with your conclusion that would lead one to accept one position or the other and that, if one does not follow the open legislative process, it will ultimately lead to the abolition of the Senate. I am not sure the Canadian public would necessarily agree with the inexorable conclusion you have drawn.

I am more interested in the proposition that the Senate should not be a place where special interests—and of course it depends on how one defines "special interests"—should be able to have a thoughtful place to determine views, or to have them put forward. Since being appointed to the Senate I have found that if you examine the legislative process in the other place it has been marked by carelessness, arbitrariness and, rarely, thoughtfulness. It has been not only instigated by narrow partisanship, but even the more thoughtful members in the other place, of which there are many, have been swept up in the argument made my Senator Molson, that narrow partisanship defeats good law. That is the argument that is being made for effectiveness and efficiency on this side, as opposed to the transparency for public credibility on the other side.

What I am most interested in is the role of the parliamentary process itself. One can argue with various philosophies as they apply to the parliamentary process. However, my deeper concern, and I suppose it is the same for many honourable senators as we have sat here lo these many days, is what in fact is the appropriate role of the parliamentary process? Is it to flush laws through, as we have seen, without examining the cost of those laws? In this way the public understands that laws are being passed, but that there is a cost attached to every law that is passed. Is it that laws should only be passed if there is wide acceptability of those laws? Is it that laws should only be passed if they are laws that can be respected or, at least, understood?

Honourable senators, I am more interested in the deeper question. What is the purpose of the parliamentary process? Are we wasting our time here? Are we doing things that we think are inefficient or ineffective? I know that frustration is very deep in this House on all sides. That is so since many of us come here with the great expectation, one which I think is honourable, that we are going to make a meaningful contribution to public life through the public process. Yet, somehow, we have to take that lofty ambition, that all senators share, and cram it into the narrow crevice called the legislative process. Somehow, our laudable ambitions are so diluted that at the end of the tunnel we have lost our original goals. I think it was Bismarck who once said that laws are like sausages, they should not be examined while they are being made. That is somewhat like Senator Molson's position. He says that it is better to do all this in the back room, privately, quietly and out of the glare of publicity without embarrassing—and this I think is his major argument—the elected side and causing them have to lose face. We end up with this curious premise that we all know that laws should be improved, yet we cannot improve those laws because the proponents of those laws might lose face in the democratic process. This, it seems to me, is a perversion of the democratic process.

There is a philosophic point that has eluded me since I have become a member of this place. It is how to balance, on the one hand, a strong partisan and political view which is not shared by members opposite with, on the other hand, those laws which members opposite feel as strongly about as I in that they need renovation and improvement.

I would be very interested to hear from Senator Stewart, not so much about the narrow differences that divide this House in terms of the legislative process—and they may not be so narrow—but about the philosophic difference. With which philosophical approach should we arm ourselves if we wish to promote what we consider to be the public interest? I find that in this place more often than not the public interest gets lost, lost not just on this side of the house but on both sides. I am not suggesting that there is fault on either side but that in the process we lose sight of why we are here. An argument has been made by some great American thinkers that there is only one way to have a truly democratic process. It is not neat; it is messy, careless and negligent. However, the only way a democratic process can be shaped is through conflicting with and contesting different views.

For example take the current leadership in China. There is a deep philosophic difference between the so-called economic reformers and the Maoists. The Maoists say that the only way life can improve is through struggle and conflict. The reformers say that the only way progress can be made is by quiet, thoughtful and careful accommodation. That particular philosophic debate, under different circumstances, pervades this place.

Honourable senators, the one thing we do know is that today the public is fed up with politicians of all stripes. There is absolutely no question that people are turning away from politics. There is absolutely no question that in my mind people no longer respect political institutions or authority. What rather bothers me is when, over and over again, members opposite use what Freud says was a very nasty piece of public psychology. It is to transfer or project all the ills of a society on to somebody else, rarely accepting for themselves that responsibility.

The one issue that has bothered me more than anything else since I came to this place is how politicians of all stripes, and in particular this government, tend to blame all the ills of society on the predecessor government. For example, Mr. Trudeau is alive and well in this place because almost weekly we hear members opposite condemn Mr. Trudeau for all the terrible things he has done to our to society. I thought he did a few good things, but six-and-a-half years or seven years later, it is still Mr. Trudeau who seems to be nagging at the innards of members opposite and who is being blamed for all the economic ills we face, as if the Conservatives have had no responsibility in between and were not elected through two elections.

• (1130)

Just yesterday, or the day before, we had the Prime Minister of the country blaming Mr. Chrétien for the constitutional ills of the country. Therefore, honourable senators, I would be interested in Senator Stewart addressing the philosophic issue of the very role of the Senate and its processes.

Senator Stewart: Senator Grafstein, it is a most interesting question. I doubt, however, that I can give a satisfactory answer in the short time that is available to me.

Senator David: How long do you have?

Senator Stewart: I do not have any holiday reservations. However, let me say a couple of things. I understand the kind of frustration that members of the House of Commons feel. They arrive in the House of Commons and they think of themselves as legislators, but very soon they are told by their party Whip that they also serve who only stand and vote.

Senator Turner: Whips are terrible.

Senator Stewart: Senator Turner, who now speaks in confession, just said that Whips are terrible.

Senator Fairbairn: He ought to know.

Senator Stewart: One of the things that causes frustration, I suspect, is the fact that the first time members of the other place have a real opportunity to get into a bill is at the committee stage, which comes after second reading. By the time a bill has passed the second-reading stage, the government has nailed its flag to the mast and very often the opposition has done exactly the same thing. I think this insistence on having second reading on government bills before the bill can be studied in a committee of the House of Commons is a big mistake.

The tradition of having a second reading before committee consideration goes back a long, long way. Its purpose was to have the house decide whether a bill was one on which the house wished to invest the time and energy of its members. This procedure was developed in a period when most public bills were private members' public bills and the House, in a sense, had to separate the sheep from the goats. Nowadays, as we all know, most public bills are government bills. They are all to be taken seriously. That sorting out by vote at second reading is no longer necessary.

Ministers would be much more ready to hear the views of backbenchers if the government had not, as I said, already nailed its flag to the mast. Mind you, the bureaucrats might not like this change. Many bills are the dream children of bureaucrats. They say to unsuspecting ministers, "Mr. Minister, if you really want to make an impact on the future of this country, take this bill."

Senator Fairbairn: Like the GST.

Senator Stewart: I do not know about the GST, but that could well be the case. So the poor minister takes the bill. The government is committed to it on second reading, then it goes to committee and the troubles are discovered. Therefore, I have no hope, given the power of the unelected bureaucrats around Ottawa—and their power is nothing new—that a suggestion for a change in the legislative process that would make their bills more vulnerable to the views of ministers and

backbenchers will ever be accepted. Bureaucrats will fight that to the very last.

That is one way, however, in which an improvement could be made. But I want to come back to the point with which Senator Grafstein started. I do not think there is any question, Senator Grafstein, but that interests have a right to be heard on bills which are to affect them. It is true, and we have to concede, that the big and the well-organized find it easier to make their interests known. Nevertheless, that is not a bar against being heard. It is true that interests ought to be heard in public by parliamentarians acting officially and that there ought to be a public record. When a committee such as Banking, Trade and Commerce decides that the bill should be amended, the amendment should be done in a formal way and the amendment should go down to the House of Commons by the front corridor.

There are real dangers in reverting to pre-study. What happens is that someone is appointed to the Senate who, let us say, is a great authority on banking and finance. I believe it is fair to assume that he or she is not going to seek a place on the fisheries committee. Banking, Trade and Commerce will be the natural place for such a person, no question about that. It is beneficial to the country that the expertise of such a person should be drawn upon, but it must be drawn upon in public. Otherwise, perfectly innocent people, the members of the committee, will be accused of exercising secret power. Perhaps sometimes they will, even if unwittingly.

When Senator Murray said with high glee here this morning, "The once and future pre-study is with us again", I must say I found the porspect depressing. I do hope that he will reconsider.

Honourable senators, I mentioned tht the adversarial relationship between the government and the Senate, which has prevailed since 1984, has been even more fundamental than the adversarial relationship which historians tell us happened after 1896, 1911, and so on. Let me set out another cause. This cause is the Mulroney government's casual attitude towards parliamentary control of public money.

We believe that the Mulroney government showed little respect for the principles of constitutional government and little regard for constitutional principles deeply rooted in history. New senators will find as they review the record that this is the field on which the hottest battles of the past six years have been fought.

It all began with Bill C-11 in 1985. On December 21, 1984, the House of Commons passed Bill C-11, an act to provide borrowing authority. The bill comprised two parts. One sought borrowing authority to borrow $7.3 billion in the fiscal year ending March 31, 1985, but authority to borrow $2 billion of that total could carry over into the 1985-86 fiscal year. In other words the authority to borrow $2 billion would not lapse on March 31, 1985. Part II of the bill sought authority to borrow $12 billion in the next fiscal year, the year to begin six months later on April 1, 1985. It sought authority to borrow $6 billion in the next fiscal year, beginning April 12, 1985

[Senator Stewart.]

In order to get away in good time for the Christmas holidays, the parties in the House of Commons made a deal to pass Bill C-11 quickly. They agreed to an order moved by the government house leader, the Honourable Ray Hnatyshyn, relating to the treatment of the bill in their own House. That agreement was made on December 21, 1984. It provided that one member from each party would be permitted to speak for 20 minutes and that no other members would be permitted to speak longer than 10 minutes. It provided that no later than 3.55 o'clock p.m. that day, the bill, through a motion for second reading and reference to Committee of the Whole, could be deemed to have been adopted. They were not even going to bother to vote on it. The house would then immediately proceed to consideration of the bill in Committee of the Whole.

They agreed by that special order, that during consideration of the bill, a minister of the Crown would move a certain amendment. All that appears in the Commons Debates at page 1448. Having given the bill such hasty treatment, the House of Commons whipped it through and then, with effusive expressions of great joy and good will, the members departed for their Christmas holidays.

The Progressive Conservative view of the proper reaction of Parliament to bills such as Bill C-11 had been pronounced by the Honourable Michael Wilson on July 20, 1982, when the house was dealing with a Liberal borrowing authority bill. He said:

> There is a well established principle that Parliament only provides sufficient borrowing authority to a government to allow it to finance its operations within the current fiscal year.

That is in the *Commons Debates* at page 19513.

● (1145)

What was Mr. Wilson denouncing in 1982? He was denouncing the provision in Bill C-125 then before Parliament, that part of the borrowing authority would not lapse on March 31, 1983.

The Right Honourable Joe Clark moved to amend the motion for the second reading of Bill C-125. He asked the House of Commons to resolve that:

> —this House holds the opinion that the granting of an authority for the borrowing of a sum greater than that amount which is required to meet the government's needs to the end of the current fiscal year is objectionable in principle—

That can be found at page 19456 of the *Debates of the House of Commons*.

Apply that principle to Bill C-11.

Senator Frith: This is the "Wilson principle".

Senator Stewart: If we apply the "Wilson principle" or the "Progressive Conservative principle", as enunciated by both Mr. Wilson and by Mr. Clark, to Bill C-11, and you will find that neither part—neither Part I, by reason of the non-lapsing provision, nor Part II, which was all for the next fiscal year—

is acceptable. Both Part I and Part II of Bill C-11 offended against the "Progressive Conservative principle".

Of course, the high principle Mr. Wilson had solemnly proclaimed in 1982 was completely forgotten by him in 1984 and in 1985.

When Bill C-11 came to this house in January of 1985, Liberal senators raised no objection against Part I. Although that part contained a non-lapsing provision, they did not object. Part I, they said, could pass immediately. However, they contended that it would be constitutionally improper to authorize borrowing for the fiscal year beginning on April 1 before the government had presented its spending plans for 1985-86. They proposed that the problem could be solved without any difficulty by simply splitting the bill. Part I would then be passed forthwith. Part II, everybody anticipated, would pass without delay just as soon as the 1985-86 Estimates had been presented to Parliament. It would pass weeks before April 1.

This sensible proposal was rejected out of hand by the government. Why? To accept the proposal would be to admit that, in the case of money bills, the Senate has a right to do anything other than to rubber stamp them. The Mulroney government refused to do what the Trudeau government had done with a similar two-part borrowing authority bill in 1978-79. The Mulroney government refused to split the bill. The Senate had no right even to propose such a step.

That was the New Democratic Party position. That was the Prime Minister's position. On February 13, 1985, he wrote to the Leader of the Opposition as follows:

> It is clear that the Senate is approaching Bill C-11, an Act to provide Borrowing Authority, in a manner which is wholly unacceptable.
>
> The issue is not only that the Senate is obstructing the government's debt management programme to the detriment of Canadian taxpayers. The most important principle is that the Senate, a non-elected body, is subverting an Order of the House of Commons, which was agreed to by all parties. And finally, the action in the Senate directly contradicts the position you expressed as follows:
>
> > I said this morning to the members of the media that I recognize the primacy of the elected House of Commons over the Senate. That is my position, it has always been my position and the right honourable gentleman knows it.

Mr. Mulroney's letter then continues as follows:

> Bill C-11 was sent to the Senate on December 21, 1984, and has been before the National Finance Committee of that House since January 23, 1985, for an unprecedented number of hearings.
>
> The Liberal members of the Senate have voted down the motion to report and pass the Bill unamended.

After referring to the financial consequences of not having Part I passed immediately, Mr. Mulroney wrote:

> But let me return to my principal point. The Senate, a non-elected body, is thwarting the will of the House of Commons. This Bill was not forced through the House by the use of our majority. It passed following an all-party agreement that had passed the scrutiny and approval of your Caucus.

Mr. Mulroney argued that the fact that Part I of Bill C-11 had not been passed was costing the public millions of dollars. Let me again quote from his letter:

> The financial implications for Canadians are serious. The existing Borrowing Authority is now used up. This has generated uncertainty in the capital markets which is not at all helpful in view of the current weakness in the Canadian dollar. You, as a former Prime Minister, and former Finance Minister, should have a clear understanding of the impact that this delay has on the financial market.

He then goes on to spell out the millions of dollars that were being lost by reason of the fact that the bill had not been passed by the Senate immediately.

The interesting thing, honourable senators, is that the Liberal-dominated Senate was quite prepared to pass Part I of the bill immediately. It was quite prepared to pass Part II of the bill just as soon as the Estimates had been tabled, assuming, of course, there was nothing quite unexpected in the Estimates. However, so adamant was the Prime Minister against the notion of even a suggestion from the Liberal senators that the bill should be divided—so closed was his mind to such a suggestion—that he said that the principle that the Senate may not touch such a bill was so sacred that the government was quite prepared to let the Canadian taxpayers lose millions of dollars.

I believe, Senator Poitras, what was talked about was $15 million, $16 million or $17 million.

When Mr. Wilson came over to talk to the Standing Senate Committee on National Finance, he had forgotten all about the principles that earlier had been so important. He was white with righteous indignation. He came to the committee like a prophet of old to denounce senators for their great wickedness.

Did the Senate have any right to refuse to vote borrowing authority for the fiscal year beginning April 1, 1985 until after the spending estimates for that fiscal year had been tabled on February 26, 1985? Senator Eugene Forsey, a man whom Prime Minister Mulroney loves to quote, thought that the Senate's position was correct. The following is what Senator Forsey wrote to the *Globe and Mail* on March 13, 1985:

> Amid all the tumult and shouting over the Senate's action on the borrowing bill, it may not be out of place to take notice of a few simple facts.
>
> Did the Senate throw out the bill? It did not. Did it pass an amendment which the House of Commons would not accept? It did not. Was it ready to pass the part of the bill which dealt with the present fiscal year? It was.
>
> What did it do? It insisted on the centuries-old principle that the Crown does not get money until it has told

> Parliament how it intends to spend it. The Senate insisted on getting information to which the country was entitled. The House of Commons having failed to insist on that information, the Senate had to insist on Parliament's, and the country's right to have it.
>
> Having got the information, the Senate passed the bill.

One result of the battle over the Borrowing Authority Bill was to reveal that Prime Minister Mulroney and his followers had come very close to adopting the old CCF-NDP position on the Senate. Perhaps we could call it the "Progressive-Socialist" position. If senators doubt what I say, they should look at an exchange which took place in the House of Commons on February 25, 1985. There the Honourable Edward Broadbent referred to Bill C-11. He asked the Deputy Prime Minister the question:

> He is aware that the Senate is blocking passage of a Bill that has already been passed by the House of Commons. Considering that this action, by an undemocratic body that is responsible to no one, is costing Canadians millions of dollars, will the Deputy Prime Minister tell us what the Government plans to do about this deplorable situation?

After an intervention by the Speaker, the Deputy Prime Minister, the Honourable Erik Nielsen replied:

> It seems to me that the Leader of the New Democratic Party makes a good point. Perhaps the Senate would be fulfilling a far more fruitful role if it examined and acted upon the report of the Senate Committee on Reform rather than holding up the legislation as the Senate is doing now on the borrowing measure passed by this House.

Mr. Broadbent then proceeded to ask if the government was considering the abolition of ". . . this happy hunting home for former Liberal hacks".

Senator Roblin: Oh, that is a bit steep.

Senator Stewart: We then have a comment by the Government House Leader, one Ray Hnatyshyn, who said:

> . . . once in awhile we very much appreciate suggestions made by members of the New Democratic Party.

That is the present Governor General's view of the Senate.

Honourable senators, I could document the coincidence between the views of the New Democratic Party and the present government in the House of Commons at considerable length.

Senator Corbin: Why don't you?

Senator Stewart: I think that for the benefit of honourable senators opposite, who are displaying such keen interest in this matter it is probably sufficient to have given them, as I have, the page references in the *Hansard* of the House of Commons. I know now there will be a great rush on the books in the library.

As I said, one result of the battle over the Borrowing Authority Bill in 1985 was to show that the New Democratic Party and the Progressive Conservatives are agreed in believing that the Senate has no role with regard to bills such as the borrowing authority bill; only the House of Commons is legitimate.

• (1200)

From this they drew rather different conclusions about the future of the Senate. The NDP, always fearful of what the Senate might do to socialist legislation, cried "Abolish the Senate. It's simply a patronage club. As members of the New Democratic Party we always decry patronage." That was Mr. Brodbent's stand while he was in the House of Commons.

Senator Fairbairn: I should like to ask Senator Stewart a question. Those are very interesting quotes that you are reading at the moment. They are quotes that all of us were familiar with at the time and, indeed, over a great period of years.

Could you tell us how you can justify the outstanding shift that has taken place in the New Democratic Party, as expressed in a quote that I read last night from Alexa McDonough, the Leader of the New Democratic Party in Nova Scotia, about their new-found support and zeal for the actions of the Senate as it has been fighting against the GST? There is an about face in the comments that you were reading about the abolition and what we are not permitted to do vis-a-vis the borrowing authority. Suddenly, we have a major tax that is overturning the whole system in the country and some of our strongest allies across the country are the New Democratic Party.

Senator Stewart: Thank you, honourable senator. The reaction of the Liberal senators to Bill C-62 since we returned at the end of the summer has been of some embarrassment to the New Democratic Party. They love to recall the fact that the bill passed the Liberal-dominated Senate at second reading with no trouble at all.

On the other hand, they say that they themselves are against Bill C-62, which presumably would lead them to ask Liberal senators to redouble their efforts to defeat the bill. It is fair to say that, for a time, members of the New Democratic Party felt that the Liberal opposition to this bill was a faked opposition. However, I have not heard that lately. I think they now believe, as we do, that this is a bad bill at a bad time. I do not know that any of the federal NDP members, such as Nelson Riis, would admit that, but I think that Alexa McDonough believes that.

Politicians live on hope. Since the Ontario election, the federal New Democratic Party has been swallowing hope by the gallon. They imagine that they are going to win the next federal election. It may be that some of them want Bill C-62 to pass because it will raise lots of new revenue. Mr. Wilson, of course, will no longer be minister, but his milk cow will be there.

Senator Simard: Are you going to appoint the next Minister of Finance?

Senator Stewart: Mr. Wilson will not be Minister of Finance.

Senator Simard: Will you be making the appointment?

Senator Stewart: No. Presumably the Leader of the New Democratic Party will appoint the Minister of Finance in a New Democratic Government. I am sure she would want to consult with you.

Senator Simard: Oh, come on!

Senator Corbin: Senator Simard did not have his shredded wheat this morning.

Senator Stewart: Senator Simard, don't you know that you are under strict instructions from Senator Murray to keep your trap shut? He will come in here and something unpleasant will happen to you if you are not careful.

Senator Frith: When the cat is away the mouse will play.

Senator Simard: Be careful now. There has been a change.

Senator Stewart: You are trying to terrorize me.

Senator Simard: That is right, all of you.

Senator Stewart: If the New Democratic Party forms the government, the milk cow will rpoduce buckets of rich milk for the most wonderful new socialist schemes. Senator Eyton will be just delighted.

Bill C-11 served to establish a pattern followed again and again during the years after 1985.

The first feature of that pattern is insistence by the government that the Senate may not amend tax or appropriation bills.

The second feature is a billingsgate attack by Prime Minister Mulroney on senators.

The third is hectoring admonition by Senator Murray: "Senators, behave yourselves. Be a discreet lobby. Avoid confrontation. Quail at the thought of Big Brian; otherwise he will swat you." Senator Murray gave the Senate the benefit of his considered opinion on February 20, 1985. For him the choice was simple: either Senators should limit their efforts to the pre-study of bills or prepare to be swatted out of existence.

I turn now, honourable senators, to a more recent episode, namely the reaction of the government to the protest by the Senate against the dangerous misuse of Governor General's Special Warrants in 1989. For the benefit of new senators, let me explain what special warrants are all about.

The revenue yielded by all taxes are deposited in the Consolidated Revenue Fund. That is required by the Constitution Act, 1867, in section 102. Then there are certain sections that authorize specified payments from the fund, such as the payment of the salary of the Governor General. Then we have the following general rule:

> 106. Subject to the several Payments by this Act charged on the Consolidated Revenue Fund of Canada, the same shall be appropriated by the Parliament of Canada for the Public Service.

That constitutional provision has been made more specific by section 26 of the Financial Administration Act.

> 26. Subject to the Constitution Acts, 1867 to 1982, no payments shall be made out of the Consolidated Revenue Fund without the authority of Parliament.

The effect of these laws is that no money, except for the stated exceptions—such as the Governor General's salary—may be withdrawn from the Consolidated Revenue Fund except by parliamentary appropriation. By statute Parliament authorizes payments from the fund in specified amounts for specified purposes. Obviously, sometimes the amounts are defined not in dollars and cents but as the sums produced by prescribed calculations. That would be true, for example, with regard to the payments for old age security.

In the Constitution Act, 1867, we find two sections—section 53 and section 54—which are of great importance. Honourable senators new to this place will soon discover that these sections of the act are the most frequently cited in this house. Section 53 says:

> 53. Bills for appropriating any part of the Public Revenue, or for imposing any Tax or Impost, shall originate in the House of Commons.

Section 54 says:

> 54. It shall not be lawful for the House of Commons to adopt or pass any vote, Resolution, Address, or Bill for the appropriation of any Part of the Public Revenue, or of any Tax or Impost, to any Purpose that has not been first recommended to the House by Message of the Governor General in the Session in which such vote, Resolution, Address, or Bill is proposed.

There, then, we have the basic process by which payments from the Consolidated Revenue Fund are authorized.

First, a specific payment for a specified purpose is recommended to the House of Commons by the Governor General. In other words, there must be what is called a "Royal Recommendation."

Second, votes or clauses that appropriate money from the Consolidated Revenue Fund cannot originate in the Senate.

Third, no payment may be made from the Fund without the approval of Parliament—approval by the House of Commons, the Senate and the Queen.

In practice, Parliament ordinarily makes appropriations in two ways. For some payments authorization is given for more than one year, perhaps permanently. These are standing appropriations. They are described as "statutory."

For other payments authorization is given for only one fiscal year. If the government wishes to continue the payments, new authorization by Parliament must be sought. Estimates broken down into votes are sent by the Governor General to the House of Commons. After study in committee, all the votes in a set of Estimates approved by the House are gathered into a bill called a supply bill or an appropriation bill. It is with this latter type of bill—those bills that, when passed by the House of Commons and the Senate, allow the government to meet its annual expenses—that we are now concerned.

● (1215)

The voting of supply is fundamental to our Constitution. In Canada, unlike the United Kingdom, the main tax laws do not expire on prescribed dates. They continue in effect, and the

revenues flow into the Consolidated Revenue Fund. As far as taxation is concerned, a government can get on without calling Parliament into session month after month, year after year. Nor does there have to be in Canada an annual provision for the army. In the United Kingdom it is illegal for the government to maintain a standing army in times of peace. The army is legalized for only five years at a time by the Army Act, and that act requires confirmation every year by an order of both the House of Commons and the House of Lords.

Thus the British Parliament keeps a very short leash on the executive government. In Canada, however, Parliament retains control of governments only by voting supply—that is, by appropriating money on an annual basis. The need for the government to come to Parliament for supply is fundamental to our Constitution; indeed, it would be hard to find a more basic principle of our Constitution. No government may make payments from the Consolidated Revenue Fund without the authority of Parliament.

But what happens if a payment is required while Parliament is not in session?

To meet the need for certain kinds of payments without specific prior authorization by Parliament, the votes of the Treasury Board include a vote for contingencies. That is Vote 5. The amount provided by Vote 5 in 1988-89 was $360 million.

Parliament has also provided for payments from the Consolidated Revenue Fund by special warrants signed by the Governor General. The basic provision now found in the Financial Administration Act goes back to 1867. It is interesting to note that in those days sessions of Parliament were short. In other words, during most of the year Parliament was not available to appropriate money. Honourable senators may be interested to know that in 1869 the session of the House of Commons comprised only 49 sittings; in 1870, 62 sittings; in 1871, 43 sittings; and in 1872, 46 sittings. Clearly, it was impossible to anticipate all the expenditure requirements for a full fiscal year. A government building might burn down. A lighthouse might be blown away. There might be an invasion. Remember that in those days there was great fear—and there was foundation for it—that the Fenians would come pouring across the border. In my part of the country we still can see swords used when men were training to fend off the Fenians in the 1860s.

Against the prospect of a sudden need for money, provision was made for the Governor General to sign special warrants that would permit the legal removal of money from the Consolidated Revenue Fund. That provision is now to be found in the Financial Administration Act.

When the Financial Administration Act was being modernized in 1952, it was provided that special warrants could be used even although Parliament was not between sessions. In other words, special warrants could be used even if Parliament had only been adjourned. A clause was added which provided that for the purposes of this section "Parliament shall be deemed to be not in session when it is under adjournment *sine die* or to a day more than two weeks after the day the accident happened or the other matter arose." The reason why the provision fpr Special Warrants, which would normally have applied only during prorogation—that is, between sessions—was extended to include periods when Parliament is adjourned, arose from the practice adopted during World War II. When the work planned for a session had been completed, Parliament was not prorogued; rather it simply adjourned. Thus it was readily available if, in the special circumstances of the great war, the government needed to have Parliament back. That is why this provision was included in the Financial Administration Act, namely, to make an adjournment *sine die* or to a day more than two weeks after the date the accident happened or the other matter arose, equivalent to a prorogation of Parliament.

In 1958 certain other changes were made in the act. Those changes again were intended to remove some of the archaic language. With those changes—some made in 1951, some made in 1958—we now have this section in the Financial Administration Act in its present form. I will now put this section before honourable senators. It is section 30(1). It states:

> Where a payment is urgently required for the public good when Parliament is not in session and there is no other appropriation pursuant to which the payment may be made, the Governor in Council, upon the report of the Minister that there is no appropriation for the payment and the report of the appropriate Minister that the payment is urgently required for the public good, may, by order, direct the preparation of a special warrant to be signed by the Governor General authorizing the payment to be made out of the Consolidated Revenue Fund.
>
> (2) A special warrant issued pursuant to this section shall for the purposes of this Act be deemed to be an appropriation for the fiscal year in which the warrant is issued.
>
> (3) Every warrant issued under this section shall be published in the *Canada Gazette* within 30 days after it is issued, and a statement showing all warrants issued under this section and the amounts of those warrants shall be laid by the President of the Treasury Board before the House of Commons within fifteen days after the commencement of the next ensuing session of Parliament.
>
> (4) Where a special warrant has been issued pursuant to this section, the amounts appropriated thereby shall be deemed to be included in and not to be in addition to the amounts appropriated by the Act of Parliament enacted next thereafter for granting to Her Majesty sums of money to defray expenses of the public service for a fiscal year.
>
> (5) For the purposes of this section, Parliament shall be deemed to be not in session when it is under adjournment *sine die* or to a day more than two weeks after the day the Governor in Council made the order directing the preparation of the special warrant.

How had special warrants been used before 1989? As I said earlier, they had been used, first, to make urgently required emergency payments when Parliament was not in session—that is, payments for which no appropriation had been made; and, second, to carry a government through the period when the House of Commons could not be called into session during and immediately after an election. Special warrants never had been used to enable a government to pay its ordinary bills between sessions of Parliament.

No longer can that be said. The Mulroney government used special warrants in 1989 to violate the basic principle of responsible government. Let me recount the facts very briefly. They are not in dispute.

Senator Simard: Not again.

Senator Cools: Senator Simard, is that an echo?

Senator Simard: That is an old story.

Senator Cools: No.

Senator Simard: I suppose you can do or say anything.

Senator Stewart: I can well understand why Senator Simard is so interested. He is a man deeply learned in financial matters. He is also very interested in the sound constitutional governent.

Senator Cools: Whatever gave you that impression?

Senator Stewart: I do not think any honourable senator would question either of those propositions. Senator Simard has gone over this material so frequently that—

Senator Simard: We do not have to go over it again.

Senator Stewart: That is right. But, Senator Simard, be generous, please. We have new senators here. As you will recall, when I started my brief remarks earlier today I said that I would be addressing chiefly the new senators, because I recognized that a senator such as yourself—

Senator Simard: You are discriminating against us.

Senator Stewart: No; there is no question of discrimination. It is simply the fact that we have new senators here who are not familiar with the background of the crisis that confronts us over Bill C-62.

Senator Simard: But you had that background.

Senator Stewart: I am trying to do my bit. I hope that you will not be so lazy as not to do yours.

Senator Simard: Carry on, then.

Senator Stewart: After the election of November 21, 1988, the government met in Parliament on December 12. On December 16, the government tabled Supplementary Estimates B for the fiscal year ended March 31, 1989. On December 28, 1988, the government adjourned the House of Commons to March 6, 1989, without having made the slightest effort to have the moneys sought in those estimates appropriated by Parliament. Then on February 28, the government had Parliament prorogued. The government needed vast sums of money. It had decided that it could take it from the Consolidated Revenue Fund without ever coming to Parliament.

How did it get those billions of dollars? First, it used up all the money available in Treasury Board Vote 5, the contingency vote.

• (1230)

Then it began to use special warrants under section 30 of the Financial Administration Act. Billions and billions were taken in that way. The government had found that it really had no need for Parliament. Indeed, life was far simpler if Parliament was not in session.

When asked if there was any limit on the amount the government could take from the Consolidated Revenue Fund by special warrants, the President of the Treasury Board, the Honourable Robert de Cotret, replied in the negative. There was, there is, no limit whatsoever. That reply appears in the proceedings of the Standing Senate Committee on National Finance of May 3, 1989, at page 17.

Senator Cools: I think I asked that question, did I not, Senator Stewart?

Senator Stewart: You certainly did, Senator.

When he was asked if every payment for which parliamentary appropriation normally is sought through estimates is a payment "urgently required for the public good", that is, is a payment that can be made by special warrant, his reply was again in the affirmative. At that point, to assure absolute certainty as to the government's position, questions were asked about particular payments that had been made by special warrant. One payment had been made for a survey of the shrubs at 24 Sussex Drive. That transaction had been described by the Prime Minister himself as "stupid." Nevertheless, his ministers certified that that payment was "urgently required for the public good", and so advised the Governor General.

The position of the Progressive Conservatives is that every payment a government proposes to make is a payment "urgently required for the public good" and thus can be made by special warrant.

Both Mr. de Cotret and Senator Murray were anxious to insist that special warrants cannot be used if Parliament is sitting. That explained why the government had Parliament, which was to have come back on March 6, prorogued on February 28. If Parliament had come back, the billions could not have been taken by special warrants.

The government's position is clear: "Provided we keep Parliament from sitting, we can spend any amount for any purpose we like".

Mr. Robert de Cotret was reminded that the Prime Minister need not have Parliament sit more than one day a year. The Constitution Act, 1982 states:

> 5. There shall be a sitting of Parliament and each legislature at least once every twelve months.

That provision replaced section 20 of the Constitution Act, 1867.

Ultimately, as I have said, in Canada the only practical requirement for sessions longer than one day is the government's need for supply. But the Mulroney government's position is that it can take all the money it needs by special warrants. It does not need supply voted by Parliament. Mr. de Cotret was asked if it is the view of the Mulroney government that it would be legal for it to carry on month after month, year after year, without ever coming to Parliament for supply. His reply was that such a course of action would be legal. His reply is to be found in the Proceedings of the National Finance Committee at page l:25.

So there we have it. The Mulroney government holds that it has the right to use special warrants to withdraw money from the Consolidated Revenue Fund for any purpose that ordinarily would be provided for by a vote in an Appropriation Act. The only restriction is that it must not make the mistake of having Parliament in session. That position was stubbornly defended in the Senate by Senator Murray on Tuesday, May 16, 1989.

After the whole matter of the use of special warrants in 1990 had been explored, Senator Eugene Forsey—the man who Mr. Mulroney loves to quote—was asked what remedy he was recommending. He replied:

> I think I am simply recommending that if ever there was a case for sober second thought this is it. If ever there was a case where the rights of the people have been inadequately defended by the House of Commons, where they ought to have been defended strenuously in the first place, and where it is necessary for the Senate to step in and fill the void, this is it.
>
> I tried to make it clear that in my judgment this bill should be rejected. The government should then bring in another bill with a clause retroactively deeming the action which was taken to have been legal, but not laying it down that this goes for the rest of time.

This is a quotation from the minutes of the National Finance Committee, May 5, 1989 pp. 3:42-43.

Subsequently, the Senate itself amended the bill so as to provide that the payments made by special warrants in 1990 were to be deemed to have been legal. The government would not even hear that proposal. What they had done was already entirely legal and constitutional. They wished to keep open the possibility of doing the same thing at some time in the future.

It was not argued by the government that 1989 was a special case because of the election. There had been a session of Parliament after the election. What was done in 1989 can be done to evade the need for an appropriation act later this year. It can be done to evade the requirement of an appropriation act based on the 1991-92 estimates.

We have heard a great deal about responsible government from Prime Minister Mulroney and Senator Murray in the past few weeks. Where was responsible government in 1989?

What makes a government responsible to Parliament is Parliament's exclusive control over the Consolidated Revenue Fund. The revenues flow in month after month regardless of whether or not Parliament is in session. The ordinary statute law can be left unamended for years. The one leash tying the ministers and the bureaucrats to Parliament is their need to come to Parliament for supply. In 1989 that leash was slipped. A precedent was established. Hereafter any government—a Progressive Conservative government, a Liberal government, an NDP government—can carry on month after month, year after year, meeting Parliament for only one sitting a year. That is how seriously Prime Minister Mulroney and Senator Murray take responsible government. Is it any wonder that in 1990 nobody believes their professions of undying love for the principles of responsible government?

The new senators will find it interesting to see which of their colleagues voted against the basic principle of responsible government on May 17, 1989. Their names are recorded in the *Debates* of the Senate for that day, at page 246.

Honourable senators, and here I speak principally to the new senators, we have a cause for the unusually adversarial relationships in this House since 1984, namely, that we on this side feel that the present government has not been attentive to fundamental principles of the Constitution with regard to the management of money. If you go back and survey the history of these six years what you will see is that the stubborn attitude of Mr. Wilson on the borrowing authority bill of 1985 opened the way for many of the difficulties which followed.

A fifth cause of the adversarial relationship has been the government's reliance on section 54 of the Constitution Act, 1867 to reject Senate amendments even when those amendments did not make appropriations.

As honourable senators will remember, under section 53 of the Constitution Act, 1867 all bills for imposing taxes and for appropriating public revenue must originate in the House of Commons. Another section, section 54, makes it illegal for the House of Commons to pass any bill that appropriates public money unless the appropriation has been recommended to that House by a Message from the Governor General. Many bills containing one or more appropriation clauses originate in the House of Commons at every session—and some of these bills are amended in the Senate. Those amendments are constitutional provided they do not change the purpose or increase the amount. Let me give examples. My examples are drawn from the second session of the thirty-third Parliament, September 30, 1986 to September 30, 1988.

Bill C-18, the National Transportation bill, was accompanied by a Royal Recommendation. It was amended by the Senate. Those amendments were concurred in by the House of Commons.

Bill C-55, the Immigration Act amendment bill, was accompanied by a Royal Recommendation. It was amended by the Senate. Certain amendments were concurred in by the House of Commons.

Bill C-74, the Canadian Environmental Protection bill, was accompanied by a Royal Recommendation. Senate amendments were concurred in by the House of Commons.

Bill C-77, the Emergencies bill, was accompanied by a Royal Recommendation; yet, the House of Commons concurred in a Senate amendment.

Bill C-105, the Railway Safety bill, was accompanied by a Royal Recommendation; yet, the House of Commons concurred in a Senate amendment.

Bill C-137, the Canadian Exploration Incentive Program bill, was accompanied by a Royal Recommendation; yet, the House of Commons concurred in a Senate amendment.

Bill C-147, the International Centre for Human Rights and Democratic Development bill, was accompanied by a Royal Recommendation; yet, the House of Commons concurred in Senate amendments.

But what happened in the case of Bill C-103, the Atlantic Canada Opportunities Agency bill? That bill, too, was accompanied by a Royal Recommendation. The bill was designed to produce two distinct acts of Parliament. One of these is the Atlantic Canada Opportunities Agency Act. The second is the Enterprise Cape Breton Corporation Act. The bill was read a second time here in the Senate on May 31, 1988. Immediately it became clear that Part I of Bill C-103 could pass very quickly. In contrast, there were problems with Part II. To prevent unnecessary delay to Part I, the Senate divided the bill and passed Part I, the Atlantic Canada Opportunities Agency Act. The Mulroney Government rejected that move. As always, it was "our way or no way".

● (1245)

Why did they reject the division of the bill? Not because the subject matter of the two parts were so closely interrelated that to divide them would have had a distorting effect. In fact, the National Finance Committee found it very easy to divide the bill. No Progressive Conservative senator objected on the basis that the two parts were siamese twins. Their only objection was that the bill was a "money bill" and, therefore, was inviolable by the Senate.

They rejected the division on the ground that the bill had been accompanied by a Royal Recommendation. The bill was one, whole, and indivisible. It was a seamless web. Speaker Fraser did not reach that conclusion. It was simply an assertion made by the government.

On July 19, 1988, the Senate received a message asserting that by dividing Bill C-103, the Senate had altered the ends, purposes, considerations, conditions, limitations and qualifications of the grants of aid and supplies set out in a bill as recommended by the Governor General.

Senator Murray himself told us that because there had been a Royal Recommendation, the bill was a "money bill". It was specifically an appropriation bill. Senator Murray, however, was unable to point to a single clause in Bill C-103 that appropriated money, and he was not alone.

On July 27, 1988, the Comptroller General of Canada came before the National Finance Committee. He, too, was unable to point to a single clause that appropriated money. Senator Murray defended in this house the message from the House of Commons on simple faith. He had been told that there had been a Royal Recommendation; therefore, he believed that Bill C-103 was a bill that appropriated money.

All that aside, as we have seen from the numerous examples I have cited, the mere fact that a bill contains one clause or more that appropriates money does not mean that the bill cannot be amended. Bills accompanied by a Royal Recommendation can be amended—many such bills have been amended in the present Parliament—provided that the amendment does not change the purpose or increase the amount of the appropriation.

In sum, the government's reaction was a flat denial of the right of the Senate to divide Bill C-103. It simply used the fact that there had been a Royal Recommendation as specious justification for its reaction, a reaction it could not justify on any other grounds.

Senator Grafstein: Would the honourable senator permit a question?

Senator Stewart: Yes.

Senator Grafstein: Dredger, following Blackstone's thesis of constitutional responsibility with respect to upper chambers, argued that the upper chamber, the House of Lords, had only the power to either vote up or vote down a measure when it related to taxation or money, that in effect the upper chamber—I am dealing with the notion now, not the practice—was not responsible for democratic will and could only curb the democratic will by voting a tax measure up or down. It could not fiddle with it by amending it or increasing it or reducing it.

Dredger seems to follow that notion in his analysis of the powers of the Senate, the Canadian Senate, and he seems to argue from the same notional basis.

We have heard three arguments from the other side, Senator Stewart, each of which seem to be distinctly at odds with one another. One argument is that since we are not democratically elected, we have no power at all to deal with a money bill. That is notion number one. That notion is shared by many on the opposite side, if you listen not to their speeches but to their comments.

The second notion is that we have the right to amend money bills if we do it in pre-study when there is concurrence in advance of the bill itself. That seems to be the second notion.

The third notion is the one that is rarely argued here and that is that we have merely the power to either vote up or vote down a bill. I think it is an important constitutional issue, and you have touched on it, because obviously the practice here and the practice in the United Kingdom is somewhat different from the constitutional notion.

Therefore, I am interested, first of all, in your view of what the appropriate philosophic notion should be that will energize our activities here, on the one hand, and, secondly, what in fact has been the practice?

Senator Stewart: That is a very important question and I propose to speak to it sometime later this day. However, let me say now, just to whet your appetite, that earlier in these remarks I mentioned two points; one was that in 1860 the

House of Lords turned back Mr. Gladstone's repeal of the duties on paper. They had not done anything like that for years. It is important to remember that historical fact. Indeed, I think there is reference to it in the constitutional debates in Canada. It means that the Fathers of Confederation, certainly the law officers, the people at the Colonial Office in London, were familiar with the problem of the powers of the House of Lords. Nevertheless, when they drafted the British North America bill, they did not distinguish, except by the provisions set forth in Section 54—

Senator Cools: Fifty-three and fifty-four.

Senator Stewart: Yes. They did not diminish the powers of the Senate. They did not make them smaller than those of the House of Commons except that those bills cannot be dealt with by the Senate until they have passed the House of Commons. So I think that fact immediately puts us on a different constitutional footing from that which prevailed in the United Kingdom. That is a point which is important to remember.

The second point, of course, is that whereas the House of Lords can be regarded as a hereditary or meritorious second chamber, the Senate of Canada introduces into the Constitution of Canada the federative principle. We have to remember that Quebec, Nova Scotia, and New Brunswick, would never have entered into Confederation in 1867 if all the power to deal with taxation and appropriation was going to be lodged in the House of Commons, which it was assumed at that time would be dominated by Ontario. We have to remember how strong that assumption was because during the previous two generations, the population of Upper Canada had increased very rapidly and it was assumed that that was going to go on. It was assumed that with representation by population, Ontario would become increasingly powerful in the House of Commons.

It is fair to say, and it is quite understandable why, there is so little discussion in those confederation debates about limits on the powers of the Senate with regard to taxation and appropriation. People from Nova Scotia simply would never have given up—

Senator Simard: How do you know that?

Senator Corbin: It is in the record.

Senator Simard: Your two premises are wrong and vague.

Senator Austin: Senator Simard, you have to rise if you are going to obey the rules.

Senator Frith: You should listen to the whole speech, not parts.

Senator Cools: I think Senator Simard should talk less and read more.

Senator Stewart: He should listen to his leader who told him to keep his trap shut.

Senator Frith: If you are not good we will tell him when he comes in.

Senator Simard: How do you conclude that Nova Scotia would not have accepted the Senate?

[Senator Stewart.]

Senator Stewart: Senator Murray gave you your instructions and if you are not good when he comes in I will tell him—

Senator Cools: I think you both should stand in the corner.

Senator Stewart: You will be taken to the shed. You will get your come-uppance then.

Senator Simard: I can't take any more.

Senator Stewart: And if that does not suffice to make you a good boy, I will tell the people in Canso that you forgot the promise you made to them.

Senator Simard: Were you there in 1867?

Senator Stewart: I heard what you said in Canso.

Senator Simard: That's all you are telling us, you were there?

Senator Stewart: The people of Canso will not be sending you any Christmas cards this year. You let them down.

Senator Simard: I will be back again.

Senator Cools: Senator Simard, I know that Senator Stewart is right because I was there in Canso and I heard you, too.

Senator Doody: You are speaking in debate?

Senator Corbin: There is broccoli soup for Senator Simard today.

Senator Stewart: Honourable senators, the government's reaction was a flat denial of the right of the Senate to divide Bill C-103. There was a Royal Recommendation; therefore, the bill was inviolable. Subsequently the National Finance Committee conducted a study of the use of Royal Recommendations. Earlier this year, on February 13, 1990, the committee presented its report to the Senate. Senators such as Senator Beaudoin and Senator Bolduc made important contributions to the work of that committee.

That report shows that Royal Recommendations are now so general and indirect as to be virtually meaningless. They do not specify either the purpose for which money is sought or the amount.

Senator Castonguay, you simply would not believe it. They are so vague that it is questionable whether they qualify as the recommendations required by Section 53.

The report showed that sometimes clauses that appropriate money cannot be detected even though every clause has been read and reread carefully. The truth of this proposition was shown when the Foreign Affairs Committee was dealing in 1989 with Bill C-10. That bill had been accompanied by a Royal Recommendation, and properly so; yet the reason was completely obscure.

Those of you interested in constitutional matters will be appalled. It shows that the government now relies on the Law Clerk and Parliamentary Counsel of the House of Commons to advise the Governor General to recommend bills thought by the Law Clerk to require a recommendation. This is what constitutional monarchy has come to in Canada: The Governor

General gets his advice from a clerk of the House of Commons, not from a minister of the Crown.

• (1300)

Senator Cools: Shame!

Senator Stewart: The report showed, also, that the Law Clerk decides whether or not to seek a Royal Recommendation on the basis of what he thinks the current Speaker of the House of Commons will regard as a "money bill." There we have it. The Mulroney government asserts that the Senate may not touch a bill introduced with a Royal Recommendation, and it is left to the Law Clerk of the House of Commons to guess whether or not a bill requires a Royal Recommendation.

As I said, the only sections of the Constitution Act, 1867 dealing with money votes are Sections 53 and 54. Those sections do not even use the vague term, "money bills." They refer to "tax bills" and "appropriation bills."

But Senator Murray, Senator Roblin and Senator Flynn know better what a "money bill" is. A money bill, as Senator Flynn told us on July 26, 1988—this can be found in *Debates of the Senate*, page 4117—is any bill that has "financial implications." Let me quote his very words:

> In this country, I believe I can safely say that we have always defined a money bill as a bill that has financial implications. A bill to levy taxes has always been considered a money bill. A bill that authorizes expenditures, even if those expenditures must be more specifically authorized in an appropriation bill, has always been considered a money bill.

It's wounderfully simple. Any bill that has "financial implications" is covered by Sections 53 and 54. Forget the words of the Constitution. Flynn knew what the authors were trying to say better than they did. Any bill that has "financial implications" may not be changed by the Senate. On the basis of that view, we should be asking that our pay be reduced by at least 50 per cent. How many bills come to us that do not have "financial implications?"

Obviously, the Hon. Harvie Andre at one time thought that Senator Flynn was the ultimate authority on Canada's constitution. He adopted Senator Flynn's argument when dealing, on March 12, 1990, with the amendments made by the Senate to Bill C-21, the Unemployment Insurance Bill.

Speaking against the Senate amendments to that bill, he quoted Sections 53 and 54, and then proceeded to pronounce the amendments unconstitutional. He ignored the ruling made by Speaker Charbonneau on February 20, 1990, that the amendments sent to the House of Commons did not violate those sections. Mr. Andre said that, properly read, those sections meant that it is for the House of Commons and only the House of Commons to deal with bills that impose taxes and bills that appropriate money.

However, midway through that famous speech, the speech of March 12, Mr. Andre shifted his ground. Perhaps Flynn had not got it quite right after all. He said that yes, it is true that ". . . the Senate can, legally, perhaps, defeat, delay or amend downward a supply appropriation bill. But it never has." Mr. Andre continued, saying that never before now had it changed a bill that appropriated money ". . . in defiance of the terms of a Royal Recommendation . . ."

Honourable senators, what were those terms, those decisive terms, which restrict the Senate? I shall read them for the benefit of new senators. They are as follows:

> Her Excellency the Governor General recommends to the House of Commons the appropriation of public revenue under the circumstances, in the manner and for the purposes set out in a measure entitled "An Act to amend the Unemployment Insurance Act and the Employment and Immigration Department and Commission Act.

Honourable senators, referring specifically to Bill C-21, the Unemployment Insurance Bill, I ask: What amounts were recommended and for what purposes? Where in the bill are the appropriation clauses, the clauses that may not be amended? Neither the House of Commons nor the Senate was told. Indeed, the responsible ministers did not know.

When Bill C-21 was being studied by the Special Senate Committee, the witnesses from the department were asked what clauses of the bill were appropriation clauses. Listen to this Senator Oliver. The reply is incredible. The carefully prepared written reply was:

> Officials in the Legislation Section of the Department of Justice advised that this is a determination made by the law officers of Parliament. However, the Department of Justice has prepared an Aide-mémoire for its drafters (enclosed) indicating some of the relevant criteria, as the Privy Council office sometimes seeks advice on such matters. In the case of Bill C-21, no formal analysis was done either by the CEIC or the Department of Justice.

There we have it. The bill seemed to deal with payments, so it was given the halo of a Royal Recommendation. Once the Royal Recommendation had been bestowed, Bill C-21 was a "money bill."

Because Royal Recommendations are now hopelessly vague, ministers such as Mr. Andre and Senator Murray feel free to argue that any amendment they do not like violates the Royal Recommendation. That happened in the case of Bill C-103 and in the case of Bill C-21. In the case of those bills, much of the delay resulted from the government's insistence that the Senate may not amend bills brought in with a Royal Recommendation. In neither case could the minister specify the protected clauses. The messages from the House of Commons—that is, from the government—were either false, or foolish, or both. There were substantive disputes over Bill C-103 and Bill C-21, but the main cause of trouble was a disagreement over the implications of Royal Recommendations.

There has been another cause for the difficult relations that have prevailed since 1984. I will put this in the softest language possible. This cause, the sixth cause, has been the terrorist mentality of the Mulroney government. I think I can support that language. "Do as I demand or accept full responsibility for all the consequences." That has been their oft-

repeated threat. I do not rank it as a major cause, but I believe it has served to aggravate the relationship between the government and the Senate. Frequently, it has slowed down the passage of bills. Always it has helped to create rancour. The terrorist's stock line is: "If you don't do as I demand, I'll blow up the plane and any deaths will be your fault." The Mulroney line has been: "Do as we demand; otherwise the people of Canada will suffer, and only you will be to blame."

Honourable senators will remember how that tactic was used by the Prime Minister in 1985 when the Borrowing Authority Bill was under consideration. "We will never agree to divide a bill at the request of the Senate regardless of how convincing the arguments for the division may be. If the Senate does not pass the undivided bill when we say, 'pass it', the result will be a loss of $15 million or more, and the entire responsibility will rest on the Senate." That was the burden of Mr. Mulroney's letter to Mr. Turner.

In the case of Bill C-67, the gate-ing bill—

Senator Lefebvre: Would the honourable senator accept a question? I have been listening to his speech while I have been in the chamber and also from my office. Senator Stewart has put on record many examples of the Tories' disregard for Parliament, whether it is in its rules of order, precedents or procedures.

Senator Stewart has also explained their cavalier attitude when it comes to constitutional aspects of the way we expect our country to be governed.

He also put on the record earlier today that, even after six years of Tory mandates and so-called "administration" with a very large majority in the House of Commons, Prime Minister Mulroney and all his supporters try to absolve themselves of any blame when this country is being devastated by their policies. From one end of the country to the other people are complaining and yet the Tories still try to put the blame on a former Liberal administration.

Is this just further proof of the incompetence of the Tories when they do reach government; or is it just a complete misunderstanding by the Tory government of the way Canadians expect their country to be governed?

Senator Roblin: You may answer both questions.

Senator Lefebvre: Senator Stewart has done much research in this field and I am sure all of my colleagues in the chamber would appreciate his thoughts. I am sure his response will be read by all of our colleagues who do not happen to be in the house at this moment or who are unable to hear him from their offices.

I know that Senator Stewart has written many articles and books on Parliament and how it should operate. Senator Stewart is recognized as one of the experts in this field in Canada. I am sure all Canadians who will hear the sound of his voice or who will be reading *Hansard* will be impressed by what he has to say.

Senator Stewart: I will shortly be accused of trying to get a free translation, and we don't want that.

[Senator Stewart.]

Senator Roblin: Who wrote that question?

Senator Stewart: It is true that we have heard the Mulroney government try to absolve itself by referring to the situation which prevailed prior to 1984. I don't know why it does that. One explanation may be—and I mean this quite seriously—that the Progressive Conservative Party was out of office too long, and when you are in the back seat for a very long time you get a distorted notion about what it is like to be driving the vehicle. Suddenly, when you are put behind the wheel, it all comes as a bit of a shock and it is very easy, I suspect, to slip into the excuse: "Well, we inherited a very faulty vehicle."

I think there is another explanation and I hope to be able to have time to touch on it more extensively later today.

Senator Lefebvre: We have lots of time.

Senator Stewart: I appreciate your patience.

I think Mr. Wilson has had a very hard time dealing with the Prime Minister in financial matters. Back in 1979 and in 1980, Mr. Wilson was constantly talking about the deficit, so I am sure that when he became the Minister of Finance after the election of September 4, 1984, he hoped that the government would single-mindedly go after the deficit as its priority concern. As I hope to show, the government refused to do that. It put off making a massive attack on the deficit in order to do other things such as the Free Trade Agreement and the Meech Lake Accord.

• (1315)

Consequently the need for an excuse is very real. Here we are in 1990, six years after the present government took power, and it has not done what Mr. Wilson said in 1980 ought to be done at that time. In circumstances such as that, people tend to blame others and to make excuses.

Honourable senators, I have given an example of what I call terrorist mentality by referring to the fact that, with regard to the borrowing authority bill, the Prime Minister said that they will never agree to divide that bill, even though the result is a loss of millions of dollars, and the fault is that of the Senate.

I should like to deal with the gate-ing bill, where the same tactic was used. As I mentioned earlier , that bill had languished in the House of Commons for one full year before it came to the Senate. When it appeared that the Senate would not pass the bill in a few hours, the government suddenly discovered that the people of Canada were in grave danger. The Prime Minister uttered his warning, "We have criminals that will be out on the street when they ought to be in jail, and that's the responsibility of those in the Senate who took this irresponsible action." The bill had come to us late in June, and he said that on July 5. Senator Murray, too, was solemn with concern. He, too, held before the Senate the grave danger to the public. His comments appear in the Senate Debates at page 2816.

When the Senate amended the Appropriation Act in 1989 to provide that the expenditures made by special warrants earlier that year should be deemed to have been legal, the government, predictably, contrived a threat to the public. Rather than accept the Appropriation Act with a clause stating that

the payment made by special warrants were to be deemed to be legal, the government cut off payments normally made on behalf of veterans. This is what Mr. Robert de Cotret told the National Finance Committee:

> The fact is that we do not have authority to spend and so everything must be frozen.
>
> As you can imagine, Mr. Chairman, there are some rather serious consequences to that, and I would like to tell you about them. For example, there are health care programs for veterans. Under those programs, we normally pay very quickly for the costs incurred for drugs and other related costs in that health care program. We must not stop those payments. Another program affected is the adjustment assistance program.

Even the RCMP were to go without their pay. The army was to be disbanded. Civil servants were to be out on the street penniless. And it would all be the fault of the Senate, who held up the Appropriation Bill. How many weeks was it? For eight days! Under the Parliament Act of 1911 in Great Britain we would have had 30 days. Just think of it.

Senator Doyle: Shocking.

Senator Stewart: What they did is shocking. Senator Doyle is quite right.

On May 16, 1989, Senator Murray told the Senate that all payments—grants, contributions, and other transfer payments—were to stop as of 12:01 on May 16, 1989. He added that this applied to senators' pay. Now the terrorist is getting deadly serious. He said, ". . . just in the event that any honourable senators are concerned. Perhaps that is what took up so much time in their (the Liberal) caucus this morning." That quotation is to be found in the Senate Debates at page 219. In other words, "give us what we demand, otherwise . . ." That is the typical terrorist tactic.

And now, in 1990 the old dog is up to his old tricks. Unless the Senate passes Bill C-62, many Canadians will be deprived of the GST tax credit during the pre-Christmas spending spree. On November 6, 1990 the Honourable Michael Wilson urged the Leader of the Opposition to encourage ". . . his friends down the hall in the Senate to pass the GST so we could get on with the payment of some $600 million to low income Canadians to help them purchase things during the pre-Christmas period." That statement appears in the House of Commons Debates at page 15204. There is the threat.

Senator Stanbury: Senator Stewart, would you accept a question?

Senator Stewart: Yes, indeed.

Senator Stanbury: Could you speculate as to the source of the funds that would be distributed in such a manner? Would they be funds which are raised by way of income tax, excise duties, or taken out of the Consolidated Revenue Fund? What would be the source of those funds if the GST is not in effect at that time?

Senator Stewart: The money would have to come out of the Consolidated Revenue Fund. Of course, it would not be attributable to any specific tax or impost. It would have to come out of the Consolidated Revenue Fund from money, perhaps borrowed oney, already there.

Senator van Roggen: I have a supplementary question, Senator Stewart. That $600 million is not in the budget. Presumably there would be an immediate increase to the deficit projections that we have at the moment.

Senator Stewart: I understand your point, Senator van Roggen. It is a very interesting one.

I should like to finish this point. To leave no doubt about the way this terrorist tactic has been used, let us turn to yet another authoritative voice. On November 8, 1990, the Honourable Otto Jelinek took up the cry. He said, "If it (the GST) is not passed by the end of November then the mailing out of those cheques (cheques for $600 million) must be delayed."

This government has nothing to learn from Saddam Hussein insofar as terrorist tactics are concerned.

Senator Cools: Absolutely. That is right.

Senator Stewart: Honourable senators, I do not say that this has been a major cause of acrimony, but I do say that it certainly has not served to ease relations between the Liberal-dominated Senate and the government. If experienced politicians, such as Senator Roblin, had been masterminding affairs, this kind of gratuitous aggravation would not have been taken place.

It is against this background—and I say this to the new senators—that we place Bill C-62. I now come to point that I referred to earlier when I was answering Senator Grafstein's question. There is no question but that the Honourable Michael Wilson wanted the first priority of the government after 1984 to be the control of the deficit. However, the Prime Minister had other plans.

He yielded to the entreaties of the Council on Business Issues. They wanted to rationalize their North American operations, so they urged him to negotiate a Free Trade Agreement with the United States. Their obedient servant went off to Washington. Old Jonathan saw him coming and took him in. Above all, the Americans wanted secure access to Canadian natural gas, petroleum and electricity.

Senator Molgat: And water.

Senator Stewart: To get the Free Trade Agreement, Mulroney gave them what they wanted. To make the Americans glow with happiness, Mr. Mulroney threw in large sectors of Canadian agriculture.

The Honourable Sinclair Stevens, as reported in *The Sunday Star* of December 2, 1990 has said that he is convinced that Mulroney made a secret "gentlemen's agreement" to boost the value of the Canadian dollar as part of the price paid for the Free Trade Agreement. If that is true—

Senator Barootes: It is not. It has been denied by the Ambassador to the United States; it has been denied by our trade officials, but carry on.

Senator Stewart: I am glad that Senator Barootes put on the record that it has been denied.

Senator Barootes: I like your caveat, "if that is true," and it is not. Carry on.

Senator Stewart: If Senator Barootes is not good, I will tell him what province he comes from according to the *Chronicle Herald*.

Senator Lucier: Silence on the other side.

Senator Stewart: If that is true—I take my cue from Senator Barootes—and if there is a "gentlemen's agreement", the argument that the goods and services tax is necessary to reduce high interest rates intended to make Canadian bonds and bills attractive to foreign lenders probably is false.

The result of the Free Trade Agreement, as we all know, was a major political controversy in Canada. A situation was created in which any new and unpopular tax was virtually unthinkable. So what did the Prime Minister do? To help smooth the waters for the Free Trade Agreement and to prepare his friends for the 1988 election, he had Mr. Wilson limit his pre-election changes in taxation to amendments to the Income Tax Act.

Once the 1988 election had been won, the government began its policy revolution in earnest. On June 6, 1989, the Honourable Barbara MacDougall moved second reading of Bill C-21, an act to amend the Unemployment Insurance Act and Employment and Immigration Department and Commission Act. At page 2675 of the House of Commons Debates, she stated:

● (1330)

> We did not expect any or all of these initiatives to be popular with everyone. In many ways, they redefine roles and responsibilities and they challenge vested interests. But we know that our approach works and we have the record to prove it.
>
> Since we came to office in 1984, our philosophy as a Government has recognized that the private sector is the key to the future success of the Canadian workforce and the Canadian economy. Privatization, deregulation, tax reform and free trade are all parts of the same agenda for revitalizating the Canadian economy to meet the requirements of increased globalization of markets and rapid technological change.

So there we have it: an agenda for a new economic and social order. In June 1989, the true meaning of Mandate '88 was revealed to Canadians. Now those who had voted Progressive Conservative on November 21, 1988, finally knew what they had voted for.

But did the Prime Minister give Mr. Wilson an unobstructed run? Of course not. He had yet another agenda, not the Free Trade Agreement, of course, but now the Meech Lake Accord.

In 1983, Mr. Mulroney set about the destruction of the Liberal monopoly on political support in Quebec—a perfectly legitimate objective. He fed and fostered separatists, hoping to use them for his purpose—that is, to carry into the Progressive Party all the debris of the Union Nationale, all the Parti Quebecois, all the remnants of Le Ralliement des Créditistes. He wooed them fervently. He secured some of them as Progressive Conservative candidates. First he sent Lucien Bouchard to Paris as Canada's Ambassador. Then he brought him into the House of Commons in a by-election—at great cost to the taxpayers of Canada—and made him a senior minister in his government.

At the same time he boldly tackled the Quebec problem. He would do what Trudeau had failed to do in 1980-82.

At a meeting at Meech Lake on April 30, 1987, the Prime Minsiter wove a seamless web. The Province of Quebec was to be given the juridical status of a distinct society; the spending power of the Parliament of Canada was to be restrained; the Senate was to be made a body representing provincial governments; and the question of fisheries jurisdiction was to be on the permanent agenda of future conferences.

It was a seamless web, a delicate and precious web. Any considerable change would break the accord achieved in those magic moments by the lake. As reported to the Senate on March 31, 1988, the ministers stated that: "If there is an egregious error, and only if there is an egregious error, would we be prepared, as first ministers, to reopen the accord."

A joint committee of this house and the House of Commons was set up. Obedient to the command of the Prime Minister, the majority of the committee recommended to both houses that the accord be adopted without the slightest alteration. It was simply perfect.

The Liberal members of the joint committee disagreed. They argued for amendments. Yet the House of Commons approved the Accord on October 26, 1987.

The Senate referred the accord to a Committee of the Whole in the Senate. Many distinguished witnesses were heard. On May 25, 1988, the Senate approved the accord with amendments.

On June 22, 1988, the House of Commons adopted the accord a second time, thus overriding the Senate amendments.

As the months passed, it became evident that the legislatures of two provinces—New Brunswick and Manitoba—were unlikely to approve the accord as it stood.

Confronted by this situation, the Prime Minister had an all-party committee of the House of Commons appointed on March 30, 1990, to consider the possibility that the adoption of a companion resolution would enable all the provincial legislatures to approve the accord. That committee, the Charest committee, made its report, a unanimous report, on May 17, 1990. Its recommendations, it is interesting to note, were similar in substance to those made by the Senate on May 25, 1988—almost one year earlier.

But once again the Prime Minister insisted that the seamless web must not be changed.

In the week of May 17 Senator Murray was in Winnipeg storming at Premier Filmon.

On June 22, 1990, Senator Murray was busy on television trying to shift the blame for the failure of the accord to the Premier of Newfoundland.

The accord failed. To its architects it seemed just perfect: it floated nicely in the lake. But once it was taken out to sea, it foundered. Why? As the Charest committee reported, the accord could not stand on its own. It was incomplete.

In addition, the whole process by which it had been put together and then submitted to the legislatures was ill-conceived.

It was put together quietly by federal and provincial ministers and bureaucrats—no one will object to that approach. It was approved *in camera* by first ministers. Again, I, for one, do not object.

But then the members of the House of Commons and all the provincial legislatures were told: "It's a seamless web. It's so intricate that any considerable change would cause the whole web to unravel." Premier after premier followed the Prime Minister in ramming the accord through their legislatures. Gradually, the people of many provinces became suspicious. Even those who knew little about the accord's provisions came to believe that the accord was bad. They came to question the process known as "responsible government" as practised in the House of Commons and in the provincial legislatures.

At this point let me refer to an address given by Professor Donald V. Smiley to a conference on the need for reform in the legislative process in Canada, held at the University of Victoria in 1978. The late, lamented Professor Smiley of York University was truly a great scholar. He starts off with a very apt story.

> My colleague, John Gellner, tells a story about a young American legal officer who was sent to a Third World country to instruct its army on court-martial procedures. The day he arrived a soldier was brought before a military tribunal and within the space of a few minutes summarily convicted and executed. The American was, of course, properly shocked and set out to instruct his hosts so that in the future they might do better. When the next court-martial was held it seemed that the lessons had been well learned. In fact, the process dragged on for several weeks with the most fastidious concern by all with the intricacies of procedure. However, there seemed to be no progress in reaching a verdict and the American officer finally suggested to the chairman of the tribunal that this lack of progress was in danger of becoming "cruel and unusual punishment" of the accused. The reply was not reassuring, "Oh, you don't need to worry about *him*—we shot him the first day."
>
> It would belabour the obvious to connect Gellner's antecdote with the subject of this paper. Like the second court-martial board, the characteristic role of the Parliament of Canada and of the provincial legislatures federal-provincial relations is to discuss actions which have already been taken. I have little hope that this situation can be changed in any significant way without a radical restructuring of our political institutions.

Professor Smiley then went on to focus on federal-provincial fiscal relations. He quotes Thomas Courchene whom he calls, "perhaps the most informed academic analyst of Canadian public finance." This is what Courchene had had to say about Parliament's role:

> The entire negotiation process with respect to the new fiscal arrangements essentially bypassed the Parliament of Canada. It is true that the Fiscal Arrangements Act is an act of Parliament. But our federal representatives were effectively presented with a *fait accompli*, hammered out between representatives of Ottawa and the ten provincial governments. The bulk of the Commons debate on the bill was directed toward sorting out the precise details of its various provisions. There was no debate in the traditional sense of the term . . . Public opinion was not brought to bear on the new arrangements. This is in marked contrast to the information that has been available in the print and electronic media relating to the upcoming revision of the new Bank Act, for example. Yet the Bank Act revision pales in consequence with renegotiating the financial basis of the federation in terms of the impact on the Canada of tomorrow.

What, you ask, has all that to do with the Meech Lake Accord? The same process was applied in the case of the Meech Lake Accord as was applied in the case of the Federal-Provincial Fiscal Arrangements Act. The deal was worked out and then it was rammed thorugh the House of Commons and most of the legislatures.

The people of Canada may be prepared to accept that kind of procedure when governments are dealing with federal-provincial arrangements. These matters do not excite the ordinary man in the street very much. But that is not true in all cases. What the Meech Lake Accord taught us—and it is a lesson that we will have to bear in mind—is that the man in the street is not prepared to accept the "shoot him first and convict him later" attitude with regard to constitutional matters. They might have been prepared to do that when the Constitution involved only federal-provincial powers, but now that the Constitution of Canada involves a Bill of Rights and matters of that kind, the old approach of executive federalism simply will not do.

That was pointed out to the Senate very early—early enough for remedial action to have been taken. It was pointed out to us by Professor Allan Cairns of the University of British Columbia. On that occasion he said that there is real danger that the application of the federal-provincial fiscal arrangement approach to constitutional amendments will produce a wave of constitutional anger. As it turned out, Professor Cairns was right, that "constitutional anger" smouldered for months. It was not all directed at Prime Minister Mulroney; it was directed at the premiers of those provinces where the Meech Lake Accord was pushed through the legislature by party discipline.

• (1345)

Senator LeBlanc: They have been defeated in most of them.

Senator Stewart: Perhaps not in most of them. The Conservative government in Nova Scotia has not yet gone down. However, I am told that the outcome of the recent election in Ontario had a great deal to do with the way so-called responsible government was used to ram through the Meech Lake Accord.

We now live in the aftermath of the Meech Lake Accord. Meech Lake discord is everywhere—in Quebec, Ontario, Nova Scotia and Alberta. Everywhere the politicians are paying, not so much for what they tried to do, as for how they tried to do it.

Senator Grafstein: Senators opposite have vigorously objected not vocally, but spiritually, to your conclusion as a senator from Nova Scotia that the Liberal government in Ontario went down to defeat in large part as a result of its policies and practices with respect to the Meech Lake proposals. Perhaps you might for a moment or two, before you race on to your more important points, pause to give us some substantiation concerning the very profound cause of the Liberal defeat.

Having said that, I think I should add one fact, just to make it more difficult for you, Senator Stewart. All three political parties in the last provincial election—and I want to put the issue as fairly as I can—seemed at their heads, if not at their body politic, to support the Meech Lake Accord. Therefore, how can you expect Conservative senators opposite who are now tending to agree with me—and I want to put the argument as strongly as I can from the position of those who disagree with this point—to hold the same point of view? By way of aside, I do not agree with the arguments I am making at this point in time. I tend to agree with your conclusions. However, I am more interested in hearing from you as an astute observer outside the province of Ontario about what evidence you have to support your contention that the Meech Lake Accord destroyed the leadership and the government of a Liberal party.

Senator Stewart: Senator Grafstein, I do not remember the exact words I used. If I said that was the sole cause of the defeat of the Peterson government, then, of course, I went too far.

Senator Cools: You did not say it was the sole cause.

Senator Stewart: I did not think I did.

Senator Grafstein: Before you go on, the reason I am raising these issues is because senators opposite are most anxious to engage in this debate.

Senator Stanbury: But their leader will not let them.

Senator Frith: They have been telling us for two months that they want to participate in this debate.

Senator Grafstein: I cannot say what is in the hearts and minds of those who do not want to debate. I think that when they do raise a point, and there is a point of contention on this side, that we can be their surrogates and, at least, put the argument in a fair way. I only say that, and I note again for the purposes of the record, that they were vigorously agreeing with your moderation of the position that it was the sole cause. I assume that it was a material and significant cause of the defeat of the provincial government of Ontario. Is that correct?

Senator LeBlanc: Before Senator Stewart answers, may I ask a question? Senator Grafstein used a political science approach which I find questionable. He said that all three party leaders supported a position. That is a nice theory of political scientists, most of whom have never darkened the corridors of the electoral process. I suspect that the people are much wiser than political scientists. They focus on which party forms the government. They hold it responsible for its attitudes and its actions. In fact, the opposition position on this or that issue may make a very marginal impact on the results of an election campaign. I also think that most people vote to get rid of a government and not to elect another party. However, that is another question.

Senator Stewart said something about Ontario. Ontario is not the only case, if that is to be debated. There is Manitoba to be considered. Mr. Pawley signed the agreement. He was eventually removed from office. Senator Hatfield is witness to the changing moods of a population. Certainly in New Brunswick there was a different mood as between those who were on side and those who were opposed. In fact, I remember that because I was in New Brunswick at the time that Mr. McKenna made it very clear that he had some very serious problems with Meech Lake. In fact, his position afterward showed that.

In Newfoundland Mr. Peckford was eventually replaced, and I suspect for a number of reasons, one being his approach to the fishery. Certainly, Mr. Wells did not leave any doubt what his position on Meech Lake would be. These examples seem to support Senator Stewart's approach to the question. However, I take serious issue with the idea that because three parties on the federal scene at the time of Meech Lake agreed generally on the position, the people should have followed them.

Senator Stewart: Honourable senators, I have the floor, and I do not want—

Some Hon. Senators: Hear, hear!

Senator Stewart: I do not want us to have a debate in the Senate. Senator Murray would be displeased. Senator Murray does not want a debate in this place, Senator Grafstein.

Senator Grafstein: Senator Stewart, this is an important issue. I think students of history in the future will be looking at some of these debates. Perhaps of all the many speeches of the grand speeches which are going to be made, your speech will be at the higher level of concentration for historians in the future. I think it is important that we pause for a moment to deal with this rather important point.

I have not put the proposition as fairly as I could for the opposite side.

Senator Frith: Your question you mean.

Senator Grafstein: I am coming to my question in a moment.

Senator Frith: Remember you are on a question.

Senator Grafstein: I understand that. This is a question. If I can, I want to propel the question forward by giving the other side of the issue as presented in my own question. Senators opposite have attributed this case to all parties. We now hear that that is not really a fair way of putting the position. The government of Ontario was defeated primarily because that was the target.

Perhaps I can ask Senator Stewart whether or not what happened in Ontario, from my perspective, happened in other regions of the country, and in particular what happened here on this issue. I think what happened is the following. Each federal party was deeply divided on the Meech Lake—

Senator Barootes: Is this your speech on third reading?

Senator Grafstein: No, it is not. I am asking a question.

Senator Barootes: Excuse me, I thought it was your speech.

Senator Grafstein: I am trying to give a preamble to the question I am about to ask of Senator Stewart.

That reflection of the deep division was mirrored in the province of Ontario. Each of the three parties, separate from their leadership, was deeply divided on this issue.

Senator Stewart: Senator Grafstein, I appreciate what you are saying, and I assume that you are going to speak later in this debate.

Senator Grafstein: I hope to.

Senator Stewart: Perhaps you would like to return to that point at that time.

Senator Grafstein: I would like your view as to whether or not it is fair to conclude that the Meech Lake Accord was one of the material causes as opposed to just a cause of the defeat of the Liberal government.

Senator Barootes: Why don't you two girls gossip outside.

Senator Stewart: I have been proposing that for some time, and we may do that over the weekend.

Let me say to extricate myself from this situation that the evidence I have is almost entirely anecdotal. I have various pieces of anecdotal evidence, but I will share one with honourable senators. Approximately two weeks before polling date I was told that the man who was doing the polling for the Liberals found that there was a bitter reaction against the Liberal government of Ontario because of the Meech Lake Accord. I was told that Liberal canvassers were going to doors and were receiving the following reaction: "Oh, Mr. Peterson wants some help, does he? He wants some support, does he? Why does he not call his friends Brian and Robert?" That is just a small anecdote but it came from a very well informed source.

I must confess that that helped to shape my own judgment as to what happened. Whether it is true or not, Senator Grafstein, nobody will ever know.

However, I think it is fair to say that we now live in the aftermath of the Meech Lake Accord, certainly in Quebec and in Nova Scotia, as well as in Ontario, I assume. Everywhere, as I have said, the politicians are paying, not so much for what they tried to do, as for how they tried to do it.

Normally, the people is content to let the captain, the officers, and the crew navigate and run the ship of state. But they do not want to be carried to strange, new destinations without their representatives having had a genuine opportunity to evaluate those destinations. That was not true in the House of Commons, and it was certainly not true in the legislative assembly of Nova Scotia.

The bonds of consent that held Canada together were seriously chaffed and strained by the whole Meech Lake episode.

It was into the political atmosphere created by the Free Trade Agreement and the Meech Lake Accord, together with the other radical economic and social changes announced by the Hon. Barbara MacDougall, that Bill C-62 was launched. The time could not have been worse. The aspects of tax reform, attractive to some taxpayers, had been stripped away before the election. Only the bitter aspects of tax reform—the GST—remained. This bitter bill was put through the House of Commons by closure at a time when the people were not ready for yet another assault on the bonds of consent.

● (1400)

On Thursday, October 25, 1990, Senator Everett told us that he has no obligation to consider the political consequences of the enactment of Bill C-62. According to him, all that is important to him as a senator are the financial and economic implications of the tax. With great respect, I say to him that he has a responsibility to widen his focus. Civil society comprises both the economy and the polity. The security of property, honourable senators, the credit of our currency, the health of the whole productive and distributive system, all these depend on the strength of the polity.

No senator can close his eyes to the impact of a measure on the future of the polity. Even if Bill C-62 were an entirely good bill, given the state of our society, pounded by the Free Trade Agreement, the Meech Lake Accord, the current state of the economy, and the uncertainties created by globalization, this is not the time to introduce a complex tax on goods and services.

I said at the beginning of these remarks that I intended to address chiefly the new senators and especially the new senators from Nova Scotia.

Senator Barootes: Wait until we call them in.

Senator Stewart: I beg your pardon?

Senator Barootes: Do you want to wait until tomorrow and we will call them in?

Senator Stewart: Are you proposing the adjournment of the debate?

Senator Barootes: No, I am proposing you reduce your volume.

Senator Simard: You should break all the records, Senator Stewart.

Senator Stewart: I think we understand the circumstances. We have a long debate going on here and I am not offended by the fact that Senator Buchanan is not in his seat, Senator Barootes. I am not offended by the fact that Senator Forestall is not here. I think it is quite understandable. However, I hope they will read the record of this day. Certainly, the people back in Nova Scotia will. As I speak here today, there are senators in the chamber who are firmly convinced that the goods and services tax will be disastrous for the people whom they represent. Yet they voted for the goods and services tax on Thursday, October 25 and they have voted against every amendment. They have voted to tax books, to tax heating fuel, to tax co-operatives, to tax funeral services. They have voted against the progressive taxation of luxury automobiles. From where I stand, the most prominent of those Tory senators, those who are convinced that the GST is a bad tax, is Senator John Buchanan. We know where he stands on the merits of the GST. The people of Nova Scotia know where he stands on the merits of the GST: he has been frank with them and has told them over and over again where he stands. I will quote to you what he has said, not everything, but a few representative remarks. I quote from the Nova Scotia *Hansard* of April 25, 1989:

> We do have some serious concerns about a "new federal sales tax". Our concerns are, of course, that a lot of that tax may be on commodities which at present are not taxed."

and again:

> We certainly are prepared to oppose as much as we possibly can..a movement into a shared jurisdiction with the provinces on those items that are at present not taxed here, and certainly on items that are taxed here.

Again:

> . . . we oppose the federal sales tax.

Again:

> . . . it is an intrusion into a matter that has been, historically, provincial.

Speaking in New Glasgow, Nova Scotia, as reported in the *New Glasgow Evening News* on August 11, 1989:

> We certainly aren't in favour of the tax; we're opposed to it.

Then he went to Yarmouth, Nova Scotia, where he spoke on October 20, 1989, as reported in *The Chronicle-Herald*:

> . . . the Mulroney government faces the prospect of a damaged Atlantic Canadian economy.
>
> The premier, in an interview, said he is concerned about economic trends in the region.
>
> "I'd have to be living up on the moon not to be concerned, because I am concerned," Mr. Buchanan said Thursday following a cabinet meeting in Yarmouth.

[Senator Barootes.]

> "I'm concerned not so much with the political ramifications here as I am with the economy of this part of Canada."

The report continues:

> Mr. Buchanan said it is important that he and other Atlantic ministers voice their opposition to the goods and services tax and Via Rail cutbacks during the first ministers conference in November.

And he went on, and on, and on. He said:

> "It's a consumer's tax which will hurt the economy."
>
> "It will . . . fire up the flames of inflation . . . and impede economic development and therefore hurt and reduce provincial revenues; and that will hurt services."

When they go to the polls in the next general election, the people of Nova Scotia will be guided by the views of Senator Buchanan—not by his votes on the GST. That the views of the Government of Nova Scotia on the goods and services tax did not change when Premier Buchanan was transfigured into Senator Buchanan was shown on Monday, October 22, 1990 when the Hon. Ken Streatch, Minister of Small Business Development, took up the Buchanan theme.

I quote from *The Chronicle-Herald* of October 23, 1990:

> The Mulroney government's imposition of the Goods and Services Tax against the will of the people is dead wrong and Nova Scotia's economy is already being damaged by it, the province's minister of Small Business development said Monday.

And now a direct quote:

> "It is creating fear and uncertainty in the small business community which will only result in confusion among business people and confusion among consumers."
>
> Mr Streatch said Ottawa "should forget about the GST . . .

And then on November 6, 1990, the Hon. Greg Kerr said that the GST will create higher inflation in Atlantic Canada than in the rest of Canada. He predictrf 7 per cent inflation in the four Atlantic provinces in 1991. Now a direct quotation by Mr. Kerr:

> Most provinces are saying (inflation) will be higher than what the feds say . . . and we have the impression that the impact will be more negative in the Atlantic.

Yet Senator Buchanan voted on October 25, 1990, for the GST. He voted against every amendment. How was that possible? His explanation, I suspect, is that even though Bill C-62 is an atrociously bad bill, since it is a "money bill", he and the other Tory senators from Nova Scotia have no choice but to vote for the bill.

That is what I call the "NDP position" on the powers of the Senate. It is precisely the argument that would be made by Audrey MacLaughlin, Nelson Riis, et al, if they were to form a government. It is precisely the argument they would make if they sent up to the Senate a bill to double corporate income taxes. I can hear them now: "This is a money bill. Senators

may not amend or defeat a money bill. Senator Murray said so."

That position, the NDP position, has been the position of the Tories in the House of Commons since 1984. Even the present Speaker of the House of Commons undertook to read the Senate a lecture along those lines on April 22, 1990. We, on this side, have consistently defended the constitutional rights of the Senate. We have argued that the view set forth in the Ross Report (1917) was and remains substantially correct. New senators, of course, will very soon become familiar with the Ross Report.

R.A. Mackay in his distinguished work, *The Unreformed Senate of Canada*, made a comment on the Ross Report and I shall limit myself to reading some of his conclusions from pages 109 and 110.

> The initiation of legislation in the Senate has increased considerably in the past quarter century. Virtually all private bills are now introduced there and more non-controversial government measures than in earlier years thereby substantially relieving an overburdened House of Commons. Many bills, of course, must be introduced in the Commons and it is appropriate that bills implementing party programs should also be introduced there.

Second:

> The Senate is virtually indispensable as a revising chamber for legislation coming up from the Commons.

Now, listen to this:

> The Senate's right to amend money bills seems to be firmly based on the British North America Act and, in any case, the Senate over the years has made good its claim to do so. In this respect its powers exceed those of the House of Lords. The Senate, however, does not claim the right to increase an expenditure or a tax or impost or change the incidence of a tax or impost.

And now this from page 111:

> No government, however large its majority, how overwhelming may have been the defeat of its opponents, has an unlimited mandate. A check upon "the never ending audacity of elected persons" as Walt Whitman put it, is a sound requirement of democracy.

A most extreme attack on the Senate's powers has been made by our colleague, Senator Beaudoin. I want to say something now about Senator Beaudoin's interpretation of the Senate's constitutional powers. Again and again—on December 19, 1989, on February 14, 1990, on March 20, 1990, on April 11, 1990 and on May 23, 1990—he has given us his views. On his analysis the Senate has only an advisory role. Its role is really the "lobby from within" role advocated by Senator Murray. There is, he concedes, a legal view which attributes great powers to the Senate, but he argues that that view must be wrong. Senator Beaudoin believes that the paramount principle of our constitution is responsible government; every section of the Constitution Act, 1867, must be read so as to conform to that principle. A party leader who has a majority in the House of Commons is not to be gainsaid. The Governor General and the Queen are to heed his advice as command. The Senate is never to restrain him.

To make the rule of the Senate conform to his theory, he gives us a revised version of confederation. The truth, he says, is that the Senate was intended only as a second chamber, the secondary chamber in a bicameral legislature. It was to be a kind of legislative saucer. Here I refer to an early 19th century American who said:

> Of course I believe in a second house. We need a second house just as I need a saucer to cool my tea.

• (1415)

According to Senator Beaudoin, the Senate was intended to be comparable to the upper houses—the "legislative councils"—which once existed in Nova Scotia, Quebec etc. Those houses were supposed to give fatherly advice to the popular assemblies. The members were to be older and richer, and they were to be sober and sedate.

On April 11, 1990—*Debates of the Senate*, page 1496—Senator Beaudoin objected to my contention that one of the chief purposes for which the Senate was created was a federal purpose, to be a brake on the power of the most populous province. On that day we were dealing with the report of the National Finance Committee on Royal Recommendations. Senator Beaudoin said:

> We cannot agree to allow the use of new precedents like those invoked during the past few weeks in the Senate to alter the basic principle of our Constitution which is responsible government, meaning that the government receives a mandate from our elected representatives to control its financial policy.

Later, he said:

> I agree Canada is a federal State, and I agree England is a centralized country. But this distinction only applies to the sharing of jurisdiction between two levels of government. It does not apply to the relationship between elected representatives and the House of Lords in England or between elected representatives in the House of Commons in this country and the Senate.
>
> Canada's history proves it. We have had a Senate since the beginning of Confederation. In Quebec, we had a legislative council until 1968. Five provinces have had an upper house. All were abolished except for the one in Ottawa.
>
> This proves one thing: Canada and England differ in the sense that here we have shared jurisdictions, while there are none in England. However, as concerns the relationship between the two Chambers, in Canada or in the United Kingdom, the same principles apply. There are two Chambers in Ottawa. There were, at one time, two chambers in five provinces out of ten.
>
> So it is not a problem with federalism. The problem relates to bicameralism, as they say in political science, where we have two chambers.

Senator Beaudoin's view has the charm of audacious novelty. He reveals that neither John A. Macdonald nor George Brown really understood the Confederation plan.

He reveals that Senator Arthur Meighen was in his cups when, in 1937, Meighen said:

> Our Maritime Provinces declined to enter Confederation if the control of Canada's parliament was to be wholly in the hands of a majority, because under those circumstances they felt their views would be swept out of effect by the larger populations of our mid-continent areas. Lower Canada also insisted on the territorial principle, and that principle is still the basis of the Senate's composition.

Honourable senators, we do not have to go so far afield to get a sound interpretation. On May 13, 1987, Senator Duff Roblin, told us that the Senate has a federal function. I would recommend that all honourable senators take up the *Hansard* of that day, May 13, 1987, and they will find a carefully considered examination of the Senate of Canada. It will promote thought. I do want to quote his words and I am glad he is here although I am sorry to embarrass him because I know he is a modest man. He said:

> While representation by population is the first principle of democracy and it is embodied in the House of Commons, representation by regional or provincial representation is the first principle of federalism and is represented and embodied in the Senate!

In that address Senator Roblin sought to refute the idea that we can rely on representation by population. He went on to tell us that he favoured an elected Senate and he told us of the electoral scheme which he thought should be adopted. He also told us that the powers of the Senate should be left exactly as they are now except with regard to appropriation bills, strictly defined. The only change in the powers of the Senate Senator Roblin advocated was that the Senate's powers on appropriation bills, what we call "supply bills," would be reduced.

I conclude from all this—

Hon. Duff Roblin: Honourable senators, may I just draw my honourable friend's attention to the fact that, while he was kind enough to quote some of my speech, there is a thought in there that I think is important in connection with powers with which he did not deal. Perhaps I may briefly allude to it and say that one of the problems that concerned me when I wrote that speech was how to resolve differences of opinion between the two houses. I proposed a certain formula for doing that, but I think I made it clear in my speech that I was by no means satisfied that it was the right formula.

Senator Stewart: I am sorry, I did not catch your last comment.

Senator Roblin: I proposed a certain formula for resolving differences, but I think I also made it clear that I had some doubts that that was the best formula and that that subject was open in my mind.

[Senator Stewart.]

Senator Stewart: I thank the honourable senator for his comment. I did not intend to give a full summary of what I think is a very important speech.

Senator Roblin: I only raise the point because Senator Stewart talked about the powers of the Senate. The powers of the Senate on the question of resolving deadlocks is fundamental to any question of Senate reform.

Senator Stewart: In any case, Senator Roblin, my point was that, unlike Senator Beaudoin, you feel that the Senate has a place in the Parliament of Canada because it embodies the federal principle. That was the purpose of my reference to your address.

Hon. Gérald-A. Beaudoin: Honourable senators, on a question of privilege, would Senator Stewart repeat what he just said about me? I believe he said that I declared the Senate has no role in the federal state of Canada. I never said that.

Senator Stewart: I did not intend to summarize or gloss over Senator Beaudoin's speech. I simply quoted what he said.

Senator Beaudoin: Do not summarize too much.

Senator Stewart: I simply quoted what the honourable gentleman said and I would be quite happy to give him the page reference.

Senator Bosa: Quote it again.

Senator Molgat: Quote it again.

Senator Stewart: Other senators, on both sides of the house, want to speak on this debate. I will be more than happy to give Senator Beaudoin the page reference from which I quoted.

Senator Beaudoin: I am just asking you about the summary that you gave. You declared, "Senator Beaudoin said that the Senate has no role in the federation of Canada." I never said that.

Senator Stewart: Senator Beaudoin, will you please—

Senator Beaudoin: I have always said that the Senate represents the regions. In 1867 we had a Senate based on three regions and since 1915 it has been based on four regions. That is obviously at the core of Canadian federalism and that is exactly what I said.

Senator Stewart: It would appear, Senator Beaudoin, that obviously something has gone wrong in the recording of the *Debates*.

Senator Beaudoin: Or in the report.

Senator Stewart: I would ask Senator Beaudoin to look at what was recorded in the *Debates* when he was commenting on the report of the Standing Senate Committee on National Finance on Royal Recommendations. The page reference I have here is page 1496. You will see several paragraphs there. I would apologize to honourable senators for repeating it.

Senator Bosa: Oh, do it.

Senator Stewart: It states:

> I agree Canada is a federal State, and I agree England is a centralized country. But this distinction only applies to the sharing of jurisdiction between two levels of government. It does not apply to the relationship between elected representatives and the House of Lords in England or between elected representatives in the House of Commons in this country and the Senate.
>
> Canada's history proves it.

Then Senator Beaudoin seems to argue that the Senate was a descendant of the old legislative councils and did not take on a federal complexion in 1867. The final paragraph I have here— perhaps Senator Beaudoin withdrew or modified it later—states:

> So it is not a problem with federalism. The problem relates to bicameralism, as they say in political science, where we have two chambers.

Senator Beaudoin: May I answer that?

Of course it is a problem of bicameralism. We have two houses here in this country as they have in Great Britain. I was talking about the question of the money bill theory; and the money bill theory is a question between the House of Commons and the House of Lords in England and between the House of Commons and the Senate in this country. It is a question of the rapport between the two houses. This has nothing to do with federalism as such. Federalism is a division of power between the central authority and the provinces or the state. This is what federalism is about.

But we were not talking about that. We were talking about the theory of money bills. The relationship between the House of Commons and the Senate and the relationship between the House of Commons and the House of Lords in England is a question of bicameralism; it is not a question of federalism. Of course, that is the case because Great Britain is not a federal state.

Some Hon. Senators: Hear, hear!

Senator Stewart: Here again, honourable senators, I am afraid that debate is likely to break out.

Senator Simard: Perhaps he can help you write your speech.

Senator Stewart: I think we could start by saying that we both agree that both Canada and the United Kingdom of Great Britain and Northern Ireland have bicameral parliaments. We agree on that.

Senator Beaudoin: Yes.

Senator Stewart: Where we seem to part company—at least when I look at what Senator Beaudoin said at an earlier date—relates to the function of the second chamber.

As I read his remarks, Senator Beaudoin says that the Senate of Canada is comparable to the legislative council of the province of Canada or the legislative council in Nova Scotia, or the legislative council in Prince Edward Island. It descended from them.

Senator Beaudoin: I never said that, but that is beside the point because the Senate of Canada was created by the British North America Act of 1867. What existed before is quite another thing.

Senator Simard: You better change subjects. Go back to Meech Lake.

Senator Stewart: Well let me ask Senator Beaudoin a question: He said in his speech that federalism does not apply in the relationship between the House of Commons of this country and the Senate. Then he says:

• (1430)

> Canada's history proves it. We have had a Senate since the beginning of Confederation. In Quebec, we had a legislative council until 1968. Five provinces have had an upper house. All were abolished except for the one in Ottawa.
>
> This proves one thing: Canada and England differ in the sense that here we have shared jurisdictions . . .

I think you mean in 1991 and 1992,

> . . . while there are none in England. However, as concerns the relationship between the two Chambers, in Canada or in the United Kingdom, these same principles apply. There are two Chambers in Ottawa. There were, at one time, two chambers in five provinces out of ten.

When you say there was at one time two chambers in five provinces out of ten, that leads me to believe that you are suggesting that the Senate of Canada did not have a federal function and that it was comparable to the legislative councils which existed before 1867 and which existed in some provinces after 1867.

Senator Beaudoin: I said that Quebec had a Legislative Council until 1968. After Confederation, five provinces had an upper house. Those upper houses were abolished.

I did not make a comparison between the provincial upper houses and the Senate. The Senate, obviously, has a very particular role in this country. According to Macdonald and Cartier, the Senate was created to represent the regions. There were three regions at the time of Macdonald and Cartier: The Maritimes, Quebec and Ontario. The three regions were equal.

In 1915 a fourth region was added. We have a Senate of regions. We do not have a Senate of provinces, according to the British North America Act.

Senator Frith: Yet, we are all provincial senators.

Senator Beaudoin: I do not deny that. The Senate is divided into four regions. Newfoundland and the Territories have a special status.

The relationship between an upper house and a lower house in England and in Canada, as such, is not a problem of federalism. It is a problem of bicameralism. The fact is that England is a unitary state and Canada is a federal state. That is all I have said. There is nothing criminal in that.

Senator Austin: Honourable senators, I should like to intervene for a moment. It seems to me there is a gap in the logic that Senator Beaudoin has delivered. How can you talk about Canada being a country of four regions? Premier W. C.

Bennett never accepted that attitude and his successors in British Columbia have agreed with him. How can you put forward the idea that Canada is a country of four regions, those regions being represented here in the Senate? If everything else is true, those senators represent their regions within the federal context in this chamber. This is different, Senator Stewart, from the bicameral system in the United Kingdom, where there is no regional aspect to their presence.

Senator Stewart: Clearly Senator Beaudoin feels that the record of his speech is not accurate. I invite him to correct it in his own time.

Senator Beaudoin: I should like to read section 22 of the British North America Act. It says:

> In relation to the constitution of the Senate Canada shall be deemed to consist of four divisions.

Senator Stewart: There is no problem with that.

Senator Beaudoin: That is all I have to say. It is not I who am saying that; it is the constitution which says that.

Senator Stewart: You are saying that we do not have senators from provinces, but senators from regions.

As I understood Senator Beaudoin, before this new revelation, the Senate was intended to be a second chamber comparable to the House of Lords. Federalism was a matter of the division of legislative jurisdiction between the provincial legislatures on the one hand and the Parliament of Canada on the other hand.

Senator Beaudoin tells us that it is now an established convention of our Constitution that the Senate never uses its undoubted legal powers. Responsible government—the executive government depending on the support of the House of Commons, and the House of Commons depending on the support of the people—as now practised in Canada is so flawless a system of government that there is very little for the Senate to do. Responsible government as practised in Canada assures that in the long haul, if not the short, the ministers do what the people want them to do. The expression "responsible government" has been adopted by Senator Beaudoin as a mantra. But utter those words and all the rest of the Constitution shrinks in importance, even the statutory texts.

Before we agree with Senator Beaudoin, perhaps we should ask him a few questions.

Who selects party leaders—potential Prime Ministers—in Canada? Not the people; not even the parliamentary party; not the elected representatives of the people, as Mr. Diefenbaker and Mr. Clark learned. Win a convention of the kind suitable for selecting a presidential candidate in the U.S. and you are well on your way to control over both the executive and the legislative branches.

Who can dislodge a party leader in Canada? Not the elected representatives of the people. As long as a leader can avoid a bad convention he's in as long as he likes. Mrs. Thatcher must look with envy at the security of tenure enjoyed by a Canadian party leader.

[Senator Austin.]

Let me read a comment on how a Canadian political leader holds his party in thrall. The author, Duncan Fraser, now retired as a professor at Acadia University, for years was a principal advisor to Senator Buchanan. A wise Prime Minister would have had him summoned to this house.

Professor Fraser's comment appeared in *The Chronicle Herald* on December 1, 1990.

> As the events in Britain over the last three weeks have shown the British Tories can act pretty briskly when the occasion demands.

He goes on to describe the political situation in Great Britain. Then he says:

> Since 1975 the leadership of the Conservative Party has been decided by the sitting Tory MPs. It needed only a crisis of confidence or a challenge to the leadership for the MPs to act. The opportunity Conservative Members of Parliament needed came when Michael Heseltine challenged the vulnerable Prime Minister.

He goes on:

> What is perhaps instructive for Canadians is the speed with which all of this took place. The continuity of government was maintained without any interruption and there was no 'lame duck' period. The decision on Conservative party leadership rests with Members of Parliament who are assumed to be well informed on electoral prospects in their constituencies, have taken the measure of the various candidates from close up and are not afraid to dump a leader when needed.
>
> British MPs therefore have a position of power over the party leader which is lacking in Canadian practice. The process also ensures that party leaders are chosen from the elected House of Commons. All of this means that in Britain the MPs purge the Tory leader; the leader does not purge the party.
>
> This, as well as the absence of leadership convention flimflam and delegate rigging, is something for Canadians to think about.

Honourable senators, perhaps I should mention that Acadia University is in what once was a safe Tory constituency—the constituency represented by George Nowlan until 1965, and then by Pat Nowlan, who has now been purged from the party his father helped rebuild.

Think of the grip a Canadian party leader has on his party. Can a Progressive Conservative member, a Liberal member or an NDP member duly selected by a nominating convention in his or her own constituency run for re-election to the House of Commons as the party candidate without the signed approval of the leader? No, and the financial consequences are heavy. Mr. Patrick Nowlan is a witness to this point. Suppose a general election had taken place on September 4 or November 21, 1990. Mr. Crétien, although not himself a member of the House of Commons, would have been able to reject sitting members as Liberal candidates in that election. Incredible.

How many Prime Ministers who began with majority support in the House of Commons have been compelled to go to the country by reason of lack of confidence? None.

How many Prime Ministers come to office, not because the people want to give them a positive mandate, but because the voters decide that it is time for a change? Who knows? Probably most.

How many Prime Ministers remain in office, not because the people support their policies enthusiastically, but because the other parties are disorganized and too poor to hire good advertisement firms?

What will be the impact of negative campaigning? Devastating, we are told.

Party leaders in Great Britain, as Mrs. Thatcher knows, have nothing like the power over the elected representatives of the people held and enjoyed by party leaders in Canada. Yet, even in Great Britain the complaint is heard that responsible government has been perverted into "an elective dictatorship". Perhaps the most notable statement of this viewpoint was made by Lord Hailsham. He argued that the House of Commons is dominated increasingly by the government, that the government is increasingly controlled by the cabinet, and that the cabinet is increasingly controlled by a few members. The result, he said, is an all-powerful cabinet introducing into Parliament measures which Parliament can not challenge or even consider effectively. Let me quote from his BBC address of 1986 entitled, "Elective Dictatorship." This is what His Lordship said:

> So, the sovereignty of Parliament has increasingly become, in practice, the sovereignty of the Commons, and the sovereignty of the Commons has increasingly become the sovereignty of the government, which, in addition to its influence in Parliament, controls the party whips, the party machine and the Civil Service. This means that what has always been an *elective dictatorship* in theory, but one in which the component parts operated in practice to control one another, has become a machine in which one of those parts has come to exercise a predominant influence over the rest.

And that is England, where the Tory MPs create their leaders and pull them down!

• (1445)

Senator van Roggen: Would you accept a short question?

Senator Stewart: Yes, Senator van Roggen.

Senator van Roggen: On that very point that you are making, do you recall the author of the statement that it took the Parliament at Westminster 500 years to wrest absolute power away from the kings and only 100 years to give it back to prime ministers?

Senator Stewart: No. I am sorry, I cannot answer that question. I fail the exam.

Senator Frith: I wish I could, also!

Senator Stewart: I shall try to work harder in the future.

Senator Cools: I think it was Lord Acton.

Senator Stewart: Lord Acton? Yes, it sounds like Lord Acton.

Senator van Roggen: I remember it vividly.

Senator Stewart: Lord Acton would have written that about 120 years ago. Think what he would say now!

What do elections mean? What kind of democratic mandate is conferred when party leaders hide their plans from the people until after the election? Back in the 1930s Ignazio Silone wrote a book entitled: "*The School For Dictators*". I remember two of his precepts. First, attribute all power and wisdom to the people. Second, establish yourself as the one and only person on whom the people have conferred their mandate. Thus Salone's dictator is the supreme democrat.

Surely, honourable senators, the time has come when we must re-examine the conventional wisdom, the textbook analysis of our political system. It is not enough to talk carelessly about "mandates" and "responsible government". Words, as Thomas Hobbes said, are ". . . wise men,s counters, they do but reckon by them; but they are the money of fools, . . ."

What is responsible government, correctly understood? It is a way of placing the person of the sovereign, most of the time, above and beyond the battle of the interests within the polity. It is an arrangement by which the executive and the legislature are joined—thus, a responsible government system differs from the American system. It is an arrangement for ensuring that ultimately the legislature can bend the executive to its will. It is just plain wrong to say that responsible government requires that both Houses of Parliament must pass any bill the Prime Minister wants. Responsible government does not require democracy—think of mineteenth-century England when responsible government was created. Nor does democracy require responsible government—think of the American Republic.

Having assured us that responsible government, as understood by Prime Minister Mulroney, is working wonderfully well—so well that there is little or nothing for the Senate to do—Senator Beaudoin tells us that he favours an elected Senate. Why? Why any Senate? Especially why an elected Senate, which undoubtedly would be more confident and active than an appointed Senate?

Senator Beaudoin puts great emphasis upon constitutional conventions. That is a familiar concept, especially in the United Kingdom. Much of the English constitution is usage and practice. There is no series of great constitutional statutes there comparable to our Constitution Act, 1867.

There have been several famous discussions of the conventions of the Constitution, for example, by John Stuart Mill, A.V. Dicey and Sir William Anson.

Senator Beaudoin makes much of conventions. He tells us that it is a convention of the Canadian Constitution that the Senate never uses its prescribed powers in a way that frustrates for long a government with a majority in the House of Commons. We ought not, for example, to have precipitated an election on the Free Trade Agreement.

Senator Beaudoin's theory has the beauty of simplicity. For him, responsible government, as he understands it, is the cardinal doctrine of his political faith. Those words, "responsible government", have become his mantra. I must confess that I am far more skeptical than Senator Beaudoin in constitutional matters.

First, does responsible government require that all legislative power be concentrated in the House of Commons, a house elected on the basis of representation by population? Is it not true, as Senator Roblin said on May 13, 1987, that Canada needs a Constitution which embodies the federative principle? Second, does responsible government require that the executive government succeed in having all its measures enacted by Parliament? If it does, given the way we select party leaders, responsible government has been transformed into what Lord Hailsham has called "elective dictatorship."

Senator Beaudoin is so committed to the doctrine of responsible government as he understands it that, as we have seen, he seems to find himself obliged to argue that the Senate does not and never did embody the federal principle.

What is a constitutional convention? For example, does the elapse of many years when a prescribed right is not exercised expunge that right? "Yes" says Beaudoin, in the case of free conferences." "No", says Beaudoin, "in the case of voting by the Speaker of the Senate. "No, absolutely not," says Beaudoin, in the case of section 26. "Yes", says Beaudoin, in the case of Senate amendments to government bills.

Does the age-old constitutional convention that public money is not to be spent without express appropriation by Parliament mean that it is unconstitutional for the government to use special warrants so as to overcome the need to meet Parliament? "No, of course not," says Senator Beaudoin. On May 17, 1989, he stood in this chamber to confirm, by his vote, the right of the government to spend an unlimited sum of money for any purpose thought urgent for the public good—for example, the famous shrub survey by the government—provided only that the government makes sure Parliament is not in session.

In one instance—the powers of the Senate, prescribed by the Constitution Act—convention renders the statutory constitution mute. In another instance—special warrants—the *prima facie* meaning of a statute sets aside an age-old constitutional convention. It is truly bewildering, especially when we remember that in these matters Senator Beaudoin exerts himself to be exact.

Senator Frith: Did you say "exort"?

Senator Stewart: No, "exert". I said "exerts himself to be exact."

If some consistency could be found in his arguments from convention, it would be far easier to understand the properties essential to a convention.

Naturally, all senators from Nova Scotia want to vote against the GST. But, misled by Senator Beaudoin and the NDP, they may think that the Senate has no right to amend or defeat money bills. Beaudoin and the NDP are wrong.

[Senator Stewart.]

Obviously, there is a difference of opinion between Senator Beaudoin and me over the purpose behind the creation of the Senate—at least I thought there was until earlier today. I ally myself with Senator Roblin.

But let us set that disagreement aside for a moment.

Senator Beaudoin: Could I say something for the purpose of the record?

Senator Stewart: Yes.

Senator Beaudoin: I have never said—never, never—

Senator Stewart: Never?

Senator Beaudoin: —that this house cannot set aside a bill from the House of Commons. I have never said that. I made a long speech on the conventions of the Constitution. You would find it greatly interesting, sir, if you read the patriation case of the Supreme Court of Canada. The nine justices of the Supreme Court state therein what the convention of the Constitution is. Obviously, you do not know.

Some Hon. Senators: Oh!

Some Hon. Senators: Shame!

Senator Hastings: Tell us about a conference.

Senator Stewart: Honourable senators, I thank Senator Beaudoin for conceding the argument. He is obviously angry. There is an old adage that tells you what that means.

Senator Simard: That is pretty weak on your part, though.

Senator Stanbury: At least it is polite.

Senator Stewart: We can set that disagreement aside for a moment. I must tell Senator Beaudoin that I was reading the English version of what he said. It well may be that the English version does not capture the nuances of his statement. But let us set that disagreement aside.

Senator Beaudoin: It is not a question of language, sir. It is a question of comprehension.

Some Hon. Senators: Hear, hear!

Senator Stanbury: Whose comprehension?

Senator Stewart: Well, senator—

Senator Beaudoin: You can read it in French, if you want.

Senaator Stewart: Your speech is on the record.

Senator Beaudoin: Of course it is.

Senator Stewart: I am quite prepared to leave the dispute to the verdict of other readers.

Senator Simard: At least Senator Thériault can do much better than you are doing now.

Senator Stewart: And I look forward avidly to your speech, Senator Simard.

Senator Simard: I think Senator Thériault should be next.

Senator Stewart: I look forward to your speech. But, of course, Senator Murray has you muzzled. I can see the gag even from here.

Senator Barootes: Could we take the rest of your speech as read?

An Hon. Senator: Before you put your foot in it again.

Senator Stewart: No, Senator Barootes. I want to give you plenty to rebut when you get up to speak. I look forward to your rebuttal. In fact, I sigh for it. Will you be speaking today or tomorrow?

Senator Stanbury: Senator Barootes is speaking for about 20 hours.

Senator Stewart: Let us accept for a moment—

Senator Simard: No, never!

Senator Stewart: I was going to say, let us accept for a moment Senator Beaudoin's contention, but you, Senator Simard, do not wish to do that, and I understand why.

Let us suppose that our differences over the legislative role of the Senate are simply the standard differences which beset bicameralism. Indeed, let me go a second mile toward accepting Senator Beaudoin's downgrading of the Senate. Let me accept the view of the present Speaker of the House of Commons that Canada's Constitution ought to be amended along the lines followed by the British when they enacted the Parliament Act, 1911. As amended by the Atlee Labour Government in 1949, the Parliament Act allows the House of Lords to delay a money bill for one month. It allows the House of Lords to delay any other bill for one year. If passed a second time by the House of Commons in a new session of Parliament—that is, if passed at all stages in the House of Commons a second time and in a second session—a bill that has not passed the House of Lords may be presented for Royal Assent, if at least one year has elapsed since the bill was first given second reading in the House of Commons. Bills that authorize borrowing, and which do nothing else, are money bills. Bills that impose taxes, and which do nothing else, are money bills. Bills that appropriate public money, and which do nothing else, are money bills. There go most of our one-dollar items.

● (1500)

How would the Parliament Act have worked in Canada during the past six years?

The Briefing Book to which faithful Progressive Conservatives turn as to a catechism for answers on the perils to which Bill C-62 as exposed in the Senate poses the question: "Why has the government stacked the Senate by appointing eight new Senators?" The reply of the orthodox faithful is supposed to be: "The Liberal senators have consistently obstructed legislative proposals in the Senate after they have been passed by the House of Commons." Then they are supposed to say: "This is contrary to our system of government in which responsibility rests with elected representatives in the Commons." Yet another enlightening comment is: "The government was obliged to overcome the obstructionism of the Liberal Senate majority and defend our system of responsible government." Those are crushing words.

Senator Grafstein: Who said that?

Senator Stewart: These words are from the Progressive Conservative Briefing Book on Bill C-62.

The question to be asked is: Are these words true? Under the Parliament Act we would have had to deal with appropriation bills within one month. It is really shocking how they would have rushed us. Honourable senators, I have had a list made of all the appropriation bills enacted by Parliament since the present government took office. If honourable senators will agree to have this table printed. I will refer to only a few examples.

Hon. Senators: Agreed.

(*For text of table see Appendix, p. 4533*)

Senator Stewart: I will start with the first two or three and then skip to another group of two or three.

The first I wish to refer to is Bill C-16, Appropriation Act No. 3, 1984-85. First reading in the Senate was on December 11, 1984. The date the bill was passed was December 13, 1984.

Then there is Bill C-34, Appropriation Act No. 4, 1984-85, which came to us on March 26. The date it was passed was March 27.

Another one was the interim supply bill which also came on March 26 and which was passed on March 27.

The big appropriation bill for 1985-86 based on the main estimates came to us on June 17. It was passed on June 20.

Bill C-29, Appropriation Act No. 3, 1986-87 came to us on December 16 and was passed on December 18. Appropriation Act No. 4, 1987-88 came to us on March 22 and was passed on March 26.

Let me see if I can find one that took a very long time. Bill C-120, Appropriation Act No. 1, 1988-89, came to us on March 29, and was passed the same day.

Bill C-14, Appropriation Act No. 1, 1989-90, was given first reading in the Senate on May 9, 1989. Honourable senators will recall that this is the bill that was delayed so long by the Senate that the government cut off payments for veterans' health services. It ordered that the RCMP were not to get their cheques. The government uttered the threat that civil servants were to be penniless upon the streets while the army was to go unpaid. The bill came to us on May 9, 1989 and was finally passed by the Senate on May 17. Under the Parliament Act, 1911, that act for which the Progressive Conservative government over and over again has cried, we would not have had eight days; rather, we would have had over 28 days. Yet, this is the government which complains that its bills are being held up. It does not know what it is talking about.

What about that famous borrowing authority bill in 1985? What about the ACOA bill in 1988? What about Bill C-21, the unemployment insurance bill in 1990? Let us look at the legislative history of these bills.

The second reading of Bill C-11, the borrowing authority bill, was moved in the Senate on January 22, 1985. The government, as I said earlier, refused the offer to have Part I of the bill enacted immediately. The government held up that part of the bill, and the House of Commons took a holiday

from February 15 to February 25. The Estimates were tabled on February 26. On February 27 the Senate gave third reading to Bill C-11. Under the terms of the Parliament Act, the government could have had Royal Ascent to Bill C-11 four or five days earlier, provided of course that the House of Commons had not been on holiday.

The second occasion when the Senate unconscionably caused the government great grief by delaying a bill took place in 1986. Bill C-67, a bill to amend the Parole Act, the so-called gate-ing bill, was moved for second reading on July 2, 1986. Honourable senators will know that it did not receive third reading until July 24, 1986—fully 22 days later. Honourable senators will also remember the outcry raised by Mr. Mulroney and his ministers. Imagine the language they would have had to invent—since their vocabularies would have been completely exhausted—if the bill had been held up a year as the Parliament Act would have allowed.

In 1987, Bill C-18, dealing with the deregulation of trucking, was one of the bills which the Senate delayed unconscionably. According to Senator Doody, as stated in his affidavit of November 7, 1990, the affidavit to which I referred earlier today, that bill was read here on June 22. It, too, was ready for Royal Assent on August 11, 1987. Under the Parliament Act the Senate could have had a full year to deal with it. Of course, in order to overcome the Senate's suspensive veto, it would have had to go through the House of Commons at all three stages again, and in a new session of Parliament.

Similarly, Bill C-19 was read in the Senate on June 22. It was ready for Royal Assent on August 11. Yet, Senator Doody complained in his affidavit about delay.

The Senate was much denounced because it moved slowly on Bill C-22 to amend the Patent Act. Senator Doody cites it in his affidavit as yet another item of evidence showing the snail's pace of business in the Senate. Second reading of that bill was moved in the Senate on May 12, 1987. It was ready for Royal Assent on November 19, 1987, well within the time set by the Parliament Act, and without a second passage in a new session.

Bill C-55 to amend the Immigration Act moved through the Senate well within the time limits of the Parliament Act. Second reading was moved on October 22, 1987, and the bill was ready for Royal Assent on July 21, 1988.

Even Bill C-84, another bill to amend the Immigration Act, moved through the Senate within the time limit set by the Parliament Act. Second reading was moved on September 15, 1987, and the bill was ready for Royal Assent on July 21, 1988.

The Senate was berated in rough language by the government for holding up Bill C-103, the bill to establish the Atlantic Canada Opportunities Agency. Not even the Comptroller General could find a single clause in the bill that appropriated money. Under the Parliament Act, the Senate would have had a year to deal with Bill C-103. Second reading was moved on May 18, 1988, and the bill was ready for Royal Assent three months later on August 18, 1988.

[Senator Stewart.]

When government spokesmen complain about legislative delays in the Senate and lament that Canada has nothing like the Parliament Act, they reveal that they simply do not know what they are talking about.

The Mulroney government was aghast at the way the Senate held up Bill C-14, an appropriation bill asking for over $33 billion in the spring of 1989. As I said earlier, that bill cleared the Senate in eight days.

Given the alacrity with which the Senate has dealt with House of Commons bills, perhaps it is not surprising that the government expected Bill C-21, Bill C-28 and Bill C-62 to be passed in a few weeks.

Second reading of Bill C-21 was moved on November 9, 1989. In January, 1990 the government began collecting the higher premiums from employers and employees authorized by the bill even though the bill had not become law. From May 23, 1990, onward the bill was stood day after day, week after week, not by a Liberal senator, but by Senator Ottenheimer. The negotiations to which Senator MacEachen made reference in his speech to this House on October 22, 1990 revealed that the bill could have been passed as early as June. Even taking into account the delay slyly contrived by the government, the bill was ready for Royal Assent on October 28, 1990, well within the one-year limit in the Parliament Act.

The second reading of Bill C-28, Wilson's claw, was moved on December 21, 1989. Even though this bill probably would qualify as a money bill under the Parliament Act, there was no great urgency because the government acted as if the bill were always law, something that would never happen nowadays in the United Kingdom. Month after month, without any authorization by Parliament, the government took money from the people of Canada. The bill could have been given Royal Assent by the end of June, but the government did not want to have the way cleared for Royal Assent. It needed Bill C-28 for its legislative logjam. The bill was ready for Royal Assent on October 18.

The second reading of Bill C-62 was moved on May 1, 1990 in this House. It is questionable that Bill C-62 passes the tests for a money bill under the Parliament Act. I say that, because to qualify as a money bill a bill must contain no administrative provisions. The provisions for the government machinery to collect the tax cannot be in the bill if it is to qualify as a money bill, according to the rulings of the Speaker of the House of Commons at Westminster. At Westminster finance bill after finance bill is disqualified as not being a money bill for the purposes of the Parliament Act. Honourable senators, the conclusion to which I am driven is that if a constitutional amendment along the lines of the Parliament Act were to be made in Canada, the result in almost every case would be, not the more rapid progress of government bills but instead far slower action in the Senate.

● (1515)

We deal with most appropriation bills in a few hours, at the most a few days. Under the Parliament Act, that happy dawn, we will have a whole month for "money bills". When have we

held a bill for a year? The Parliament Act will make that the approved course of action for every highly unpopular measure, for every measure such as Bill C-22, the bill to amend the Patent Act.

Honourable senators, I have spoken for some time and I now want to yield the floor to any senator opposite who wishes to participate in the debate. As I said at the beginning, I wanted today to address particularly the senators from Nova Scotia, especially the new senators from Nova Scotia. I wanted to make various points to them.

I wanted to say that this is a bad tax for the people that the senators from Nova Scotia represent. Senators from Alberta, from the North and, indeed, senators from all parts of Canada have said it is a bad bill for those parts of Canada as well. But putting that aside, if this tax is a good tax for anybody, if this shift from a manufacturers' tax is a good tax for anybody, it is good for the manufacturers in the golden triangle, especially the internationals and the multinationals.

Those of us who live in Nova Scotia, out on the rim of the saucer, the rim that dries up first, will be hard hit by this tax. Earlier today I drew attention to section 146 of the British North America Act where in elegant prayerbook language we have provision for an intercolonial railway. We counted on that intercolonial railway to make us part of a great British North American free trade area. Well, it did not work out that way and now we have a Free Trade Agreement with the United States, which I hope will be beneficial to certain parts of the country. Certainly, the argument can be made that it will be beneficial to places around Lake Ontario. It probably will promote economic activity in what used to be called The Empire of the St. Lawrence and in the North American Heartland. This is the area in which there are people who will be favoured by this bill, Bill C-62. This is pre-eminently the manufacturing area of Canada. The taxes coming off the products of these people is being shifted to the consumers all across Canada. This is a tax that is not good for most of the people in Nova Scotia.

Then there is a second question: Will it reduce the debt? We are told that it will. Will it? Those who say that it will reduce the annual deficit, and thus the debt, are telling us that there will be new revenue, but they are also implying something else. They are telling us that there will be no new program expenditures, because no matter how much new revenue there is, if there are new program expenditures which are of equal value, there will be no new money to reduce the deficit. The deficit will remain the same in any year and there will be no new money to pay down the debt.

We have had no assurances with regard to new expenditures. Read what the Prime Minister said. Read that wonderful letter that Senator Everett received. Of course, any new money will go to reduce the deficit! Revenue from every tax goes to reduce the deficit. If there are new expenditures, where will they be made? I have a shrewd guess that what we are likely to see is certain corporate tax cuts and certain new tax expenditures. They will be advantageous to the manufacturers who operate in the golden triangle. The argument will be made that if these people are going to be successful in the new North American free trade area they have to have a level playing field. If that does not work, the argument will be made that globalization is upon us and that they need all the help the Treasury can deliver.

Then there is a third argument. It will be said that given responsible government and the government's mandate, senators from Nova Scotia have no choice as to how to vote on Bill C-62. I have invited honourable senators today to look behind those words to discover their real meaning. Words can be very deceptive. They are, as Thomas Hobbes said, the money of fools.

Responsible government, yes, but let us remember that responsible government means only that the executive government is responsible to the House of Commons. Let us not confuse responsible government and democracy. Indeed, in the 19th century when responsible government was introduced, there was no democratic suffrage. That term "responsible government" has a very specific meaning. But now, as I said earlier, it is being used as a mantra. It does not mean legislative control by a person selected at a convention in Winnipeg or in Calgary over both the legislative and executive branches.

Then there is the mandate. Yes, the Prime Minister can get a mandate from the electorate to head up the executive government and, yes, the Prime Minister can get a mandate from the people if an explicit policy question is addressed to them. Beyond that the word "mandate" is a trap for fools.

Honourable senators from Nova Scotia will have to watch out for another misleading proposition. It will be said, "To defeat Bill 62 is inconsistent with the role of the Senate. The Senate should not defeat or even openly amend bills from the other place. The Senate should follow Senator Murray's doctrine of pre-study." I dealt with that earlier, repeating, as Senator Roblin says, *ad nauseam* quotations from Senator Murray. Our sole is not pre-study. That is not an approach that we ought to adopt again, given the devastating and valid criticism of it.

I ask the question, "Does the Senate pass the bicameralism test?" Federalism aside, I have applied the test of the Parliament Act and I defy any senator to show that, with the exception of one or two bills—the borrowing authority bill, on which we were over, I think, by five days, and Bill C-28, which made no difference because the government was already clawing—that act woul dhav ehelped the government. I invite honourable senators to show how the Parliament Act of 1911 would have reduced the actual, as distinct from the legal, powers of the Senate.

This, as I say, honourable senators, is a bad time for a bad bill. We have had the Free Trade Agreement. On that the government received a mandate, no question about that. But the Free Trade Agreement taxed the health of the body politic. We then had the Meech Lake Accord where we had an example of executive federalism applied in an area to which it was most inappropriate. We had "elective dictatorship"

applied to ram the record through not only the House of Commons but the legislatures of several provinces. But, of course, that was "responsible government"!

Even if this were not so bad a bill, this is not the time when we can impose this bill upon the body politic of Canada. The bonds of consent which are essential to any government are severely strained. I realize, of course, that bureaucrats are not concerned by these factors. They love to have their way. They get their head like a team of horses and there is no stopping them. However, wise politicians realize that politics is the art of the possible. That proposition is as true now as it was 2,400 years ago.

I appeal to all honourable senators on both sides of this chamber to be good politicians. I appeal to them to protect the health of the Canadian body politic. I appeal to them to vote against this tax.

Some Hon. Senators: Hear, Hear!

[*Editor's Note: For continuation of proceedings see Issue No. 115K.*]

APPENDIX

(*See p. 4529*)

TABLE

APPROPRIATION BILLS, 1984 TO 1990
DATES OF FIRST READINGS AND PASSAGE BY SENATE

Appropriation Bills, 1984 to 1990

Bill	Bill Name	First Reading	Date Passed
C-16	Appropriation Act No. 3, 1984-85	11 December 1984	13 December 1984
C-34	Appropriation Act No. 4, 1984-85	26 March 1985	27 March 1985
C-35	Appropriation Act No. 1, 1985-86	26 March 1985	27 March 1985
C-54	Appropriation Act No. 2, 1985-86	17 June 1985	20 June 1985
C-89	Appropriation Act No. 3, 1985-86	11 December 1985	19 December 1985
C-101	Appropriation Act No. 4, 1985-86	25 March 1986	26 March 1986
C-102	Appropriation Act No. 1, 1986-87	25 March 1986	26 March 1986
C-115	Appropriation Act No. 2, 1986-87	11 June 1986	17 June 1986
C-29	Appropriation Act No. 3, 1986-87	16 December 1986	18 December 1986
C-35	Appropriation Act No. 4, 1986-87	18 December 1986	19 December 1986
C-47	Appropriation Act No. 5, 1986-87	25 March 1987	25 March 1987
C-48	Appropriation Act No. 1, 1987-88	25 March 1987	26 March 1987
C-49	Appropriation Act No. 2, 1987-88	25 March 1987	31 March 1987
C-65	Appropriation Act No. 3, 1987-88	16 June 1987	18 June 1987
C-95	Appropriation Act No. 4, 1987-88	15 December 1987	16 December 1987
C-108	Appropriation Act No. 5, 1987-88	2 February 1988	4 February 1988
C-119	Appropriation Act No. 6, 1987-88	29 March 1988	29 March 1988
C-120	Appropriation Act No. 1, 1988-89	29 March 1988	29 March 1988
C-138	Appropriation Act No. 2, 1988-89	28 June 1988	28 June 1988
C-14	Appropriation Act No. 1, 1989-90	9 May 1989	17 May 1989
C-35	Appropriation Act No. 2, 1989-90	28 June 1989	29 June 1989
C-42	Appropriation Act No. 3, 1989-90	24 October 1989	25 October 1989
C-50	Appropriation Act No. 4, 1989-90	8 December 1989	12 December 1989
C-70	Appropriation Act No. 5, 1989-90	27 March 1990	28 March 1990
C-71	Appropriation Act No. 1, 1990-91	27 March 1990	28 March 1990
C-75	Appropriation Act No. 2, 1989-90	7 June 1990	14 June 1990

THE SENATE

Thursday, November 29, 1990

[*Editor's Note: Continuation of Proceedings from Issue No. 115J.*]

Wednesday, December 5, 1990

• (1530)

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE TAX
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMEND—MOTION FOR THIRD READING—DEBATE CONTINUED

Hon. George van Roggen: Honourable senators, if any senators on the other side wish to participate inthe debate, I will be happy to yield the floor.

Honourable senators, I know that my rising to my feet heralds in the moment you have all been waiting for with bated breath for several days. Before I start my remarks I do want to compliment Senator Stewart because, apart from the length of his address—and I regret that I only heard that part of it since arriving here after 11 o'clock this morning—it is not often that you hear an address of that length containing so much meat, so much substance, so much good judgment and so much research. I congratulate him on the quality of the speech he has just made.

Some Hon. Senators: Hear, hear!

Senator van Roggen: I wish I could assure you that you will receive the same quality from me, but I am afraid you will not, although I may try for the same length.

Senator Lucier: You may surprise us.

Senator van Roggen: Length is one thing; quality is another.

Honourable senators, so much has been said on this subject.

Senator Simard: Enough.

Senator Frith: Not yet.

Senator van Roggen: Senator Simard said that enough has been said, but many of us would be delighted to hear from any of you on that side some defences to this very poorly conceived, poorly timed piece of legislation.

Senator Stanbury: There are none.

Senator van Roggen: Among the remarks and positions that have been taken by various people in support of the concept of a VAT-type tax in Canada, many are agreed that it would be an improvement on the manufacturers' sales tax we have, but they tend to neglect the point that all those other industrialized countries where you have a VAT tax—being most of Europe where it works perfectly well—are unitary states.

Over a year ago I remember some friends of mine in Vancouver saying, "Surely, George, you are in favour of a VAT tax," to which I replied, "Yes, if Mulroney were not such a stubborn mule and such a poor politician, he would probably be moving forward with public support on this matter." What he would first need to do is recognize the fact that Canada is a federal state and not a unitary state. He would also have to recognize that this is the first time in history that an attempt has been made to impose a VAT-type on a federal state. I understand that Germany is a federal state in a technical sense but not so far as a VAT tax is concerned. Mr. Mulroney would have to recognize that we cannot simply bring in a federal sales tax in Canada and lump it in on top of all the provincial sales taxes, particularly in view of the fact that they range from zero to 14 per cent. But what is the attitude? The attitude is that they won't agree. "We will do it anyway. It doesn't matter how clumsy or how impossible it is, it will simply be done."

I understand that at some point the Minister of Finance, Mr. Wilson, did have a meeting with the provincial finance ministers asking them to go along and harmonize their tax with the federal tax and they, quite predictably, said no. I do not blame that on Mr. Wilson, but anybody with an ounce of political sense should have known they would say no.

What about a different scenario? What about the Prime Minister understanding something of Canada; understanding we are a federal state; and understanding that you cannot intelligently introduce this sort of tax in two layers? He could have called the provincial premiers to an open, televised, dominion-provincial first ministers' conference where the public of Canada could hear the arguments put forward by the federal government, saying, "In light of the new free trade agreement with the United States we must get rid of our manufacturers' sales tax for the benefit of our exporters and our manufacturing competitors around the world. To do this we need a substitute tax, and this is the one used in other industrial countries in the world with whom we compete. I want you to come and join us in a harmonization of provincial and federal sales taxes with a division of the proceeds of this tax between the two levels of government." All of the provincial premiers might have said no. Yet, if they had said no, the people of Canada would have had an idea of where the problem lay and you and the Prime Minister would have been in a position to at least have some public support in this

clumsy effort of laying one tax on another. Alternatively, he could have said, "Well, we tried and we were unable to do this because of the provinces. We will have a fresh look at transfer payments." There are ways to do things and there are ways not to do things and I can assure you that you sure figured out the way not to do things.

We have all also heard about the degree to which this tax, particularly when it was first introduced at 9 per cent, was going to be a real cash cow. Various estimates were given as to the extra billions that it was going to provide to the government over and above the proceeds of the tax that it was intended to supersede. I will not at this moment get into the absolute nonsense of saying in one breath that it is revenue neutral and in the next breath that it is going to pay down the deficit. Of all the political stupidities, again that has to be one of them.

The average man I have spoken to on the street in recent years has to be concerned about the level of debt in this country. He is concerned about the deficit and the capital carrying charges on this debt, which keep our interest rates so high and our dollar up. People have said to me, "Why won't the government agree that any extra money it receives from this tax will be allocated specifically to the debt. Why is it not stipulated that this will be the case?" That was the thrust of Senator Lawson's amendment. No, honourable senators, we do not even have that. They are too greedy when they look at this extra money. Dear knows what programs they might spend that money on.

I have, framed on the wall of my office—and it has been there since the first weeks I came to the Senate just as a reminder to me and to friends who might come in for a drink—a quotation of Adam Smith's. It says:

> It is the highest impertinence and presumption in Kings and Ministers to pretend to watch over the economy of private people and to restrain their expense . . . they are themselves always and without any exception the greatest spendthrifts in the society.

That is the kings and ministers. It goes on as follows:

> Let them look well after their own expenses and they may safely trust private people with theirs. If their own extravagance does not ruin the State that of their subjects never will.

That was written in 1776 and it is something we should well pay attention to today in all parties, in all parts of Canada and at all levels of government.

Honourable senators, with these preliminary observations I would like to refer to some of the briefs I have received. Many of you will have received similar briefs and you may or may not have taken the time to read them. I trust that the briefs I have chosen will not be the ones that other speakers have already referred to. Of course, I have not been in the chamber every hour of the last several days.

One brief in particular, which was handed to me a few weeks ago by my doctor, who asked me if I would see that it got into the record, is from the President of the Canadian Medical Association on the effect of the application of this tax on doctors.

It is fine for the government to make a big fellow of itself and to say to the public, "Oh, this tax does not apply to doctors' bills and medical expenses." That sounds marvellous. It is quite appropriate that a tax of this nature should not fall on these types of fees and costs. But, from this material, let us see what will happen in practice. This is typical of the many hundreds of thousands of—I won't say "anomalies" of this bill because a lot of bills have anomalies, but I think it is a typical example of why the bill must be defeated and must be reworked before it is imposed on the Canadian public.

The heading of this particular brief indicates that the GST will cost—not the public who are exempt by government decree so as to make big fellows of themselves—the doctors themselves $100 million per year. The brief states:

> *"Surely this is the most unfair tax ever levied against any segment of Canadian society. Doctors are to have the costs of their medical practice taxed, and to accept a significant reduction in income, so that patients can receive the doctors' services GST tax-free,"* was how the CMA described the proposed legislation on the Goods and Services tax to the Senate Committee on Banking, Trade and Commerce.
>
> Under the proposed Bill C-62, the services of physicians are to be tax exempt. We will not be required to collect the 7% GST from patients or provincial/ territorial health care insurance programs for medically necessary services.
>
> As a result, unlike business operations or other self-employed professionals such as lawyers, physicians will not be eligible for tax credits for the GST we pay on goods and services bought for our practice.

Honourable senators, while the lawyer, whose clients are not exempt from the GST, has to pay the tax, he, therefore, has a tax payment against which he can apply for a tax credit for the costs of the goods and services he requires to operate his business. However, in the case of a doctor, as he pays no tax on the services to his patients, he has no tax paid on which to apply for a credit for all the goods and services he requires for the operation of his practice. Therefore, there will be a net thievery out of the doctors' pockets of, by their estimate, $100 million per year.

Senator Hastings: Will they recover that?

Senator van Roggen: They cannot recover it. It does not come back. So much for the fairness of this tax.

The brief goes on:

> Secondly, provincial governments have indicated they will not increase medicare benefit schedules to reimburse physicians for GST-caused increases in costs of practice.

Senator Stanbury: I wonder if Senator van Roggen has thought, or if the government may have thought, of what effect this injustice will have on the negotiations that provincial governments will now have with the doctors for setting

future schedules. It is difficult for me to believe that that will not be a factor in those discussions.

Senator van Roggen: It will be a factor. The degree to which the provincial governments agree to compensate the doctors under the health scheme for that will, of course, be a shift from the doctors of some of that $100 million to the provincial governments and which the provincial governments, of course, will never receive back from the federal government.

• (1545)

My concern, however, is that nearly all provincial governments are in quite desperate states of deficit financing and in some cases are refusing to negotiate with the doctors regarding their fees. I am concerned that this will add to the problem. Far from the provincial governments absorbing this, they are likely to hang tough, and we are going to start down a road in Canada of seeing an attrition of the doctors who will stay in this country. However, I do not want to deal with the medical health system at the moment. There are problems there which could be the subject of another debate.

The letter from the President of the Canadian Medical Association continues:

> Lastly, physicians, unlike other health care professionals, are prohibited by the Canada Health Act and/or related provincial law from passing on the increased costs by "extra billing" patients.
>
> I urge you to read the following document with care. I draw four things in particular to your attention:
>
> The questionable GST status of CMPA membership fees;

I will come to that a little later.

> The marked increase (400 %) in GST, where the practice is conducted in association with a management company;

That is an appalling aspect of this problem which I am putting before you. I will come back to that in a moment.

> The major variation in GST impact according to type of practice and discipline concerned;
>
> The marked increase in GST impact where federal and provincial sales taxes are combined into a national sales tax.
>
> Note: As forecast in the CMA brief, a national sales tax of 14% will be in effect in Quebec by 1992. Other provinces are expected to follow the Quebec example.
>
> The CMA has had extensive consultations with the ministers and senior officials of the Department of Finance and National Revenue over several months. In addition to the lobbying conducted by CMA officers and staff, we have, for the first time, retained the services of a professional lobbyist.
>
> The Department of Finance acknowledges that there are "special problems" related to the application of the GST to physicians.

Senator Frith: That is rather euphemistic.

Senator van Roggen: They acknowledge there are $100 million worth of special problems, but they do not do anything about them.

[Senator Stanbury.]

The letter continues:

> The CMA has had extensive input in proposing National Revenue regulations regarding GST exempt medical devices.
>
> Bill C-62 was amended whereby (Section 10) services ordered by physicians but provided by others (for example, the staff of clinic management companies) may be made tax exempt.

That is a benefit to the patient, of course. It continues:

> We have had considerable input into several National Revenue documents such as the GST Guide for Medical Services, which we will receive in the near future.
>
> But we have not yet succeeded in obtaining the necessary changes in the law, the regulations or government policies to ensure that physicians are treated equitably and fairly. In particular we seek your help to realize three objectives.
>
> 1. That CMA membership fees are made tax exempt.
>
> 2. That expensive high-tech medical equipment (such as that used in diagnostic imaging X-rays, ultrasound, etc.), therapy (laser equipment for cataract surgery, etc) and private laboratory medicine be declared GST exempt.

At the moment these things are to be taxed. The physician pays the tax and cannot pass it on to the patient. It continues:

> 3. That, because of the unique situation under the proposed law, physicians be granted an annual (rebate or income tax deduction) that would place them in the same tax position under the GST as under the existing federal manufacturers' sales tax.
>
> The CMA is not seeking special tax exemptions for physicians; we simply request that we be treated fairly, on a basis equitable to that of other self-employed professions.

Some of the criteria for this tax were that it would be revenue-neutral, visible and fair. I think those have all been forgotten. It goes on to say:

> We need your help.
>
> Please, read this material carefully.
>
> Write, supporting the views and recommendations of your professional association or express your own views to . . .

This is a letter to members of the profession from the president.

I will read the attached brief and comment upon it. It says:

> On behalf of the Canadian Medical Association (CMA) and our 4,500 members, I thank you for this opportunity to present the major concerns of physicians . . .

Senator Barootes: Is the figure of 4,500 correct?

Senator van Roggen: It says here 4,501.

Senator Barootes: CMA membership is approximately 45,000.

Senator van Roggen: This must be a misprint. Thank you, Senator Barootes. With that emendation, it says:

> On behalf of the Canadian Medical Association (CMA) and our 45,000 members, I thank you for this opportunity to present the major concerns of physicians for this proposed legislation.

The estimates of this cost to the doctors of Canada is $100 million; what would the total intake be under this tax if this same type of unfairness were applied across the board to all members of society?

I was wondering how many doctors per thousand people there were in Canada. With 45,000 members, I would say there is one doctor for every 500 or 600 people in Canada. That would be about one-fifth of one percent of the population of the country. One-fifth of one percent of the country is being unfairly taxed to the tune of $100 million. If you multiply that by the total population, you come up with a figure of $50 billion.

Senator Barootes: I suppose that if ordinary citizens earned as much in their year at work as physicians, your figures would be accurate.

Senator van Roggen: Yes.

Senator Barootes: Unfortunately they do not.

Senator van Roggen: We all know that doctors are well paid but I do not think they are overpaid for the work they do. The doctors who saved my life in Vancouver are not overpaid.

Senator Barootes: There could be some argument about that.

Senator van Roggen: Before the next several hours are over, Senator Barootes, there may be several of you wishing that they had not been so successful. This brief goes on to say:

> The CMA has and continues to strongly support the goals of tax reform and the government's efforts to simplify the tax system, to make it more equitable and fair, and to improve Canada's ability to compete in international markets.

They are not alone in that. Many briefs contain that same statement. It continues:

> To improve the standard of living, including the health status of the population—all laudable goals—the association unequivocally supports the premise that reducing poverty, and public education, are the most important requirements to improving the health of Canadians.
>
> I regret to tell you that for the vast majority of physicians the proposed GST is far from fair or equitable. We seek your help and advice to meet those criteria.
>
> Physicians in private practice are self-employed professionals but they practise their profession within the context of a small, or not so small, business. We have rent to pay, a staff payroll to meet, equipment and supplies to buy, and professional and other services that must be retained.
>
> As with small businesses, and professions, many of these goods and services will be subject to GST. But we will not be treated the same way under this legislation.
>
> The services of physicians are to be GST exempt. Thus, unlike other professionals like lawyers . . .

and chartered accountants and others,

> . . . we will not be allowed to claim tax credits for the 7 % GST tax paid on goods and services purchased.
>
> Provincial governments have indicated that they will not increase payment levels to pay the increased cost of practice.
>
> Finally, unlike other self-employed health care professionals, physicians are prohibited from increasing their fee schedule or to "extra bill" by the Canada Health Act and/or provincial laws.

So they cannot pick this up directly from their patients.

> We understand the federal governments need to avoid a tax on the services of physicians that would be described as a tax on the sick. We also recognize the problems that would be created by the fact that the vast majority of those services are paid for by the health insurance programs of provincial governments.
>
> While we did not seek GST tax exempt status on our services we understand why the Government of Canada made that decision.

Of course, it is not only of benefit to the patients, but to the individual provincial governments who pay almost all the bills in Canada under our various systems.

> However, from the physician's perspective, GST becomes one of the most unfair, inequitable taxes ever levied against any segment of society.

Senator Stanbury: Senator van Roggen, I would like you to comment on an article in *The Medical Post* of October 30, 1990. It is written by Ken Pole. It is regarding Dr. Stan Wilbee, who is a Conservative Member of Parliament in the House of Commons. Dr. Wilbee wrote this letter, and it reads:

> As one of three government members who are medical doctors, I have been pushing for changes that would place physicians in either a zero-rated status or allow them to pass on the tax and claim the tax inputs. I urge other doctors to phone, come or write or visit their government MPs to let them know their concerns because time is getting short.

Perhaps not short enough for the people on the other side of this house.

> In an interview a few days later in his second-floor Confederation Building office on Parliament Hill, framed by west coast art on the wall behind him the 58 year old MD MP explained that his concern about GST and other government initiatives has forced him to question his own status as a Progressive Conservative. However, little more than two years into what could be a five-year term in Ottawa, he confesses uncertainly.

● (1600)

> "I took a look at what we were doing and began to question my position in the party," he recalled. He was at home at the time, contemplating the September 24 begin-

ning of the fall sitting of the House of Commons and the possibility of quitting to sit as an independent. So he faxed off a letter to Prime Minister Mulroney late on Friday, September 14.

Mulroney phoned him at noon the following Sunday, inviting him to 24 Sussex Drive for a private meeting a week later, the day before the Commons returned from its 14-week summer break. It lasted about an hour.

"He didn't twist my arm or try to browbeat me," Dr. Wilbee said. There was what he calls a "frank" exchange of views and his attitude now is wait-and-see.

That doesn't mean he's about to lie down and let the GST steamroller the medical profession. Far from it, given his conviction that the profession's apparent complacency reflects the fact that most doctors are still unaware of how they'll be affected by the 7% retail- level GST that's supposed to kick in Jan. 1 as a replacement for a manufacturing-level sales tax averaging 13.5%.

"From personal experience, it's sort of the last thing you think of doing: phoning your mayor or MLA or member of Parliament," he said. "You sort of have the idea that you've elected these guys to look after your welfare. Then you're kind of surprised when things come to pass that are not favourable to us. I just don't think that the average physician is aware of how it's going to affect them personally. Perhaps it hasn't been written up in the journals enough.

"I've seen a couple of articles in *The Medical Post* and there's been one in the *Canadian Medical Association Journal*, but . . ." His voice tapered off for a few moments before he agreed that GST coverage may just have been lost in the welter of material that accumulates on many doctors' desks and bedside tables only to be tossed out eventually, unread.

Yes, the Canadian Medical Association (CMA) has presented briefs to the Commons and Senate committees that worked on the GST Bill C-62, which has been stalled by an unprecedented type of procedural blockage in the Senate.

That is an interesting description. He goes on to say:

"You feel that the CMA is protecting you—but there's only a certain amount they can do."

He professed surprise at what he feels is the lack of "proactive" effort of the CMA in that there have been no representations to individual MD-MPs. "Maybe they don't bother us, figuring that we're onside and they want to expend their efforts elsewhere.

They could look at a couple of MDs in this house, I would think—at least two, three or four. He goes on to state:

"Maybe they don't bother us, figuring that we're onside and they want to expend their efforts elsewhere. But, again, they may have the misconception that MPs read all those reports they have made to the finance committee and that the MPs are aware of their position. Two hundred and fifty briefs are presented to a committee."

[Senator Stanbury.]

He then goes on about letters. He states:

The tenor of the letters is critical. "In British Columbia, they're feeling the squeeze with the provincial government putting a ceiling on their incomes or being very tough in negotiations," Dr. Wilbee said. He said a former partner's expenses had risen by $11,000 while his annual gross income was up $8,000. "So he's $3,000 behind. If you add another $2,000 GST on that, it's going to make a serious dent in his disposable income."

However, there's still a feeling, notwithstanding the CMA's lobbying and committee appearances, that physicians are fat-cats who don't need the breaks a lot of other professions get. Dr. Wilbee has been told that Don Blenkarn, a government backbencher from the Toronto-area riding of Mississauga, is openly dismissive of physicians' complaints. "It's sort of the regular reaction that doctors get from politicians: 'You're high earners so what are you grumbling about?'"

As it stands today, the draft GST provides for a range of exemptions at the consumer end of the medical train. Asked whether he felt there is room for more, Dr. Wilbee said his basic view is that the GST should be applied right across the board, but at a lower rate, possibly in the 5-5.5% range.

"Forget all the exemptions and just pass everything along to the consumer. It simplifies it and you get away from all these things. Once you start exempting, there's always progression: 'Well, if you exempt that, are you going to exempt this?'"

Is there any possibility that Dr. Wilbee will be able to persuade the government caucus of the merits of his arguments for GST amendments at this stage? Or does he intend a rearguard action that would see the GST legislation amended after it's in effect?

"I had a meeting with (Finance Minister) Mike Wilson last Wednesday," he replied. "I asked him whether there could be changes in the GST—

And this is an important question. He goes on to state:

—to improve the law, to make it fairer to physicians. He said he'd certainly consider it, except for the problem in the Senate. He's afraid to touch anything in the bill because of the difficulty in getting it through as it is."

On the other hand, Wilson evidently is willing to hear proposals that could be incorporated in the next federal budget, which probably will be tabled in February. "He said they would 'consider' changes, which to me is unfortunate," Dr. Wilbee said. "It would be much 'nicer' to have the best bill possible now, but because of the problems in the Senate, it makes that pretty well impossible."

Dr. Wilbee has tried to bring pressure to bear in caucus but so far without much success. He didn't say it, but most backbenchers are unwilling to knock their own

leadership too vigorously; that's not the route to cabinet or other special assignments.

"Two weeks ago, we had a special caucus with (Revenue Minister) Otto Jelinek on the GST," Dr. Wilbee said. "I got good support from my fellow MPs."

The response also was fairly supportive when be brought it up at an earlier national caucus. "This is why I'm sort of appealing here to physicians not to take it for granted that your MPs know you're at risk. Many of the MPs weren't surprised to hear it, and they weren't all at caucus."

Although it might seem an obvious thing to ask, there hasn't been any suggestion in caucus that as a physician, Dr. Wilbee is acting ouf of self-interest.

"During the election campaign, one of the questions that I was asked was, "Are you going there to protect the medical profession or to represent the citizens of Delta?" There's a lot of MDs who are residents of Delta and I think I have as much responsibility to protect them against something that will treat them unfairly. If it was looking for a special break for physicians, it would be a different thing. I'm not looking for a special dispensation; I'm just saying that physicians shouldn't have to eat the tax unlike other professions such as law, accounting or architecture."

Senator Barootes: Is that the question?

Senator Stanbury: Yes, that is the question.

Senator Hastings: That was a Conservative member of Parliament.

Senator Barootes: What is the question?

Senator Stanbury: How might that be dealt with by our Speaker?

Senator van Roggen: Senator Stanbury, thank you for that interesting quotation from one of Senator Barootes' confréres not only in the practice of medicine but also in the Conservative caucus.

Many points were made in that article and in your question. I do not know if I made sufficient notes to deal with them all, but I will comment on a few of them.

I wish to comment on Blenkarn's statement, if not direct attitude, that "they are fat cats anyway, so why should they have special consideration?" First, they are no fatter than the lawyers, accountants, senior civil servants and all other sorts of people at that income range in our society, yet they are being given a special penalty. It is not a question that they are not getting a special privilege because they are fat cats. They are objecting because a special impost is being imposed on them that has not been imposed on other professions and other people in a similar income bracket or elsewhere. If you come down to that simple word of fairness, you have to dismiss Mr. Blenkarn's statement as being out of hand.

I gather from his meeting with Mr. Wilson, where he asked for some relief from this particular problem, that he—like he always does and like they all do over there—immediately blamed the Liberals in the Senate. The Liberals in the Senate are apparently responsible for every known thing that is wrong in this country, according to the government. But there is absolutely not one single thing that the Liberals in the Senate are doing that would prevent the government from making—and I understand the difficulty in amending the bill at this late juncture—specific undertakings that in subsequent legislation or regulations they will amend inequities of this nature. Not one single thing has been done. It has been done many times before, though.

I remember endless occasions when we were in power that we were criticized for not amending legislation and sending it back to the House of Commons because there was a Liberal government there, and so on. But at least we went so far as to get a minister of the Crown to appear before the committee concerned and to receive specific undertakings from him on the record that such and such would be changed in the next session of Parliament or the next amendment of the legislation. There is absolutely nothing preventing that being done at this time. We did that regularly.

The doctor was complaining that his confréres in his profession were not inundating their MPs and lobbying as hard as they should. To me this is quite understandable. I find that doctors and other professionals are less knowledgeable of the political process than you might expect. You see the opposite type of thing with lawyers. They would all be up here in droves because they know where to push the buttons. But doctors, God bless them, are busy trying to worry about and treat their patients. Nearly all the doctors that I know are badly overworked. I would not say that they are underpaid, but they are not overpaid. Their mind-set goes to the patient that they must see on Saturday or Sunday—if they are on duty on a weekend—or the operation that they must perform on Monday morning at 8 o'clock, and they must be careful not to have a hangover when they do it. That is where their mind-set is, not having to deal with inequities like those in this legislation. So much for their being a little non-political in dealing with a thing of this sort.

• (1615)

I dealt with the question of their being fat cats, of Blenkarn's statement and of Wilson blaming the Liberals in the Senate for not being able to deal with this. It is like the tax applying to books and periodicals. The Prime Minister himself has half suggested that he hopes something can be done about this. I saw him on television saying words to that effect. What he said was anything but specific. I am quite prepared to be fair and acknowledge in December that you cannot amend this bill without it going back to the House of Commons. That would be a difficult thing to do if you were sitting on the government side.

However, there is nothing to preclude firm undertakings on some adjustments to problems with this legislation that have now been made so demonstrably clear across the country. The government should give firm undertakings that these matters will be dealt with forthwith, if the bill is passed. I do not say that would be sufficient to make it good legislation under the

circumstances, but it would be a beginning to some demonstration that the government has some idea that 80 per cent of the people are opposed to this tax and for good reason. I have been dealing with 45,000 doctors who have one of those very good reasons. They are not irresponsible or greedy people.

Senator David: May I interrupt you for a moment, Senator van Roggen, to ask you a question? Since you have received this letter from one of your doctor friends there has been a new regulation arrived at between the CMA and the government concerning private laboratories for blood tests and x-rays. When you say that nothing has been done, I would like to point out that there are new rules concerning at least these two items.

Senator van Roggen: I cannot see how that is a concession by the government which addresses itself to the problem with which I am dealing. The physician is not paying sales tax on the blood test of a patient. If he is, one would wonder that it would be taxed in the first place. I am talking about him paying sales tax on the bandages he buys from suppliers and on the equipment in his office. I am talking about the x-ray machines that he purchases, not an x-ray performed by an outside laboratory which is, of course, exempt, as it should be. If it was not in the first place then it must be an oversight.

Senator David: A doctor pays federal taxes on much of the furniture that he has to buy to equip his office. As you know, all the equipment for a doctor's office is tax deductible from personal income. When all that is calculated and when we take into account the GST increase of $100 million which has been proposed by the Canadian Medical Association, that represents an average of $2,000 in expenses in a doctor's office. Assuming that a doctor's income bracket is not far from the highest bracket, it will cost a doctor approximately $1,000 more per year. As honourable senators know, the medical profession ranks in the first three highest in terms of any profession in Canada.

Senator Grafstein: Because I think it is relevant to Senator David's point, do you intend to deal with the impact of the GST on hospitals?

Senator van Roggen: The particular brief I have been referring to does not deal with hospitals, although I may touch on that matter in my remarks.

Senator Grafstein: Perhaps I could raise that question because I think it is relevant. Yesterday I met quite by accident with the senior doctor at the Toronto General Hospital, the largest hospital in Toronto. Yesterday morning, quite by happenstance, he had attended a briefing of senior administrators and senior medical staff concerning the impact of the GST on the Toronto General Hospital. He has undertaken to send to me a copy of the memorandum which the administrators circulated to their senior staff members so that they can fully understand the impact as it applies to hospitals.

This man is not a partisan person. He is one of the top medical men in the world. He is an American who has chosen to come to Canada to perform miraculous operations. He is quite a moderate man in his political views. As best I understand it, he has no political affiliation.

Senator Barootes: He also has no vote.

Senator Grafstein: I believe he does have a vote.

Senator Barootes: Not if he is not a Canadian.

Senator Grafstein: He was not born in Canada. He is an American who has chosen to live in Canada. I am not sure whether he votes or not. He has certainly committed himself to the welfare of Canada. He could work outside Canada at many times the salary he makes. He teaches and performs operations on a regular basis.

I wanted numbers. What he told me is that not only will there be additional costs to the Toronto General Hospital to administer the GST regime, but the cost impact, aside from the administrative impact and the time of doctors, administrators and additional staff, will cost more than $1 million, or 1.18 per cent of their administrative budget. He said to me yesterday that they will not know how they can get that million dollars since in Ontario they are faced with a tremendous budgetary restraint on their costs. They certainly cannot get anything close to the rate of inflation. All of a sudden, another million dollars is going to come right out of the Toronto General Hospital's budget. His concern is that it will more seriously curtail the operations and the medical services of the hospital.

I wonder, Senator van Roggen, if that information is available to you. I hope in the course of the comments I make later on in this debate that I will have that material available in detail to present to senators opposite. I wonder if there was any reference to that information in the CMA brief.

Senator van Roggen: No, I do not have any details on that. When you get them I would be most grateful if you would send a copy to me so that I can give them to my wife who was only a few months ago elected Chairman of the Board of the B.C. Cancer Agency, which is the principal cancer hospital in British Columbia. It is a very substantial operation with a $100 million budget. I know it will be impacted. She has already expressed concerns to me in that regard. However, I have not yet heard any specific figures.

Returning to Senator David's question, of course doctors in paying sales tax on equipment and supplies are having the benefit of any reduction in costs because of the elimination of the manufacturers' sales tax, but so is the lawyer, the chartered accountant and the small shopkeeper. I am not talking about it being unfair that he, the physician, should have to pay that tax at the level. Of course he should pay the tax at that level. What I say is totally unfair is that because the government makes a big fellow of itself by exempting the patients, the physician has no way of claiming a rebate when everybody else can claim one. Everybody else has the same income tax benefits and deductibility as does he. It is that a special case is being made of doctors so as to penalize them under this legislation. That is the point I am trying to make.

Therefore, it is another example of the unfairness of this tax when we come down to its actual application. I will continue on with the brief from which I was reading:

> These figures are based on the largest in-depth study of costs of medical practice ever conducted in Canada. The study was conducted by the accounting firm Peat Marwick and Thorne of Toronto.

So this $100 million figure is not a shot in the dark.

> We are pleased to have Mr. Reiner Beltzner, who was a principal in that study and who provided this projected data, to answer any questions you may have on the methodology or results of the study. Over 800 Ontario physicians from all medical disciplines and all parts of the province were involved.
>
> I want to stress that the figures quoted are the minimal figures for the impact of GST on the clinical practice of physicians.

Honourable senators will be astonished when I come to the different impacts between a single practising physician and a group of physicians in a medical clinic practising together.

> The figures may be slightly higher than for all Canadian physicians but the difference will be minimal. Numerous studies in the field of medical economics indicate that Ontario data is generally only marginally above the average for the country as a whole.
>
> Lastly, we are informed that the Department of Finance has been studying this specific subject with a more extensive national sample and more current data.
>
> We are sure that the result of that study is available to this committee and will confirm the general thrust of what we will present.
>
> For a family physician in solo practice the GST will increase the costs of practice, after reducing the impact of the existing federal sales tax by $1,596.
>
> The Department of Finance is questioning whether the Canadian Medical Protective Association, a non-profit medical mutual defence union, which provides professional liability for over 90 % of Canadian physicians, will qualify, as a non-profit body, to provide GST exempt membership.

Imagine even questioning such a possibility. We all know, and thank heaven they are not as high in Canada as the United States, of the absolutely ridiculous personal liability insurance costs of American doctors. They are increasing on Canadian doctors at a steady rate. Should they have to pay GST on those premiums and not have any recovery? That is just an aside. At least the Department is looking at that.

● (1630)

> Should such a ruling be reached, the family physician who does not practice obstetrics, anesthesia or surgery, will have an additional $74 in GST to pay . . . I repeat, this is the minimum figure; for most it will be higher.
>
> For a specialist in internal medicine, GST will add $2,093 to the costs of practice . . . .For orthopedic surgeons the figure is $2,901, and for ophthalmologists $2,913. For obstetricians and gynacologists who do not deliver babies . . . GST will raise the costs of practice by $2,846. If they deliver babies, it will go up to $3,147.

These figures will increase significantly if the physician is in a clinic or group practice that is operated in conjunction with a management company. The major reason for this increase is that with a management company, the salaries of nurses, clerical staff and so on, that compose 40 per cent or 50 per cent of the cost of practice are subject to the GST.

That 40 per cent or 50 per cent strikes home to me, as a practising lawyer once upon a time, because that is about the cost of overhead in the average law firm where your rent, your bookkeepers, and other things, take about 50 per cent off the top of what you charge the client per hour before you are able to put any money in your pocket to share with income tax people.

Therefore, doctors who are unfortunate enough to be practising in a management company, either with or without others, are going to be paying this GST on their nurses' salaries and other major expenses as opposed to just the bandages, and they still cannot get a rebate. What is the point in the government taking the position that because they do not pay any tax, they therefore are not entitled to a rebate?

Senator David: I think, senator, that it is much more complex than what you are saying because very often the management company is owned by doctors themselves, so they are paying their rent to a management company of which they are the owners. This was a very good scheme for taxation in the past and, of course, there will be a new adaptation because of the GST. However, I do not believe that because this was part of the practice when they are practising in a group, they will not change the type of management company they have and I do not think the GST will be so awful for them. At the present time it is very advantageous for them.

Senator Grafstein: What about the hospitals? What about the hospitals?

Senator David: I am not speaking of hospitals. I am speaking of a private clinic where the management company is usually owned by the doctors who are renting services for tax purposes.

Senator Grafstein: Or their wives.

Senator van Roggen: Well, senator, in answer to your observation—and it was more than a question—that they will have to rearrange their affairs as a result of this, it has surely not become a crime yet in Canada to rearrange your affairs so as to optimize the situation you have under any tax regime, whether income tax or otherwise. This is just another burden cast upon them by the GST.

Senator Simard: Who is going to pay taxes if the doctors are not going to pay?

Senator van Roggen: I am not suggesting that doctors not pay any tax. Don't be—well, I won't use the word that almost slipped past my lips. I am talking about an unfair additional

burden being put on one segment of society, not placed on others. I am not talking at all about their not paying any taxes. Do not talk such rubbish, senator.

Senator Simard: You are fighting for exemptions for everybody so who is going to pay taxes?

Senator van Roggen: This is not an exemption I am asking for.

Senator Simard: You are. You are.

Senator van Roggen: It is the repair of an absolutely unconscionable special impost on one small group.

Senator Buckwold: Will the senator take a question?

Senator Simard: Here is an expert.

Senator Buckwold: Doctor Buckwold, if you don't mind. I wonder whether you could compare the situation you are pointing out to other practitioners of health services who are able to pass on by higher fees the impact of this tax? If I could explain that just a little bit so you know what I am talking about and in order to answer, if you did not see me this morning it is because I was at the dentist, and I spoke to the dentist about—

Senator Barootes: He only froze one side of your jaw, unfortunately.

Senator Buckwold: Yes, that is why it is going to be a short speech. It is better than having one side of your brain frozen, which has happened to you in the last while.

Some Hon. Senators: Hear, hear.

Senator Buckwold: I at least will recover. The problem really is that the government is saying there is no tax on health but because doctors are limited in their ability to collect fees by the provincial plan in which they are involved, an additional amount to cover that increased overhead, which will be placed on medical doctors because of the GST, can only be recovered by higher payments from the provincial plan.

Senator Simard: Or bigger volume.

Senator Buckwold: That is another side to this story. Let us leave out the bigger volume. If you want to work harder, you are entitled to earn more. To get back to my friendly dentist—he should take it a little easier—I asked him how he was going to handle his additional cost and his answer was, "My fees will go up". There is no tax charged at the bottom of his bill, medical and professional services for fillings, plus tax." That is not allowed; it is not legal. The price per filling will go up, and that is fine except that the government has misled people.

Senator van Roggen: It is an invisible tax.

Senator Buckwold: No, it is saying there is no tax on health. The fact is that fees will go up. This is what I want you to comment on. The same is true for all other practitioners who have a direct payment system. We have been unable to convince the department or medical friends who are on the committee that doctors, because of the very nature of their payment process, are the ones who will have to absorb that tax, because most provincial plans have told the doctors they will not recognize this as an additional cost of carrying on their practice.

So I wanted you, senator, to try to relate that to other professions, not just directly to doctors. There are ancillary health services, for example, psychiatric nursing and a wide variety of services, and private ambulances.

I just wonder whether you might elaborate a little on why it is that the medical profession is carrying the brunt and why in fact the government has misled the public in saying there is no tax on health?

Senator van Roggen: Thank you, Senator Buckwold. I think the answer is straightforward and that is that almost without exception doctors are paid by provincial plans, and provincial governments have stated they will not reimburse them for this extra cost, that it is a federal government problem and should be dealt with by the federal government. That applies not only to dentists but to any other people delivering health related services where they are billing the client directly and can hide the cost in their bill as opposed to those who are servicing the patient but billing the government. That is basically where the break comes.

Senator Buckwold mentioned ambulances. The next brief I have concerns ambulances, and I will come to that in due course.

If I might digress, because we do not want to get too serious in this business, Senator Barootes was regretting that you had only half your jaw frozen this morning, but you very quickly said it was better than having half your brain frozen and you went on to say that at least you would be feeling better in the morning. It reminded me of that marvellous story of Winston Churchill being at a dinner, I think, sitting next to Lady Astor, where she said to him at some point late in the meal, "Winston, you are drunk," whereupon he turned to her and said, "And, Nancy, you are ugly. The only difference is that I'll be sober in the morning and you will still be ugly". Senator Buckwold's jaw will be unfrozen in the morning.

Coming back to my remarks, I am sorry to take so long. I thought this brief would go rather quickly, but I am being asked so many interesting questions that I keep losing my place.

Senator Simard: Are you going to start defending accountants pretty soon?

Senator van Roggen: Pardon me, senator?

Senator Simard: Are you going to attack the accountants or defend them? You are trying to be the lawyer for and the defender of dentists and doctors. Whose turn will it be next? Will it be the poor accountant or the lawyer?

Senator van Roggen: I have no objection to the way lawyers and accountants are treated.

Senator Simard: If they pay their fair share?

Senator Frith: Both government leaders are away and the cat is beginning to play again.

Senator Simard: You had a special interest in doctors and dentists, I understand.

Senator van Roggen: It is unfortunate, senator, that you are so dense that you cannot understand the difference between the position of a doctor under this tax and a lawyer, because if I have not already made it self-evident, it is obvious that I need to spend a little more time until I do make it clear, even to you.

The next item here is that for the specialist in internal medicine the GST bill will be $4,534. This keeps going up a little bit. For the family physician it will be $5,471, and for the pediatrician it will be $5,286. Senator Barootes will correct me if I pronounce this incorrectly, for the otolaryngologist, or ear, nose and throat specialist, $8,358, and they cannot make a claim back against any tax as can other professions or businessmen.

For obstetricians, $9,040. This is when you are working in a management company. The cost of GST will be about four times as high in group practice as it will be for those in solo practice, yet surely group practice is not something to be discouraged. I find group clinics are often most effective in providing service to the patient where he does not have to go from doctor to doctor.

The brief states:

● (1645)

> We are concerned that GST will force many of our members to leave group and clinic practices.

This is the rationalization to which you referred, Senator David, but is that the desirable result of this tax, that doctors should have to break up clinics where they provide all services to their patients as opposed to patients having to go from door to door?

Senator David: Again, you are simplifying things. It is even more complex in reality. You have a group practice but if it is a professional group and they share all the expenses and all the revenues, they will encounter the problems of a solo practice. If it is a group practice which employs a management group then your statistical data are quite correct. There is nothing simple in medicine.

Senator van Roggen: No, there is nothing simple in this world. There is nothing simple in this tax either although it is purported to be so simple. If lawyers were being treated in the same way—and I don't want to hear any untoward remarks as a result of this statement—they would all have to break up their firms and go and practice by themselves.

Senator Steuart: Hear, hear.

Senator Buckwold: And make an honest living.

Senator van Roggen: I thought I would get a reaction from someone.

Senator Frith: You only asked that there be unseemly reaction.

Senator van Roggen: I just finished by saying that the cost of the GST will be about four times as high in group practice as it will be for those in solo practice.

The brief states:

> We are concerned that GST will force many of our members to leave group and clinic practices that are very common in Ontario and western Canada. They are cost effective and contribute to high quality health care.

Honourable senators, it says here that they are cost effective and give high quality health care which is what I, as a layman, surmised just a few minutes ago. The brief goes on to state:

> For the benefit of the chairman, I am, of course, referring to such institutes—

And perhaps Senator Grafstein may know of these institutes, or Senator Barootes may, because obviously this comment was made in specific reference to his being on the committee.

> —I am referring to such institutions as the Baltzan and the Medical and Dental clinics in Saskatoon.

I am sure you will agree that it would be a shame if they had to be broken up to save the unfair application of this tax.

Senator Buckwold: Good Tories too!

Senator van Roggen: That would make it even worse.

Senator Frith: That is a contradiction in terms, "Good Tories."

Senator van Roggen: Poor, poor Tories.

Senator Simard: Oh, oh.

Senator Frith: Just like "a good Liberal" is a redundancy?

Senator Simard: Have some good manners.

Senator Frith: Can't you take a joke, for goodness' sake? Look at Kelly, he knows a joke when he hears one.

Senator Chaput-Rolland: Can't I tease you?

Senator Hastings: They are all cackling away. The boss is away.

Senator Simard: Davey, when are you going to be speaking?

Senator Steuart: On my birthday, January 26.

Senator Hastings: This must be happy hour.

Senator Frith: Drop by for the happy hour at the Senate.

Senator van Roggen: The next paragraph of this brief, which gets more interesting as it goes along, states:

> The impact of GST on the so-called high tech, high cost of practice medical disciplines is much greater. I refer to areas like radiology and pathologists in private laboratory medicine. In these disciplines, costs of practice can run as high as 75 to 80%.
>
> They are almost always run in conjunction with a management or a service corporation, involving the ownership or leasing of very expensive equipment, large facilities and staff and, therefore, subject to GST. Unfortunately, the OMA study did not include sufficient numbers to be statistically valid, but Peat, Marwick and Thorne and the OMA have provided us with the impact of GST on a typical radiology practice. GST costs to the solo

radiologist, $5,327; for those in a group or clinic practice $15,134.

So we are getting well beyond the nice little suggestion that it is only a couple of thousand bucks and they are highly paid, and so what. The brief goes on:

> In many cases, the clinics or laboratories in question operate in support of, but in a manner of speaking, in financial competition with the laboratories operated by the provincial governments. Those clinics will, of course, be zero rated for GST. In the same way such clinics are in competition with the hospitals. The hospitals will receive an 83% rebate on the GST taxes they pay.

I do not know if that is a partial answer to Senator Grafstein's question. In this brief there is reference to the fact that the hospitals will not be able to apply for a full refund of GST but they will be able to apply for an 83 per cent refund.

Senator Grafstein: As I understand the argument made by the people in charge of the hospital, the net number after all the deductions that will impact the bottom line of the Toronto General Hospital is in excess of $1 million. The number they gave me as a percentage is 1.8 per cent of their budget, which is $1 million, which meant that they ha to cut back. That's after all the various calculations. They suggested that the problem was not only unduly complex, but it would take the time of senior doctors as well as administrators to make these calculations and deal with these policies.

Senator Frith: Ask a question.

Senator Grafstein: The question really is related to—

Senator Simard: That was a speech.

Senator Grafstein: The question obviously is: I take it that there is a discriminatory impact that applies not only to doctors who are practicing alone and doctors who are practicing in groups, but also to the public sector, which is to the hospitals. That appears to be their conclusion after the advice of their experts.

Senator van Roggen: This is a very cursory observation that there was a cost to hospitals but it is a small fraction of the cost to doctors. Hospitals get an 83 per cent rebate and doctors get zero. The brief goes on to state:

> Again, extra-billing is not allowed and there is no indication that provincial governments are prepared to increase payment levels to compensate for the increased costs.
>
> It is important to recognize that an integrated federal/provincial sales tax, that is foreshadowed in the recent Canada-Quebec announcement, will make the situation even worse.

I might, in parenthesis, say here that it is obvious to myself as one observer that what the government is gambling on, if it can somehow jam this bill through, is that before the next election rolls around other provinces will have been forced to come in to a harmonization program which will make the whole thing a little more palatable. Insofar as this particular example is concerned, it apparently will make it even worse.

[Senator van Roggen.]

The brief goes on to state:

> Mr. Chairman, we are physicians, not experts in taxes or the law. We do not seek—

And, Senator Simard, here is the point.

> We do not seek any special tax break for our members but simply to be treated fairly and equitably and the same as other professions and segments of society.

They are not asking for any special breaks; they are asking to be treated like other people. It goes on to state:

> In a manner of speaking we ask for a level GST playing field.
>
> Toward that end, we are asking you to consider the following recommendations.
>
> The government is negotiating GST rebates to ensure that municipalities, universities, schools and hospitals do not bear an increased tax burden. This is the socalled "MUSH" program.
>
> Hospitals are to receive an 83% rebate; legal aid societies have been offered a rebate and there is even a 25 per cent rebate on new housing.
>
> We submit that basic fairness should cause the government to quantify an annual rebate available to medical practitioners that would leave doctors in the same position under the GST as under the existing MST system.

All they are asking for is some reasonableness. The brief goes on:

> As an alternative, we submit the government should consider creating a special deduction for income tax purposes that would reflect the amount of GST to be carried by doctors due to tax-exempt status.

Either one—they are being very flexible, unlike the government. It goes on to state:

> Such an income tax amendment would limit the need for amendments to the GST legislation and regulations, simplify the administration and reduce administrative costs.
>
> We have stressed the major financial impact of the GST on physicians like radiologists and pathologists with high costs of practice because of the purchase or lease of expensive equipment.
>
> As you are aware, medical devices are to be GST exempt. We have been pleased to cooperate with the Department of National Revenue to produce a more comprehensive list of devices that should be tax exempt.

Honourable senators, there is a chart in the middle of the page here which I might just read. It is, "GST Impact, Group Medical Practice, which I have argued, and which this brief maintains, is a benefit to the public at large in terms of the medical services they receive. The estimated total increase per doctor for internal medicine is $4,534; for general practice, $5,471; paediatrics, $5,286; otolaryngology, $8,358; and obstetrics and gynaecology, $9,040.

There is now reference to the impact on clinical groups. They go on to recommend that the schedule of tax-free

medical devices should be expanded to include certain expensive medical equipment. They have pointed out the importance of CMPA membership dues being declared tax-exempt.

Senator David: That is the protective association.

Senator van Roggen: Is that for the insurance?

Senator David: Yes.

Senator van Roggen: The brief states:

> We have pointed out the importance of CMPA membership dues being declared tax exempt.

That, I assume, senator is a form of insurance for protection for doctors such as lawyers have in group liability insurance. They state:

> There has been some question with respect to whether the CMPA will qualify to grant GST-exempt membership or protection under the terms of Bill C-62.

I find it difficult that there would be any argument. I think it should be routine since it is obviously a cost of doing business. The brief goes on to state:

> Although membership in this association is not mandatory, it provides professional liability protection. Such malpractice protection, although not in statute, is a *de facto* necessity for the medical practitioner. Hospitals increasingly insist on professional liability protection before they grant admitting privileges to physicians.

As a patient I would like to think that my doctor had such protection. The brief goes on:

> Proof of CMPA membership, or having commercial medical malpractice insurance, is a statutory requirement in Quebec. It is important for the government to recognize that failure to accord tax-exempt status to the CMPA will enhance interprovincial distortions. As an extension of their medicare benefit schedule agreements, provincial and territorial governments provide special funds to reimburse the physician for rising CMPA membership fees, made necessary by the current medico-legal situation. The level of reimbursement varies from province to province and from one medical discipline to another

• (1700)

> The CMA therefore recommends that the Government of Canada grant tax exempt status to the "supplies" by the Canadian Medical Protective Association as a non-profit association or in a manner consistent with analogous financial services by explicitly including CMPA as a supply within the terms of clause 1 of Part VII, which states:
>
> A supply of a financial service that is not included in Part IX of Schedule VI.

That is the recommendation.

> ... We are concerned that some aspects of the GST legislation will have a negative impact and increase health care costs, which is a subject of major concern for every provincial and territorial government—indeed, all Canadians. For example, we recommend that the Senate consider the impact of the GST on private nursing homes and the community support programs that are so important in de-institutionalizing of health care. The community support programs are essential in allowing as many patients as possible to remain at home for as long as possible. The result is more appropriate, more human and often results in better care for the elderly rather than warehousing them in institutions. It is also less expensive. Applying GST to those services ...

And this is getting to Senator Buckwold's question of a few moments ago.

> ... appears to be working against the policy of every provincial and territorial health department in the country, and for that matter Health and Welfare Canada.

We are trying to get these people out of the warehouses and into private facilities. There is going to be a 7 per cent penalty for making such a move. That seems to me to be most unfortunate.

> We recommend that the GST status of community support programs be reconsidered.
>
> With the same objective of avoiding GST serving as an incentive to increased health care costs, we recommend that the Senate give second thought to the 7 per cent GST to be charged on over-the-counter drugs. These are drugs that people can buy without a prescription.
>
> Drugs obtained with a doctor's prescription are exempt from the GST. Indeed, they will be zero-taxed rated, which means that GST will not be charged at any level in their manufacturing or sale. Aetylsalicylic acid, or aspirin, is an example of how the GST tax will increase health care cost. Hundreds of thousands of Canadians are taking enteric coded aspirin to prevent heart attack or strokes. For many it is a wise move that may or may not have been advised by their physicians. If an Ontario patient buys 100 tablets as an over-the-counter drug, it costs about $6 plus $.42 for GST; but if they are bought on a prescription from the physician, the cost will be $11, or $4.58.

In other words, the prescription aspirin is going to cost the tax payer another $4.58 per one hundred. The patient will be inclined to seek the prescription from the physician in order to save the 42 cents that he would pay by buying them across the counter. This is where you get into the most incredible complexities in this bill.

> People with voluntary drug insurance plans, or those over 65, now see the doctor to get a prescription for aspirin. The reason for that is that the drug will then be free, or at least heavily subsidized. The patient saves money, but the cost of health care goes up for the drug and possibly for a visit to the doctor's office.
>
> The GST will be an incentive to reduce the practice of self-medication for minor illnesses and to obtain over-the-counter drugs by prescription. Both practices, motivated by GST, will increase health care costs.

> We recommend that the federal government re-examine its proposals to charge a GST on over-the-counter drugs and suggest that tax-free status be extended to this category of drugs.

Honourable senators, if Senator Buckwold were here, I am sure he would be able to confirm that literally hundreds of groups in Canada have discovered similar anomalies in this legislation. One of the glaring anomalies is doctors being severely and unfairly penalized so they are on a different playing field entirely than are other professionals, other small businessmen and even others in the same income category.

The health care system is impacted adversely and there is an incentive to increase health costs by people increasing the use of prescription drugs for as opposed to non-prescription drugs.

While dealing with the aspect of the health care system, I should like to put on the record two letters from chartered accountants who were retained to prepare a short brief on behalf of the ambulance industry. There are two letters, both addressed to the Minister of Finance. The first letter, dated October 31, 1990, is from Saskatchewan. Senator Barootes, you must be very popular among medical services there. The letter reads:

> RE: GST Implications for the Ambulance Industry
>
> Recently, on behalf of the Saskatchewan Ambulance Association, we have had an opportunity to review the GST legislation as it pertains to providers of ambulance service in Saskatchewan. This review has involved discussions with officials from Customs & Excise at the local level (Saskatoon) and with individuals from the Department of Finance in Ottawa. In summary, we have concluded the following with respect to the GST and its applications for ambulance operators in Canada.
>
> Firstly, the supply provided is tax exempt.

That is exactly like medical and dental services to the patient. It is tax exempt to the patient also in the case of ambulance operators, which makes the government look like a big fellow.

> Secondly, providers of ambulance service will have to pay the GST on its supplies, services and equipment used in the provision of ambulance services. Our understanding, currently, is that the GST paid on inputs will be 7%. But, certain providers of ambulance services, such as Ontario and British Columbia (provincial agencies) may be classified as zero rated. Therefore, they will not pay any GST on their inputs.

The inputs are the cost of the ambulance, equipment in the ambulances and, I have no doubt, even the gasoline that goes into the ambulances.

> Thirdly, if the provider of the ambulance service is a hospital, it appears that the hospital will qualify for a GST rebate for approximately 83%.

The hospital will get 17 per cent less back than the ambulance that is operated by the provincial government.

[Senator van Roggen.]

> If the ambulance provider is a municipal organization, it appears that it will be eligible for a rebate of approximately 57% of the GST.

If you are a municipality you get only half of it back.

> Last, but not least, if the ambulance provider is a privately held corporation, the ambulance operator will be eligible for no rebates on the GST.

Here we have a Conservative government dedicated to the principles of free enterprise in Canada, penalizing the free enterprisers and benefiting the social operations in those provinces that have socialist ambulance facilities. I suppose after the next election in Saskatchewan they may be socialized as well.

Senator Barootes: Does that mean British Columbia and Ontario in the past have been socialist governments? Is that your interpretation as far as ambulance service is concerned?

Senator van Roggen: I have always maintained that it is most unfortunate to have different tax regimes for government-owned corporation as opposed to privately owned corporations. If the government is going to be in business, at least it should pay tax, like anyone else. Then there would be a better ability to access the efficiency of their operations. The letter continues:

> As can be seen from the above, ambulance services provide a tax exempt supply. All users of ambulance service are treated equally and fairly. On the other hand, the providers of ambulance services are not treated equally and fairly. The refunds/rebates of GST range from 0-100%.

It depends in which category you fall. This is a simple thing to correct or at least agree to correct.

> One of the main cornerstones of the new GST legislation is to create a playing field that is level where all players are treated equally and fairly.

That is made as a categorical statement. It would seem to me that it is anything but, but I know that is what the government has claimed.

> This goal has not been achieved with respect to the providers of ambulance services in Canada. Therefore, we are requesting that your officials review this problem.
>
> With respect to the probable solution, we regret we can be no more specific than to offer the following recommendation:
>
> Under the new GST legislation, we, the Saskatchewan Ambulance Association, expect all providers of ambulance services in Saskatchewan and Canada to be treated the same.

There is a follow-up letter on November 19 to the Hon. Michael Wilson, Minister of Finance, from the chartered accountants on behalf of the ambulance operators in Saskatchewan. It reads:

> Further to our letter of October 31, 1990, we have received indications from the Department of Finance in

Ottawa that the GST legislation will create a great inequity amongst ambulance operators in Canada.

The Saskatchewan Ambulance Association is very disappointed that the GST legislation will allow refunds/rebates of GST to ambulance operators on input costs to range for 0-100%. The ambulance operators who must absorb a portion of all of the GST on inputs will have no choice but to pass on this additional cost to the patients. Therefore, the GST will increase the cost of health care in the ambulance industry. It should be noted that the increase in the cost of health care in the ambulance industry will not be spread evenly on all the users of ambulance services as certain ambulance services will not be paying any GST.

If we allow the legislation to remain as it is written today, then we have to live with the following anomalies which are created by the GST legislation:

(a) users of ambulance services are not treated equally and fairly across Canada;

(b) providers of ambulance services are not treated equally and fairly across Canada;

(c) The cost of health care in the ambulance industry will increase as a direct result of ambulance services having to absorb all or a portion of the GST on their inputs.

In order to remove the above anomalies within the GST legislation, we propose that the Department of Finance put forward an amendment to the GST legislation that would essentially remove the effect of GST from the ambulance industry. The amendment would effectively consider all ambulance operators in Canada to be zero rated. Then they would not pay any GST on their inputs nor charge any GST on their services.

It is a very simple thing to do, to treat the private ambulance operator in Saskatchewan the same as the government-operated service in Ontario. Why should they be different? I need not repeat my remarks of a few minutes ago that of all parties in Canada, you surely should be the first to endeavour to do that. The letter goest on to state:

● (1715)

We have written to all of the Members of Parliament in regards to this matter and we have asked for their understanding and the support of yourself and the Department of Finance to introduce an amendment to the GST legislation to eliminate the above anomalies which will be created by the GST legislation.

Your attention to the above matter is greatly appreciated and we would be pleased to discuss this matter further with your officials. Thank you for your prompt consideration.

Honourable senators, if we were to be so successful in the Senate as to defeat this legislation or to delay it for one year, perhaps that particular anomaly and injustice could be sorted out along with the other more serious problems that I have already dealt with in the medical profession generally.

Hon Gildas L. Molgat: Are you now leaving the question of health care?

Senator van Roggen: Yes.

Senator Molgat: Before you do, I wonder if you would comment on another aspect of it? Unfortunately I was not here for your whole speech, so if I am covering ground that you have covered, I will desist. This is with regard to volunteer fundraising for hospitals. Was that covered?

Senator van Roggen: No.

Senator Molgat: Then I should like you to comment on a newspaper clipping from the *Winnipeg Free Press* of October 21, 1990. The headline is: "Volunteer fundraisers to pay GST." The article states:

Money raised for life-saving hospital equipment in Manitoba will end up in federal coffers when the proposed goods and services tax comes into effect, volunteer fundraisers learned yesterday.

"Our members think it's unfair. We are buying equipment the government doesn't have to pay for," Pat Helms, President of the Manitoba Health-Care Auxiliaries Association, said yesterday.

Helms said that the proposed 7 per cent GST will apply to all funds above $30,000 raised by volunteers through bake sales, bingos and teas. She said about half of the 64 groups in the association raised more than $30,000 last year.

"One auxiliary, the Children's Hospital Book Mart, raised about $170,000 in 1989," Helms said. "If it raises the same amount in 1991, it will pay $9,800 in GST. When the government cuts back on hospitals, they come back to us and say 'we need this and that'" she said in an interview during the association's annual meeting yesterday. "What equipment would the government have without us? Where would they be?"

Helms said the association raised more than $1.6 million for equipment in Manitoba last year. "The tax will prompt her members to work harder to raise more money," she said. "We're fighters; we're going to pull together and fight this as a team."

Dr. Gulzar Cheema, Maples Liberal MLA and his party's health critic, said a tax on volunteer groups flys in the face of federal Finance Minister Michael Wilson's promise that health would be exempt from the GST.

"It's a clear case of one of the cracks in the system," Cheema said. "It means people are being taxed for their free labour, and that they will be forced to do the work of a tax collector, which the average person isn't supposed to do. They're working for free for the government and then getting penalized."

Helms said that the Manitoba association, as well as the national association of auxiliaries, has written to the House of Commons and the Senate to protest the tax on volunteer work. She said they have not received an answer. Her group has unsuccessfully studied the GST

> legislation to find a loophole for volunteer groups, she said.
>
> The Manitoba Health-Care Auxiliaries Association donated $1,685,908 to hospitals and other medical institutions last year, Helms said. It also gave institutions money collected from previous years, donating $2,629,841 in all, she said.

This, it seems to me, is another cost on the health care system and a cost to volunteer groups who, instead of being discouraged, should be encouraged to be doing more because this is money that the government does not have to put up. Did you consider this in your analysis of the health system?

Senator van Roggen: I did not, Senator Molgat, and this is the first time it has been brought to my attention. I apologize in that another senator was speaking to me just as you started your question and I missed the beginning of it. Did I understand you correctly to say that the direct GST will be imposed on the money raised by these volunteers or by the equipment purchased with the money they raise?

Senator Molgat: What they say—and I am quoting from the newspaper—is:

> Helms said the proposed 7 per cent GST will apply to all funds above $30,000 raised by volunteers through bake sales, bingos and teas.

It seems preposterous to me, but because you studied the matter I thought you might have an answer.

Senator van Roggen: That is so preposterous I cann't believe it. Perhaps someone on the government side could enlighten us on that. To give this ridiculous tax the benefit of the doubt, if the tax were levied on the equipment that the volunteer money was used to purchase, that would be one thing, but it is bad enough when a government announces that their health care is exempt and then, as I dealt with at length this morning, they impose it on all the input charges and then ask the individual physicians and others to swallow, in the case of doctors, $100 million, and in the case of these volunteers, their tax, and then pretend to the public that health care is not being taxed. Health care is being taxed at the full rate. It is just that you are not able to get a rebate.

Senator Simard: You should make all these people exempt. More exemptions. That's good. Keep it up!

Senator van Roggen: What I will try to do—or perhaps you will have time to do it—is find out if, as this article suggests, the GST applies directly on money raised by volunteer groups.

We do not want to be too personal in these debates, but I think of a project my wife was involved in last year which raised $100,000 for a specific piece of equipment for the cancer control agency of British Columbia, which you say would now be taxed.

Senator Molgat: That is what this article says.

Hon. Paul David: May I give an answer to this?

Senator van Roggen: Yes.

[Senator Molgat.]

Senator David: If it is for a piece of equipment, usually the fundraisers give a cheque to the hospital for, let us say, $100,000. The hospital then purchases the equipment with that $100,000 and it is tax free.

Senator van Roggen: Up to 83 per cent in the case of hospitals.

Senator David: Yes, because the 83 per cent figure is the difference between what they were paying before on the federal sales tax and what they will have to pay now. The difference was 7 per cent. That is why they now have a rebate of 83 per cent. So it is exactly what the situation was with the federal sales tax.

Senator van Roggen: As an aside, I would be interested to know why municipalities only get a 57 per cent rebate, but that is another story.

Senator Barootes: Municipalities are talking about roads, sewers, and other infrastructures, not hospitals.

Senator Stanbury: What about ambulances?

Senator van Roggen: Senator Molgat, the distinction I make is where that tax applies. In any event, your point is very well taken.

Honourable senators, as I have kept you so far for a couple of hours, I thought before going on to the next brief I have I might lighten up your day. I don't want to go too far into this because I don't want to be accused of conducting my debate in a manner irrelevant to the subject, but politics is all part of what we are discussing here. The other day I was reading a delightful book by Morris K. Udall entitled, "Too Funny to be the President". There is a reference here that someone might use, but I would not suggest it applies to any particular senator opposite. It is Golda Meir's adominition at one time, "Don't be humble, you're not that great." We all know the one about Winston Churchill and Clement Atlee, that Atlee was a modest man but that was all right because he had much to be modest about.

Morris Udall then gets into self-deprecating jokes. He starts out this section of the book by saying:

> Nobody likes a smug politician. Jimmy Carter sometimes made the mistake of aiming his best zingers at the press—"I'm not going to say anything terribly important tonight, so you can all put away your crayons"— rather than at himself. Carter failed to understand the first rule of political humour. By contrast, Ronald Reagan is a master of the self-deprecating joke. With volumes of anecdotes about his age and selective memory, he can get a laugh out of any crowd. My experience has been that putting myself down—humility is attractive—is the best kind of humour: it creates empathy, humanizes any message, and puts people at ease.

That is why all of us in this house love Senator Barootes, as we do. Mr. Udall goes on to state:

> Self-deprecating jokes have the added benefit of innoculating one against egomania. Whenever my ego threatens to get overblown, I puncture it with a story from

the early stages of my 1976 presidential campaign, such as this one: I was in New Hampshire, thousands of miles from home, with my car stuck in the snow. My advance woman urged me to shake a few hands in a nearby barbershop. I stuck my head in the door and blurted, "Mo Udall, I'm running for president!" The barber replied, "Yeah, I know. We were just laughing about that this morning."

In the same vein, if the press or your opponents are telling a joke *on* you, the best thing to do is to appropriate it and tell it on yourself. A couple of years ago, George Bush attended a spate of funerals for foreign dignitaries. People soon began describing his motto as "You die, we fly." Instead of getting huffy, Bush appropriated the joke, told it on himself wherever he went and invariably got an appreciative laugh.

Self-effacing humor can also be the best way for a politician to deal with any delicate subject. One respected member of the House is gay, and occasionally he'd be asked, "Congressman, are you still a practicing homosexual?" His stock response is, "Practising? No, I don't need to practise—I've been doing this for a long time."

• (1730)

The next section is on sexist jokes which are taboo. I have ticked off some which might interest honourable senators, but I will leave that for later.

Coming back to the subject at hand, I wish to refer to a brief which is a supplement to a brief on sales tax reform in Canada by Robert M. Clark. He is professor emeritus of the Department of Economics at the University of British Columbia. He is a man quite well known in B.C. and Vancouver circles in particular. I wish to take the liberty to place this brief on the record for him. In his introduction he states:

In a letter dated May 24, 1990 to my colleague Professor Sam Ho, the former Head of the Department of Economics at the University of British Columbia, Mr. Timothy Ross Wilson, Clerk of the Senate Standing Committee on Banking, Trade and Commerce raised several questions about the goods and services tax. The Committee is interested in obtaining answers to these questions from academic economists specializing in public finance. A copy of this letter was forwarded to me in early June.

I am one of these economists and am pleased to have an opportunity to reply to these questions. I obtained a B. Com. and honours economics B.A. at the University of British Columbia and A.M. and Ph.D. in economics at Harvard, specializing in public finance. From the fall of 1946 to 1985 I had the stimulating pleasure of teaching in this field in the Department of Economics at the University of British Columbia.

Last September I sent a copy of my lengthy brief on sales tax reform to Mr. Timothy Ross Wilson, and to the House of Commons Standing Committee on Finance. Mrs. Francine St. Jean in the Senate Committee's office confirmed to me on June 6, 1990 that a copy of this brief is in the office.

I understand that you wish to have all briefs in your hands by June 29th. In the time available I cannot both answer the questions you have raised and thoroughly revise my brief in the light of the changes in the proposed legislation up to the date it received third reading in the House of Commons on April 10, 1990.

In this supplement to my brief I intend to:

a) Answer some of the questions you raised.

b) Emphasize a few specific recommendations.

Before answering your specific questions, I want to emphasize a few points.

1.In the context of substantial annual federal deficits for the last twelve years, it is highly desirable to reduce substantially the annual federal deficit in each of the next several years.

On a national accounts basis, which is a broader and therefore better basis of comparison, the annual federal deficit has been reduced from $31.7 billion in 1985 to $23.6 in 1989. But even with this reduction, the national debt and interest charges on it have continued to climb at a faster rate than the income of the country. In the fiscal year ended March 31, 1990, the federal government spent nearly $40 billion on interest and other debt charges. This was the equivalent of about $1,500 for every Canadian.

2.I believe that the onus is on those who oppose the proposed goods and services tax to show what measures they would take so that the federal deficit as a per cent of the country's income will be reduced greatly in each of the next few years.

3.In reading the House of Commons debates in recent years, I am struck by the preponderance of emphasis of individual MPs on the need for the government to spend more. Examples include spending more on protecting the environment, on daycare centres, on help to farmers and fishermen, on health services for people with AIDS, and on research and job retraining. How can these demands be reconciled with concern about reducing the federal recurring deficits?

Part of the answer has been in reducing the rate of growth of total federal expenditures. From 1985 to 1989 federal spending as a per cent of the gross national product has been reduced each year, from 24.0 to 21.6 per cent.

4.But most of the reduction in the unacceptably high deficits has been accomplished by increasing taxes, especially the personal income tax.

The share of total federal tax revenues from this tax has increased from 40.4 per cent in 1978 to an all time high of 49 per cent in 1989.

Most provincial governments in the 1980s have also raised their rates of personal income tax as a per cent of the basic federal tax as the following data indicate. These

figures exclude Quebec, because the government of that province collects its own provincial personal income. For residents of Quebec with an assessed income of $40,000 or more, the rates of the provincial income tax are appreciably higher than the corresponding rates in Ontario or British Columbia.

What follows in the brief is a table setting out the provincial personal income tax rate as a per cent of the basic federal income tax and the change in rate between 1988 and 1989. For the province of Newfoundland the personal income tax rate went up from 58 per cent in 1980 to 61 per cent in 1989. For Prince Edward Island the figure went from 51.1 percent in 1980 to 57 per cent in 1989. For Nova Scotia the figures went from 52.5 per cent to 56.5 per cent for the same period of time. In the province of New Brunswick the figure went from 52.4 per cent to 60 per cent. For the province of Ontario the figure went from 44 per cent to 52 per cent, while for Manitoba it went from 54 per cent to 52 per cent. The province of Saskatchewan went from 53 per cent down to 50 per cent. In Alberta the figure went from 38.5 per cent to 46.5 per cent, while in British Columbia it went from 44 per cent to 51.5 per cent.

5.The following table compares the extent of reliance on the personal income tax for governments at all levels in the Group of Seven Nations and the average for 22 countries that are members of the Organisation for Economic Co-operation and Development in 1977 and 1987, the latest year for which data are available.

Two standards of comparison are used. The first is revenue from the personal income tax as a per cent of total taxation. The second is the personal income revenue as a per cent of gross domestic product.

What follows in the brief is a table which represents taxes on personal income as a per cent of total taxation and of gross domestic product for 1977 and 1987, and changes in these percentages for the Group of Seven Nations and 22 member countries of the Organization for Economic Cooperation and Development. There are figures for revenue from the personal income tax as a per cent of total taxation for the years 1977 and 1987.

Canada went from 32.6 per cent in 1977 to 38.7 per cent in 1987. The figure for the United States went from 33 per cent to 36.2 per cent. The OECD average went from 31.6 per cent in 1977 to 30.7 per cent in 1987. Germany went from 31.1 per cent in 1977 down to 29. per cent in 1987. In the United Kingdom, under Margaret Thatcher, who is greatly admired by senators opposite but who is not often emulated by them, the figure went from 35.1 per cent in 1977 to 26.6 in 1987. The figure for Italy was 22.2 per cent in 1977 and 24 per cent in 1987. Japan went from 22.2 per cent in 1977 to 24 per cent in 1987. Even though the figure for Japan went up slightly it is still vastly below the figure for Canada. France went from 13.2 per cent down to 12.7 per cent. The next column is entitled "Revenue From the Personal Income Tax as a Per cent of GDP" for the same countries. In Canada, personal income tax rose as a percentage of the gross domestic product from 10.4 per cent to 13.4 per cent. The United States stayed almost the same, 10.1 per cent to 10.9 per cent. The OECD average went up a fraction of 1 per cent from 11.4 per cent to 12 per cent. Germany went down from 11.8 per cent to 10 per cent. The United Kingdom went down from 12.3 per cent to 10 per cent. Italy, up from 6.2 per cent to 9.5 per cent. Japan, up from 5 per cent to 7.3 per cent. France, marginally up, from 5.2 per cent to 5.3 per cent.

[Senator van Roggen.]

• (1745)

I am not saying they do not have other forms of revenue from some of those other countries, but it is interesting to see some of the most successful, dynamic economies in the world, with revenue from the income of personal tax either going down or being at levels half of ours.

One of the chief conclusions to be drawn from this table is that in 1987 Canada relied on the personal income tax as a per cent of total taxation to a greater extent than the other six nations of the Group of Seven, or the average of the 22 OECD countries. Among the Group of Seven, the range of reliance on this tax ranged from 12.7 per cent in France to 38.7 per cent in Canada.

The average for the 22 OECD nations was 30.7 per cent. These are indeed substantial differences. Over this decade, Canada increased its reliance on the personal income tax as a percentage of total tax revenue more than the average of the OECD nations, or any of the other countries of the Group of Seven, except Italy. Reliance on this tax as a percentage of the total taxation was reduced for the average of the OECD nations from France, Germany and especially the United Kingdom.

In 1987 the personal income tax absorbed a higher percentage of the gross domestic product in Canada than in any of the other countries of the Group of Seven or in the average of the 22 OECD countries. The percentage for Canada was 13.4 per cent as compared to 10.9 per cent in the United States and Germany, 10 per cent in the United Kingdom and 7.3 per cent in Japan.

Most critics of the goods and services tax argue that we should rely even more in future on the personal income tax than we do now. I ask you to consider whether it is wise in an era of inevitably increasing worldwide competition to put more emphasis on this tax when we already are relying more heavily on it than our chief competing nations.

In 1989 the Minister of Finance estimated that in the fiscal year 1991-92, the present federal sales tax and a few small excise taxes would produce almost $19 billion in revenue. I think that is a pretty reasonably accepted figure that a lot of us have heard in recent months—$18 billion, $19 billion, $20 billion at the most. The proposed new tax, after allowing for the refundable sales tax credit and the rebate for buyers of new homes, was expected to yield $20.8 billion. Please keep these figures in mind as we consider alternatives to the present tax and the proposed tax.

With respect to proposals for greater reliance on the personal income tax, I shall comment on three proposals for abolish-

ing the present federal sales tax, scrapping the goods and services tax, and replacing them largely or entirely by increasing the personal income tax.

The least convincing of these three proposals is to get the necessary revenue to replace any sales tax by increasing the personal income tax solely on the wealthy. Who are they? How many of them are there? In 1987, the latest year for which data is available, the Department of National Revenue reported that 229,000 individuals filed an income tax return in which they reported a net income of $80,000 or more. They constituted 1 per cent of individuals filing an income tax for that year. Their total taxable income was $24 million, or 11 per cent of the total taxable income reported by all income tax filers.

I often think that it is appropriate, honourable senators, when we are debating subjects such as the one we are debating today, or any other matter of public import in the country, to keep in mind that we, almost without exception because of our Senate income, quite apart from any other income we may have, large or small, and members of the civil service from the level of Assistant Deputy Minister or greater, every member of the House of Commons, every lawyer, every doctor, chartered accountant, businessmen, executives, and so on, all sit within only 1 per cent of the taxpayers of Canada who file tax returns. There are 99 per cent of the population out there who work on an income on a different plane from those of us here and those I have mentioned, among others.

Suppose that the federal government had levied in that year an additional 4 per cent tax on their net income in excess of $80,000. Suppose further that all the provincial governments had modestly foregone any claim to a comparable income tax increase. Lastly, suppose that the total taxable income reported by these individuals remained unchanged, notwithstanding the increased rate of tax. Under these favourable circumstances regarding the yield of the tax, the federal government would have obtained an increase in revenues of about $256 million in 1987.

For the year 1989-90 I estimate, using the same somewhat unrealistic assumptions, that an additional 4 per cent tax on all individuals with a net income of $80,000 or more would have been about $350 million. From this data I conclude that even punitive increases in the personal income tax on upper income households would not produce even one fifth of the $19 billion from present sales tax nor the $20 billion revenue from the proposed goods and services tax.

The second proposal is the single tax proposal from Dennis Mills, the member of parliament for the Toronto constituency of Broadview-Greenwood. The following summary of his ideas is taken from his book *The Single Tax* published in 1990.

> (a) The current personal and corporation income taxes would be replaced by a single tax system with two tax forms—a personal compensation tax and a business income tax. These taxes would be fully integrated. All income would be classified as either business income or personal compensation and would be taxed accordingly at the same federal rate of 25 per cent.
>
> (b) The personal compensation tax would be designed to tax all income from wages, salaries, pensions, dividends, interest and capital gains. One hundred per cent of net capital gains would be subject to tax. All other forms of income are taxed as business income.
>
> (c) All deductions and credits for individuals would be eliminated except:
>
> (i) a basic personal income tax credit of $2,800 and $3,400 for a disabled person;
>
> (ii) a spousal tax credit of $1,200 less 25 per cent of a spouse's income over $9,600;
>
> (iii) a tax credit for persons aged 65 and over;
>
> (iv) an income insurance credit of 25 per cent of total individual contributions to the Canada Pension Plan, the Quebec Pension Plan and Unemployment Insurance;
>
> (v) an RRSP contribution tax credit of 25 per cent of contributions up to a maximum of $1,875;

• (1800)

> (vi) a charitable donations tax credit of 25 per cent up to a maximum of 1 per cent of total net income; and
>
> (vii) a refundable child tax credit of $1,200 less 25 per cent of earnings over $9,600 for each child under age 18.
>
> (d) Businesses would be allowed the same credit for charitable contributions as individuals, namely 25 per cent of contributions up to a maximum of 1 per cent of total net income.
>
> (e) Any business losses could be carried forward indefinitely.
>
> (f) On this point I quote directly:
>
> All businesses, big or small, would be treated the same. Conglomerates, shopkeepers, tradesman, landlords, doctors—would fill out a form with no more than 11 lines. There would be no tricky calculations or need for tax advisors, because all the intricate stuff—interest deductions, investment tax credits and the complicated capital cost allowance schedules—would be gone.
>
> (g) We have proposed, for the sake of simplicity, a single depreciation rate of 20 per cent to apply to all classes [of depreciable assets] . . .
>
> It may be that a better alternative to changing these incentives might be to allow multiple classes recognizing the differing economic lives of various investments.
>
> (h) In response to a question why the proposed single tax would not tax income from abroad, Mr. Mills wrote:
>
> Income earned aboard is taxed in the country where it is earned. If it is then double taxed in Canada, by agreement with other countries, it has foreign tax credits applied in Canada. This is just an added complication that is unnecessary.

Mr. Mills is confident that his proposed single tax would be revenue neutral in replacing both the present personal and corporation income taxes. He claims that his forecasts are on the cautious side, because he has made no allowance for

—revenue from a resurfacing underground economy, and

—revenue from increases in productivity.

He writes:

The introduction of a single tax system would unleash the entrepreneurial spirit in Canada by eliminating the distortions and disincentives of the current tax system. Government could concentrate on government instead of tinkering with the tax system. It could spend more time on discouraging irresponsible businesses . . .

It could lead to an unprecedented economic boom, as . . . corporations rediscovered sound economic principles.

Mr. Mills recognizes defects in the present federal sales tax:

It is certainly true that the MST needs replacing. It handicaps Canadian manufacturers trying to compete in international markets. It is also an indirect tax that is hidden from the consumer.

One of the virtues of the GST was that it was to be visible, but that got lost in the shuffle somewhere. The document continues:

Mr. Mills is so confident that the proposed single tax would provide such a stimulus to economic growth in Canada that

. . . MST could be phased out in no longer than 3 years.

This means that the basic reason for introducing the GST would no longer exist.

I admire the idealism that pervades this book, and have no doubt that a great simplification of the personal and corporation income taxes would lead to a significant increase in the personal incomes of the Canadians. But I do not accept his goal of eliminating any general federal sales tax on personal consumption. My reasons will be given hereafter for favouring such a tax as a supplement to the personal income tax, which hopefully will long continue as the major source of revenue for the federal government.

The political difficulties of achieving some of the simplifications Mr. Mills advocates are formidable. I offer a few illustrations.

In 1987 the average rate of federal personal income tax did not reach 20 per cent until a taxpayer had a net income of $40,000. It did not exceed 25 per cent until a net income of $90,000 was obtained. To be sure, the concept of taxable income in 1987 under the Income Tax Act was different in numerous respects from what is proposed by Mr. Mills. For example, under the Income Tax Act, individuals are allowed to claim deductions for medical and dental expenses in excess of 3 per cent of net income. Individuals also are permitted to deduct within specified limits contributions they make to pension plans. It is unconvincing to me for Mr. Mills to favour allowing individuals to obtain a tax credit for contributions to RRSPs, while refusing to allow them similar credits for contributions to a pension plan for employees.

I admire the robust idealism that leads Mr. Mills to advocate taxing all corporations at the same rate. For the calendar year 1990 the rate of federal corporation income tax ranged from 12.84 per cent for Canadian controlled private corporations on their first $200,000 of net business income up to 28.84 per cent on larger businesses not engaged in manufacturing and processing. There are far more businesses in the lower rate category than in the top rate category. I do not believe that such discrimination is equitable. But a proposal introduced in the House of Commons to nearly double the rate of tax on small businesses while lowering slightly the rate of big businesses would lead the political parties in the House of Commons to vie with each other in extolling the virtues of small businesses, and to favour a continuation of the heavy discrimination against big business.

(3) A sophisticated study of an alternative to the goods and services tax was published in February 1990 by the Institute for Research on Public Policy. The author of this study, *Searching For An Alternative To The GST*, is Neil Brooks, a member of the Osgoode Hall Law School of York University.

Professor Brooks begins with the statement,

It is widely agreed that the MST is beyond repair and should be repealed.

He analyzes and rejects the arguments for a general sales tax such as the goods and services tax. His constructive proposals for replacing this tax include the following.

(i) By scrapping plans for any goods and services tax this will save the cost of providing a refundable sales tax credit to households below stipulated levels of income and the cost of a tax rebate to most purchasers of new homes.

He might, under "(i)" have added the cost of sales tax credits and refunds generally from all forms of business paid at the taxable level which is where the thousands and thousands of new civil servants would come in, I assume. He continues as follows:

(ii) Increase revenue from the corporation income tax by $2 billion. This, he claims, is justified because the abolition of the sales tax at the manufacturers' level will provide windfall gains to corporations. This saving could be achieved partly by abolishing the lower corporation tax rate for manufacturing and processing. Further savings could be achieved by abolishing some corporation tax incentives, by increasing the tax on large corporations or by a minimum tax on corporations.

A minimum tax on corporations is something that has been promised by this government but which has not yet been introduced. He then goes on as follows:

> (iii) Increase excise taxes on alcohohlic beverages, tobacco products and gasoline, so that the tax on these products would not be reduced as a consequence of abolishing the present federal sales tax. He estimates that $2.3 billion could be obtained by this means.
>
> (iv) With the abolition of the present sales tax, the government sector which currently pays about $2.8 billion a year in sales tax on its purchases would need that much less in revenue.
>
> (v) After all these and a few other minor changes are made, he concludes that it would only be necessary to raise $10.5 billion in 1991 to keep the system revenue neutral.
>
> The 3 per cent additional surtax on high incomes would be replaced by a general surtax of 21 per cent. The effect of doing this would be to increase the bottom federal income tax rate by 2.7 percentage points, the middle tax rate by 4.2 percentage points, and the top federal tax rate by 4.6 percentage points.
>
> On the simplifying assumption that the average basic provincial income tax rate is 55 per cent of the federal tax, and ignoring special federal and provincial surtaxes, the income tax rates in 1991 would be:
>
> Federal, up to $27,500, 20.6 per cent; federal plus provincial, 30.4 per cent; $27,500 to $55,000, 31.5 per cent to 46.5 per cent; $55,000 and over, 35 per cent and, including the provincial, 52 per cent.

Comments

If the present federal sales tax discriminates against Canadian manufacturers in comparison with foreign manufacturers, as it certainly does, . . . why should the removal of this discrimination justify an increase in tax on Canadian manufacturers on the grounds that they will be making windfall profits?

Neither here nor elsewhere in this study does he make any specific recommendations for reducing the annual federal deficits. This is an objective to which the goods and services tax could make a useful contribution.

Professor Brooks then proceeds to consider the arguments for replacing the federal sales tax at the manufacturers' level by a goods and services tax. Like a lawyer arguing a case for his client, the personal income tax, before a jury, he concedes no significant merit to any of the arguments of his opponent, the goods and services tax.

Let us consider each of the arguments on behalf of taxing personal consumption on which he comments.

(i) To Rebalance The Government's Revenue Sources. He acknowledges that Canada collects substantially more in its taxes on personal income than most OECD countries, but relies less heavily on social security contributions. He adds:

> . . . United States with whose retailers Canadian retailers must now compete, places very little reliance on general sales tax . . . most of the OECD countries that collect more revenue than Canada from regressive consumption taxes also collect some amount of revenue from various forms of wealth taxes that fall exclusively on the very rich. Canada is one of only two OECD countries that does not have a general tax on wealth or wealth transfers.

Comments

In 1987 governments in Canada obtained revenue from general consumption taxes equal to 4.9 per cent of gross domestic product as compared with 6.4 per cent as the average figure for OECD countries. Local governments in Canada were more dependent upon property taxes than local governments in most OECD countries. The result was that in 1987 all taxes on property, including inheritance taxes and annual wealth taxes accounted for 9.2 per cent of tax revenue in Canada, as compared with 5.5 per cent for the average of 23 OECD nations.

If the revenue and the personal income tax were increased by $10.5 billion in 1991, the proportion of federal tax revenue from this source would increase substantially. This would create an even greater gap than already exists between the burden imposed by the personal income tax in Canada and the burden of this tax in the other countries with which we compete directly. I regard Professor Brooks' dismissal of concern over this issue as unconvincing.

(ii) To Increase the Fairness of the Tax System. He writes:

> It is commonly asserted that taxes on consumption are unfair: because consumption as a fraction of income declines as income increases, low income individuals necessarily pay a large percentage of their income in such a tax than high-income individuals. However, a number of commentators, economists in particular, have suggested that a tax on consumption is in fact fairer than a tax on income.

As a public finance economist, I am not arguing for the broad proposition that it is fairer to tax people on the value of the goods and services they use up in the economy than on the value of what they contribute to the economy. As I shall elaborate later, I am arguing that when governments at all levels in Canada are spending over 40 per cent of the gross domestic product—as they have every year from 1980 onwards, it is appropriate to supplement the personal income tax as the main source of federal government revenue with a broadly based tax on personal consumption.

I am not advancing this argument on the ground that saving has a moral superiority over wanting to consume one's resources currently. He goes on to argue that this particular moral argument seems to depend upon a notion that a consumer is using up something. But contrary to the implication in the argument, when one consumes

goods and services nothing is of course "taken out" of the economy. The goods and services may be gone, but the price of the goods is now in somebody else's hands . . . saving is not more virtuous than consuming. Consumption is not a claim on community resources.

Comment

This is a confused argument.

I would certainly agree with that.

The typical act of consumption does involve the using up of goods or services or both. This is true whether we are considering the consumption of a hamburger at McDonald's, or of a hospital service provided in a public hospital.

On the subject of equity, Professor Brooks also comments:

The government in supporting the GST has added a twist to this argument by suggesting it is fairer to tax consumption because people have a choice as to whether they will save or consume and thus pay the tax. But for low- or even most middle-income people, the option of saving from income is meaningless. They must consume all of their income simply to survive at an adequate standard of living.

Comment

Professor Brooks overstates his case. Take a household of average income and number of members. In most cases they do have a choice to decide whether to replace their aged television set this year or to wait until next year. According to a Statistics Canada market research study published in 1990, 78.4 per cent of Canadian households had one or more automobiles in 1988. They too typically have such an option. One of the significant advantages of having a general consumption tax as a supplement to the personal income tax is that it gives a majority of consumers more choices as to when to spend income than if the government relied almost exclusively on the personal income tax.

(iii) *To Improve Incentives to Work*

● (1810)

Again it goes back to the professor, whom he quotes. It states:

He writes:

A shift to consumption taxes, which will allow for a fall in income taxation, will lead to an increase in work effort, it is sometimes argued . . . This agrument . . . assumes that tax rates have some effect on the incentive to work. Theoretically, workers who suffer a lower tax rate might either work less since they need less income to maintain their existing standard of living, or they might work harder since they are able to earn more after-tax income for each hour worked. The empirical studies that have been done to date are of little assistance in determining which of these offsetting . . . effects . . . predominate.

But even aside from this contentious issue, generally, unless workers suffer from some form of fiscal illusion when such a tax mix change is made, shifting the tax burden from income to consumption should have no effect on work incentives . . . workers are left in the same after-tax position whether a tax is collected on their earnings or the goods and services they consume; therefore it is difficult to see why their work habits would change in response to such a shift. Moreover, some . . . argue that since the general consumption tax does not have an effect upon income that is saved currently, it is therefore economically equivalent to a tax on wages alone.

Comment

I do not believe that it is fair or accurate to say that a person is suffering from a fiscal illusion if she or he decides to do more paid work after her or his marginal tax rate is reduced, knowing that there has been an offsetting increase in the rate of general sales tax. There are numerous factors that enter into such decisions, of which changes in taxes are only one. While I would predict with confidence that the effects on work effort would be positive if the top combined federal and provincial income tax rate exceeded 60 per cent, I cannot be equally confident of such a prediction if the top combined marginal rate were appreciably lower.

The unqualified argument mentioned by Professor Brooks that a general tax on consumption is economically equivalent to a tax on wages seems to me unconvincing. A general consumption tax is paid from dividends, interest, or pensions in the same way as this tax is paid by individuals whose sole source of income is a wage or salary.

(iv) To improve Incentives to Save

I quote from his study on this topic:

One of the primary arguments that the government has advanced for the goods and services tax is that as a tax on consumption instead of income it will lead to a higher level of private savings, and thus a higher level of capital formation . . . and ultimately a higher standard of living for all Canadians . . . every link in the chain in the argument . . . is open to serious question.

First, there is little evidence that savings are too low in Canada . . .

Second, even if the social judgment were made that private savings should be increased, it is unlikely that relieving more of the return to savings from tax would have that effect.

Third, even if a tax mix change in favour of consumption increased personal savings somewhat, the effect of total savings in the economy would be trivial since personal savings are only a small percentage of total savings.

Comments

I ask you to consider the following evidence in the belief that there are legitimate reasons to be concerned about the rate of personal saving in Canada. First, there are the following data from Statistics Canada showing the

percentge of personal disposable income in Canada saved from 1979 to 1989.

In 1979, there was 12.9 per cent personal savings of disposable income in Canada. In 1980, 13.3 per cent; 1981, 15.0 per cent; 1982, 17.8 per cent; 1983, 14.6 per cent; 1984, 14.8 per cent; and then in the Tory years of 1985, 13.1 per cent; 1986, 10.4 per cent; 1987, 9.6 per cent; 1988, 9.2 per cent; and 1989, 10.2 per cent.

He goes on to say:

> It is remarkable that in 1982, the first year since 1954 when the Canadian gross national expenditures in constant prices actually declined, personal saving as a per cent of disposable income reached a post war peak. The above evidence suggests that consumers in fact exercise more discretion regarding their spending than his arguments imply.
>
> How in fact do rates of saving in Canada compare with those in other countries? Before presenting some data, I want to make the distinction between gross and net saving in a country. Any nation needs to generate within its boundaries or to borrow abroad enough capital to cover depreciation and depletion of buildings, machinery, furniture, equipment, and natural resources which get used up. Savings in addition to this are required in order to increase the amount of its capital. Such savings are net savings. With this distinction in mind, I believe that it is net savings rather than gross savings which is the more relevant concept for our international comparisons.

There follows here Table 2, which represents the net savings as a per cent of gross national product from 1971 to 1987 in selected OECD countries. These are the net savings as a per cent of GNP. The first column represents 1971 to 1980; the next column represents the figures for 1981 to 1987; and the last column represents 1987 figures and is higher than the actual average for the decade.

In Switzerland these net savings were 19.4 per cent in 1971 to 1980, rising to 20.2 per cent in the last decade and 22.9 per cent—very high—in 1987.

Japan, we all know, has had high savings rates. They are concerned about them going down now. They think that they have concerns, but we have concerns also. The amount was 24.6 per cent in the 1971 to 1980 period, 20.2 per cent in the last decade, and 21.3 per cent last year.

The Federal Republic of Germany has had quite high savings rates—but not compared to the first two countries. It was 14.3 per cent in the 1971-80 period, 10.71 per cent in the last decade, and 13.0 per cent in the year 1987.

Canada has quite a good record in the decade from 1971 to 1980, being 13.3 per cent. It is about half that of Japan, but still not that far off Germany. However, it is down in the last decade to a 9.4 per cent average. In 1987, unlike the others, which have all come up, we have continued a downward slide and are down to 8.5 per cent. That is to say, instead of being on a par with Germany, as we were in the 1971 decade, we are now down to only 60 per cent of Germany.

The average of 21 OECD countries was 13.5 per cent in the 1971-1980 decade, falling badly to 8.7 per cent in 1981-1987, and to 8.5 per cent in 1987. Italy is 12.1 per cent in the 1971-1980 decade, while the figure is reduce to 7.5 per cent in the 1981-1987 decade.

Honourable senators, my deputy leader advised me earlier that he might want to interrupt me a couple of minutes before six o'clock. It is now that time.

THE SENATE

MISS JOANNE WILKINSON, CHIEF PAGE—RESIGNATION—FELICITATIONS ON NEW CAREER

Hon. Royce Frith (Deputy Leader of the Opposition): Honourable senators, I have spoken to the leadership about mentioning to you some good news and some bad news. I will start with the bad news.

The bad news is that our Chief Page, Joanne Wilkinson, will be leaving us unexpectedly soon, that is, earlier than she expected. She will possibly be on a night shift again, but I think that this is the last opportunity to say something during the day. That is the bad news.

The good news is why she is leaving.

Senator Doody: She is tired of the night shift!

Senator Frith: It is interesting that you mention that because, apparently, although I do not think she relishes the night shift, she specifically mentioned to me that she wanted us all to understand that her leaving has nothing to do with present circumstances.

I suppose all honourable senators know that graduate students naturally look forward to their graduation and an application to obtain a job in the field of work for which they have been preparing. Joanne apparently has such talents. Thus, she decided when she heard that there was a possibility in the office of the Secretary of State for a job for which she would be prepared when she graduates that she would try for it, just on speculation. She did not really expect to succeed at this stage, but applied as a sort of warm-up for the interview she hoped to have when she graduated.

I now quote from her letter to Colonel Doré, our Gentlemen Usher of the Black Rod, in which she states:

> I have been offered a term position as a writer with the Secretary of State. Given that writing is a key component of the course of study that I have been following, I feel that I cannot turn it down.

Again, we have an example of how lucky we are to have an opportunity to associate with such wonderful young people who make our time in the Senate so much more pleasant and with whom our relationships have always been warm and very familial.

We have really spawned a remarkable alumnae of Pages, an alumnae of which we can all be proud.

Joanne, félicitations, bonne carrière. Good luck. We will miss you.

Hon. Senators: Hear, hear!

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I should like to take the opportunity to join Senator Frith on behalf of our group to say how pleased we were to have met you, Joanne, and how kind, generous and courteous you have been to us. We wish you very much success in your new career.

Hon. Senators: Hear, hear!

The Hon. the Speaker: Honourable senators, it is now past 6 o'clock. I shall leave the Chair, to return at 8 o'clock.

The Senate adjourned until 8 p.m.

At 8 p.m. the sitting of the Senate was resumed.

Senator van Roggen: Honourable senators, at five o'clock this afternoon I said that I might be forgiven if I interrupted the tedium of my remarks by referring to one or two anecdotes from this great book I was recently reading by Morris K. Udall entitled *Too Funny To Be President*, which many people thought that he should be at one point. As I did not get around to doing that at six o'clock as I had intended because of a tribute, perhaps I might take a five-minute diversion before getting into heavy statistics or any of the other briefs I want to deal with in the next while.

The next paragraph in the book is entitled:

> Sexist Jokes Are Taboo, Too
>
> Women voters provided the margin of victory in half a dozen Senate races in 1986; they are the reason the Democrats control the Senate today. Obviously, no politician can afford to offend his female constituents with blatantly sexist jokes. Being of an older, less enlightened generation, it's sometimes hard for me to tell whether a joke is sexist or not. But many jokes men tell clearly are. Here's an example of the kind of joke that is now taboo: At the unveiling of a statue honoring Jake Potofsky of the Amalgamated Clothing Workers, an attractive, well-endowed woman rushed up to Potofsky and said, "Oh, Mr. Potofsky, I've come a hundred miles to see your bust unveiled.
>
> "Madam," replied Jake, a male chauvinist if there ever was one, "Believe me, I'd gladly do the same for you."

Udall gives other examples of sexist jokes and when he states:

> Of course, not all sexual jokes are *sexist*; there are some you can tell that won't get you branded as an M.C.P. Secretary of the Treasury. Jim Baker stole the show at the Gridiron one year with this entry:
>
> "I had a terrible dream last night: I dreamed that the three most powerful Americans—the President, the Speaker of the House, and the Chairman of the Federal Reserve—suddenly passed away. All three appeared in St. Peter's waiting room.
>
> "A voice came over the intercom telling the president to go to Room One. He went inside and found himself with a huge gorilla. The voice then said, 'Ronald Reagan, you have sinned, and you must spend eternity with this gorilla.'
>
> "The voice over the intercom then sent Tip O'Neill to Room Two, where the Speaker found a mad dog. 'Mr. Speaker,' the voice on the intercom said, 'you have sinned and must spend eternity with this mad dog.'
>
> "Then the voice sent Paul Volcker to Room Three. He went in, and to his surprise he found himself with Bo Derek. Then the voice came over the intercom and said, 'Bo Derek, you have sinned . . . '"

Anyone who knows Mr. Volcker would enjoy that story.

There are also anecdotes on aging and death, but I want to jump ahead to an anecdote on an old senator in the U.S. Senate who was interviewed by a reporter who asked: "Well, sir, I guess you've seen a lot of changes in your time in Washington." The old senator replied: "Yes, son, I have. And I have been against every damned one of them."

"The trouble with our time," said one old senator to another, "is that the future is not what it used to be."

I have one more and then I will get down to business. I do not know if Senator Marchand is around, but I rather enjoyed this one:

> A candidate was visiting the Indian reservation, seeking votes, and was given permission to speak before the tribe.
>
> "If elected," he cried, "I'll get schools and hospitals for the Indians."
>
> "Goomwah!" shouted the crowd.
>
> "You'll get gas heat in every teepee."
>
> Again the crowd shouted, "Goomwah!"
>
> After the speech, the chief said to him, "You're a good friend of the Indians. Please come into the corral so we can present you with a fine pony. But be careful and don't step in the goomwah.

Enough of that frivolity.

We hear much about all the benefits we will get from the removal of the manufacturers' sales tax which will sift through and make a terrific difference to us all in savings. I have a list here of some of the savings with the removal of the MST. For example, on a kitchen stove there will be a saving of $1.69. For a clothes dryer that costs $530, the saving will be $6.96. On an electric dishwasher the saving will be $9.19, and on a refrigerator the saving will be $12. I thought to myself that was fine, but how often does the average working-class family buy a new stove, clothes dryer or refrigerator? Of course, the answer is perhaps one of those items every couple of years, so there will be a marvelous saving, perhaps once in two years, of $9.19.

However, on the other side of this flip sheet there is a list of things on which GST will be paid directly. For example, on a monthly power bill the GST will be $5.61. That is not paid every couple of years but every month relentlessly, year in and year out. That would make up for ten refrigerators in pretty short order. On 100 litres of heating oil, the GST will be

$1.98. There will be GST on weekly subscriptions to magazines of approximately $3.00.

Therefore, on those major manufactured items where there are perceived savings working through the system, it will not be noticeable to the average working family, whereas the immediate impact on the family budget, day after day and month after month, on things that must be consumed, such as heating fuel, will far outstrip those savings. I will not read the detail of those lists into the record.

One brief landed on my desk which I thought I should deal with. It consists of only a couple of pages. As soon as I tell honourable senators opposite that it is a brief presented by James R. McLachlan, Leader of the Yukon Liberal Party, they will say, "So what!" New senators on the Conservative side may not be aware that I lived in the Yukon for seven or eight years and practiced law in partnership with Erik Nielsen. The firm name was van Roggen and Nielsen. As one can imagine, it has been a major chore during the last 20 or 30 years to live down the fact in the Liberal Party that I was once a partner of Erik Nielsen.

Senator Frith: And he has had the same problem.

Senator van Roggen: He has had the same problem, but mine was a little greater than his.

This short brief particularly caught my eye when I saw it was from the Yukon where I had lived for so many years. I know the subject of the exceptional impact of the GST on the Northwest Territories has already been dealt with, but Mr. McLachlan makes one or two points that could well be read into the record. He said:

> First of all I want to thank you for taking the time to visit Whitehorse—and of course Yellowknife earlier in the week. I understand it was difficult to schedule these trips—but reason prevailed and you're here now to hear the concerns of northerners in this part of Canada.
>
> Many of the arguments that you will hear in Whitehorse today are those that you have heard many times before in your cross-country tour of the past month. I do not wish to re-hash a lot of those. However, I do wish to emphasize one very important point and offer a suggestion I think will be an improvement in another area.
>
> The Goods and Services Tax, at least as it is to be presently applied, is simply an UNFAIR tax in the way that it attacks the end price of the product. Because of our location in Canada's north we are particularly susceptible to the cost of moving a specific product from point of manufacture (or point of distribution in the case of an import) to the store itself. The cost of moving a specific product—the freight—is subject to the GST. The farther a particular item must travel the worse the tax bite becomes.
>
> To illustrate let me take you through the case of a pair of shoes from point of manufacture to the point of sale in Yukon. A pair of shoes manufactured in the Province of Quebec for $25 may hit the retail shelf in Toronto or Montreal for $45. For argument's sake let us establish a freight cost of $2 to get those shoes to the eastern markets. They are now worth $47 plus the GST on the product itself AND the $2 freight. Toronto and Montreal however are a long way from Whitehorse.
>
> Those shoes must now get to Edmonton or Vancouver which are our next mostly likely points of distribution for this area. The freight cost isn't anything like $2 per pair. Its risen to $4 per pair to cover the longer haul to those two provincial capitals—again subject to GST.
>
> But Edmonton and Vancouver are still 1300 and 2000 miles from the Yukon border—and a lot of that journey over a pretty formidable highway. The cost is now $6 per pair plus a little bit of GST. You've now satisfied the Whitehorse market but what about rural Yukon—the voice of which I'm certainly representing here today.
>
> Well you've got to load those shoes back on another truck, run up some more miles, another freight bill and of course some more 7% solution. If that community in Yukon is Old Crow you've just made the whole exercise that much worse again because everything has to be flown in—as are so many of the communities in the N.W.T., a fact of life I would imagine that you heard plenty of about when you were in Yellowknife earlier this week.
>
> The figures here are not 100% accurate for freight. It probably won't cost $6 per pair to ship to Whitehorse if you use a case lot shipment. They are slightly exaggerated and rounded off—but only for the point of emphasis—the emphasis of driving home a point that the farther away you live in this country from established markets and manufacturing centres the more you're going to pay.
>
> The new GST just makes this discrepancy all that more accentuated. One wonders what Michael Wilson was thinking about when he determined that freight should be subject to GST—perhaps he thinks Canada stops at the border of his Toronto riding.
>
> It is a very big country and it costs a lot to move product from one end of the country to another—we've always been stuck with that fact of life. The added tax now just hurts that much more and the wisdom of which will leave people scratching their heads a lot over the next six months.
>
> The second point that I would like to make is this: If there is to be a GST—that is Parliament has passed it through all its hurdles and the Senate has passed it—although somewhat grudgingly—then the timeframe for its implementation is completely wrong. It couldn't possibly be slated to go into effect at a worse time. This is because the majority of Canada's small businesses are working night and day during November and December on their Christmas sales. A large number of Canada's small businesses will do 40% of their annual sales volume in the final two months of the year. The last thing on their mind is implementing the most drastic change in Canada's taxation system in the last quarter century on New Year's Day. It's simply not in the cards. Although our

> bureaucrats will wail at my suggestion of a delay by saying they've been doing their job faithfully by urging small business to register and familiarize themselves with procedure I say to them, "Get real, people. It's simply not going to fall into place as easily as you would like it to." I simply cannot see the toll free lines and the Department of Finance staying open extended hours during the Christmas week to answer everyone's last minute queries as they scramble to meet a deadline imposed upon them by a government about to administer a heavy new tax burden.

● (2015)

There are several points that he makes here: the timing, the unreality of the civil servants. The recent figures show that still almost half of small businesses have not yet registered. I was told the other day that one of the toll free lines in British Columbia has been closed down because the clerks manning it could not answer the questions, and they were embarrassing the government.

He goes on to say,

> I believe that the start of the new tax should not be until April 1, 1991. This gives small business an additional three months to prepare themselves at a time of year when it is not too hectic.
>
> Anybody who knows anything about government budgeting would realize that the April 1 date is a much more realistic date for revenue collection. It ties very nicely with existing budget dates. And it would certainly ease some of the burden on small business. Gentlemen, thank you for this opportunity . . . .

I remember what it was like. It is a long time since I lived in the Yukon, but the problems were not dissimilar then. I am speaking now of the early 1950's when we used to present brief after brief to the Federal Government about the cost of living there, the cost of freight and the fact that a progressive income tax, when applied in the Yukon, was totally unfair to the people living there, because the rate went up progressively, which all of us favour in normal circumstances. However, the people in the Yukon were caught with incomes half as high again as people in southern Canada, and therefore, had higher taxes but not a higher standard of living.

We had obviously slightly more sympathetic ears in those days, because while we got the usual arguments back from the civil services as to where they had to draw the line, what was done was that the territorial income tax level, equivalent to the provincial income tax level, was kept considerably below that of provinces such as British Columbia. Therefore the actual tax paid was more in line with that paid by the "outsiders", and indeed compensation was made for the higher rate paid on the higher cost of living.

There are no such ameliorations being suggested or applied at all in so far as the GST is concerned. The tax will have an enormous impact up there, where the majority of people spend quite literally all of their income in trying to meet the extraordinarily high cost of living in that area.

There is another small group that is affected adversely by this tax. I was taken by a brief that came across my desk from the Guide Outfitters Association of British Columbia. That is a pretty small group of individuals, and yet they were sufficiently concerned with the impact on them of this tax that they prepared a short but interesting and thoughtful brief, which they went to the trouble of having printed. I think that brief should be in the record.

Senator Marsden: They also appeared before the committee.

Senator van Roggen: Yes, they appeared before the committee. When I say the record, I am referring to the *Debates of the Senate.*

I might say there is no conflict of interest, since I am not related to him in any way and have no interest in his business, but I know one of these guides, one of the members of this organization. He is a young man who, a few years ago, started an outfitting camp up the coast of British Columbia, which was a great success. His clientele all are fly fishermen, and use barbless hooks—in other words everything is put back in the water. There is no degradation of the environment of any nature whatsoever. His business encompasses helicopter fishing into the mountains and the lakes, sea fishing for salmon, and trout fishing in the streams. He is booked up fully several seasons in advance almost exclusively by wealthy American corporations and individuals who go up there for a unique experience, and bring a lot of money into Canada. That redresses, to a small degree, the unfavourable balance of trade that we have in tourism in the world, as you well know.

Just reading from the brief:

> The following submission on the GST is made on behalf of the Guides and Outfitters Association of British Columbia (GOABC). It requests that the services of guide-outfitters, when consumed by non (Canadian)—residents be recognized as an export service, and zero rated accordingly. The basis for this position is firstly the damaging industry impacts that imposition of the GST would have, and secondly the administrative feasibility of zero-rating the service in question. This brief outlines the background and the basis for this position.

I think this is very important, honourable senators. It has become popular to say everybody wants an exemption, everybody wants favouritism, everybody wants to be especially left out. These men and women are thoughtful enough to come forward with a proposal that does not say, "We just want out. We want to be exempt. We should not pay 7 percent like everybody else on what we consume. We should not pay 7 percent like everybody else on our groceries that we purchase from day to day." They have very thoughtfully singled out the actual fee paid out by the foreigner, usually Americans who come into Canada, and they are comparing that to any other export we might make in this country, which of course is not subject to the impact of the GST.

I think it is a very thoughtful dividing line that they are using, to ask for their exemption, not on the day to day things that they purchase like all of us do, and would have to pay the

GST on, but on the substantial fees that the foreign guests they entertain pay to them, which can be likened very easily to a simple export of a few carloads of lumber or potash, or whatever.

Industry Profile

In addition to its significant economic contribution to outlying communities, the licensed guide outfitting industry plays a very important and often unacknowledged wilderness preservation role. For example, in British Columbia, guide outfitters have been instrumental in the establishment and support of numerous wildlife areas and wildlife preserve associations, such as the Spatzizi Wilderness Park, the Foundation for the Conservation of Wild Sheep, and many others. Such activities are to the collective benefit of all Canadians.

Senator Marsden: Excuse me Senator, what is the name of that park, can you spell it?

Senator van Roggen: Spatzizi.

Senator Marsden: I have never heard it before.

Senator van Roggen: I have not heard it before, either. Being from British Columbia, I should know about Spatzizi, but I am afraid I do not.

This is a very small industry, but some of the figures they quote are quite remarkable.

The industry in British Columbia had an estimated $22.1 million in revenues in 1988, 89% of which was from hunting operations, and ll% from non-hunting operations. While small in absolute terms, the industry plays a vital role in maintaining the economic viability of numerous outlying small communities. An estimated 1,740 direct jobs and $8.4 million in wage income was generated by the industry in 1988. The industry is especially significant to the economies of smaller, remote communities, both in terms of employment provided and services used, for example air charter operations.

Product Profile

The hunting product provided by guide outfitters comes in the form of a package, i.e. including food, accommodation, transport, and guiding services. The product is provided on a one-to-one basis and is readily segmented. The great majority of clients (96% in the case of the hunting product, and 83% in the case of the non-hunting product) are non-Canadian, and the industry product is very price sensitive, and very competitive internationally. (i.e. with increasing competition from places such as Russia, and Africa, and from the U.S.A.).

And more recently, as we all know, from Eastern Europe.

For this reason, and the general substitutability of the tourism product, the pass through of any portion of the GST would have a very serious effect. Unfortunately, because of the very low margins prevalent in the industry, operators are in no position to absorb the tax and will be forced to pass it on. Furthermore, since inputs into the industry did not bear any Manufacturers Sales Tax the net new tax burden would be the full 7%.

In other words, here is another case like that of the doctors, where there is no tax charged to the client against which a rebate can be claimed.

Impact and Recommendations

Because of the product's price sensitivity and the option open to customers of avoiding the tax altogether, the imposition of the GST would result in a serious decline in business for guide outfitters. This decline would not involve a short term adjustment but would be permanent. Not only would the damage be greatest in areas of Canada where alternate economic opportunities are most limited, but the net result would be less not more government tax revenue. The industry's existing expansion potential would also be choked off. This effect would be experienced not just in B.C. but across Canada and the guide outfitters in other provinces and territories support dthe GOABC on this issue.

• (2030)

Given the severity of the impact, the fact that exemption for exports is a basic principle, and that the services of guide outfitters are provided in a manner that facilitates special administrative provisions (ie provided in discrete, separable packages to non-residents), the GOABC's basic position is that zero rating should apply. This is the only option that will permit the industry to continue along its existing development path. The partial rebates provided for (in recognition of the special circumstances that apply to the tourism sector), such as for goods removed from the country and for accommodation, are either inapplicable or unworkable in the context of guide outfitting operations. As a possible second best alternative to zero rating the option of a full rebate provision, applicable to the *full* value of product package is also suggested.

Guide Outfitters and the GST

This presentation is being made on behalf of the Guide Outfitters Association of British Columbia (GOABC). The association was formed in 1965, and currently represents 180 licensed professional guide outfitters in the province of British Columbia. The Association is supported solely by membership dues and maintains a membership office in 100 Mile House, B.C. This submission presents a profile of the industry, assesses the likely impact of passage of the GST on the industry, and outlines the Association's recommendations with respect to the GST.

The Guide Outfitting Industry in B.C. has existed since the 1800's and has been subject to regulation since 1948. Guide outfitters are governed by the provincial Wildlife Act, and operate in guiding territories for which guide outfitters certificates are issued by the Wildlife Branch of the Ministry of the Environment. These certificates give the guide outfitters the exclusive right to guide hunters,

both resident and non-resident, within the area for which the certificate is held. As of 1988, the number of licensed guide outfitters in the province was estimated at 278, 180 of whom were members of GOABC. This system of regulation ensures that the province's wildlife resource is utilized in a regulated way, sensitive to the long term management needs of the wilderness resource. Broadly similar systems of regulation are in place in other provinces and the territories.

Guide outfitters are required to ensure that each client is properly licensed to hunt in the province and to pay royalties to the Crown. In addition they are required to report annually on the number of clients served and harvest taken. For wildlife management purposes, in the case of sensitive species, the Wildlife Branch may set quotas limiting the number of animals of the particular species that can be taken by the outfitter's clients each year. A detailed allocation agreement between the GOABC and the British Columbia Wildlife Federation, representing the resident hunters of the province, defines the process through which such decisions are made. Guide outfitters have played a pivotal role in creating and maintaining many of the province's wilderness areas. Mount Assinniboine Provincial Park, the Purcell Conservancy, Spatzizi Wilderness Park in the Height of the Rockies are examples of wilderness areas created in part through the efforts of guide outfitters. In 1988, guide outfitters and other local groups set up a Wilderness Defense Fund to ensure the proper protection and management of the Purcell Conservancy and surrounding area. Several guide outfitters in the East Kootenay made financial and time contributions to the protection of the Height of the Rockies area, even though their territories were not located there.

Most of the rest of the brief is an amplification of the executive summary which I read at the beginning. However, it gives an idea of the problem that exists in a very small industry that is found in many provinces, that of the impact of the GST when dealing almost exclusively with large fees paid by American and Japanese hunters and fishermen coming into the country. They are simply asking that consideration be given to treating those fees as an export commodity.

I have a brief here that I read with great interest at the time, and I had thought that I might deal with it tonight. However, since Senator Olson is in the house and since he has not spoken yet, I think I will leave it. The brief is by the Western Canadian Wheat Growers' Association, and he will be much better able than I to deal with questions relating to their problems, which are great. So I shall pass that one on.

I have now a brief presented to the committee by Mr. Mel Hurtig in July. That brief was of sufficient interest to the *Globe and Mail* that it wrote three articles based on it. Heaven knows, the *Globe and Mail* is not a very harsh critic of the government and, basically speaking, supports the GST. However, it still thought this brief worthy of three articles in its paper. Some of the statistical information in the early part of the brief should be put on record.

[Senator van Roggen.]

A lot has been said in the last number of weeks in the debate on this subject of the tendency of this government to slowly transfer taxes from the rich to the poor, and from the corporate sector to the individual sector. I think many of you who know me would think of me as someone who is not adverse to giving the best possible competitive advantage to our corporate sector, but I do not think it is necessary that this be done at the expense of shifting the tax burden of this country from the rich to the poor as dramatically as has been done in the last five or six years by this government. Nor am I someone who could be described in the best of circumstances as a fan of Mr. Hurtig. In fact, I was so critical of him in a speech I made at one time that he issued a writ against me. That does not restrain me from reading part of his brief; the first portion containing the statistical information. He says in his introduction:

> The Canadian tax system has been characterized by enormous tax concessions for giant corporations, conglomerates and wealthy individuals.
>
> Huge, very profitable and powerful banks, trust companies, insurance companies, petroleum companies and mining companies have been paying remarkable low real rates of taxation on real profits, rates of tax well below that of average Canadian individuals, families, and well below the rates of most small and medium-size Canadian businesses.
>
> The Mulroney government "tax reform" has increased the tax burden for the overwhelming majority of individual Canadians and their families and decreased it for the very wealthy.
>
> At the same time effective corporate tax increases for the largest, most profitable corporations have been modest and the government's own projections on corporate tax revenue for 1992 show small increases.
>
> The result is a shocking concentration of wealth and power in Canada and an excessive tax burden for the overwhelming majority of Canadians.
>
> All of the following Canadian statistics come from Statistics Canada, the Department of Finance, the Department of Revenue or the Bank of Canada. International statistics are from the OECD, the I.M.F. or the U.S. Department of Commerce.

There are a number of charts here. I shall try to interpret them without asking that they be included in the written record for today.

The first charts deals with the seven largest chartered banks in Canada and their profits and taxes. When I first glanced at this chart, I thought, "Oh well, so they haven't paid any taxes recently because of their enormous write-downs on their bad Third World loans", but then I looked at the dates Mr. Hurtig was using. They are all prior to any of these enormous write-downs that the banks have taken recently on Third World loans. The profits quoted, I assume, are also after provisioning for bad debt.

This is the aggregate of the seven largest Canadian banks. In 1981, the aggregate profit was $916 million, federal income taxes paid by all seven, $8 million—0.87 per cent. In 1982, their profits were $951 million, federal income taxes paid, $7 million. In 1983, aggregate profits, $1.6 billion, taxes paid $40 million. In 1984, aggregate profits of $1.865 billion and taxes paid, $17 million. The highest ratepayer got to 2.44 per cent and dropped off again in 1984 to 0.91 per cent. Perhaps they had started provisioning by then.

Therefore, from 1981 to 1984 inclusive, Canada's seven largest banks made profits of $5.3 billion and paid federal taxes on these profits at the rate of 1.34 per cent. From 1980 to 1987, inclusive, Canada's banks made profits of over $7.64 billion and paid federal taxes at the rate of 2.48 per cent. Mr. Hurtig went on to say:

> These figures can only be described as appalling.
>
> It is completely beyond comprehension that any government, any elected officials, or any senior civil servants could have allowed such a situation to occur.
>
> Few Canadians are aware of these figures. Few taxpaying Canadians could comprehend how such a travesty could have been allowed.
>
> It is safe to say that the vast majority of bank tellers in Canada, including the lowest paid, paid a far higher rate of tax throughout the entire decade of the 1980s, than the bank that he or she worked for.
>
> The low effective rate of tax paid by banks, trust companies, insurance companies—in fact the entire financial sector—should be a scandal. But few Canadians know of it. The financial press in Canada does not tend to dwell on such matters. This Senate committee should not issue its report without providing Canadians with the following information:

● (2045)

> Total bank profits for the 1980s.
>
> Total taxes paid on these profits.
>
> The effective tax rate represented by the above.
>
> The Committee should supply the same information for trust companies, insurance companies and real estate companies.
>
> From 1980 to 1984 life insurance companies in Canada made total profits of $3.076 billion, and paid federal income taxes at the rate of 4.3%.
>
> From 1981 to 1984 seven large trust companies in Canada made profits of $775 million and paid federal income taxes at the rate of 7.6%.
>
> In addition, this committee should report to the people of Canada the true effective tax rate paid during the 1980s by the mining industry the oil and gas industry, and other key areas of the Canadian economy that have been paying low effective tax rates.

As an aside, while reading these figures I was thinking of the low rate of taxes paid by the financial institutions. At least mining companies and oil and gas companies have the claim that they should be able to write off, for tax purposes, their ore reserves in the ground or their oil and gas as a diminishing resource, as it is used up, as a depletion allowance or what have you. It would be interesting to know if those depletion allowances were deducted before these profit figures were pulled together, although I think they would have been under normal accounting circumstances. However, I do not know where such a depletion allowance fits into the financial institutions.

Mr. Hurtig goes on to say that:

> The metal mining industry made profits of $2.365 billion in 1986 and 1987 and paid federal and provincial income taxes at a total combined rate of only 7.7%.

He gives similar figures for the petroleum industry. In the next paragraph he says that:

> During these same two years, the financial sector, including banks, trust companies and insurance companies made profits of over $54.88 billion and paid taxes at the rate of only 11.2%.
>
> No decision about the implementation of a regressive, unfair, costly, and inflationary GST should be taken before the public has had a proper opportunity to examine the details of effective corporate tax rates during the decade of the 1980s.
>
> Since it is clear that the House of Commons will not produce and publicize such information, and that the business press has failed to do so on its own accord, this committee can serve a most valuable public purpose by providing this important information to Canadians. I would go beyond that and say that this committee has *an obligation* to the people of Canada to provide such information.

He goes on to ask:

> . . . .how could we have developed a tax system where banks can make billions of dollars in profits and pay a tax rate of 1% or 2%.
>
> And how can it be that after "tax reform" the present situation still remains grossly unfair to average Canadian taxpayers?

Then there is a graph with respect to percentages of total taxes collected starting in 1950. Individual income tax by individual Canadians contributed approximately 50 per cent of the total taxes collected by the federal government, rising over the last 40 years, to 88.1 per cent last year; whereas the corporate income tax has gone down, as I read the chart, from almost 50 per cent to 11.9 per cent. I do not think most Canadians have fully focused on this enormous shift in the tax burden in Canada over the last number of years.

Mr. Hurtig then states in his brief what is evident in his chart, namely:

> In 1950 corporations and individuals each paid about half of the income tax collected in Canada.

Forty years later, it has shifted to 90 per cent being paid by the individual and approximately 10 per cent being paid by the corporations.

There is then a chart on the major components of federal government revenue. The source is Statistics Canada. The changes are not as dramatic, but it does show indirect taxes dramatically rising in the last 20 years from 5 per cent to 25 per cent, while direct and business taxes, taken together because of the lower rate for corporations, remained more or less steady; so that the indirect taxes—hidden taxes, as we refer to them—have increased dramatically and, of course, are less visible to the individual Canadian.

He then has a chart showing corporate profits before taxes. Corporate profits before taxes in 1986 were $45 billion, rising to $56 billion in 1987, to $62 billion in 1988, and to $60 billion in 1989. So between 1986 and 1989 corporate profits increased by one third, but what happened to corporate taxes? We go over the page and find that the combined federal and provincial direct taxes from corporations, as a percentage of corporation profits—this is when profits rose dramatically—were 32 per cent in 1986, falling to 26 per cent in 1987, to 25 per cent in 1988, and to about 24 per cent in 1989. I am trying to read this as best I can. So corporate taxes in these years declined by some 20 per cent, while profits increased by 34 per cent.

It is rather difficult to understand how, during this period of tax reform of Mr. Wilson's in the last three or four years since he has been in office, corporate profits have dramatically risen coming out of the previous recession, while the tax collected from the same corporations has gone down by some 20 per cent. Again, the total revenue has gone up. Again, there is a shift of the tax burden to individual Canadians.

As far as the federal government is concerned—in case you want to lay the blame on the provincial government because the last chart showed combined figures—the next page has a chart of federal government direct corporate taxes with the provincial share taken out. Here is a look at the same trend but only as it relates to the federal government. Corporations paid an effective federal tax rate of 22.6 per cent in 1986, declining to 17.7 per cent in 1989 after tax reform. So while the federal government was facing all-time record deficits and corporate profits were increasing substantially, corporate direct tax payments to the federal government fell by 22 per cent. The next page sets forth the same statistical evidence in the form of a bar graph.

Mr. Hurtig then deals with provincial government direct taxes from corporations as a percentage of their profits. If the tax rate from corporations was not going to the federal government, perhaps the aggressive provinces were moving into the gap. Hardly. Exactly the same phenomenon was taking place at the provincial level; effective corporate taxes were being reduced there as well.

On the next page you see a bar graph taken over a four-year period, from 1986 to 1989 inclusive, showing personal income tax paid to both the federal and provincial governments rising from $85 billion to $95 billion to $107 billion to $112 billion. There was a steady increase of almost 25 per cent. At the same time, the bar graph shows corporate taxes during those same four years going from 14.4 to 15 to 16 and down to 15.3—almost level throughout the same four-year period.

[Senator van Roggen.]

Then we come to the subject of subsidies. Some will quickly point out that, while corporate tax rates in Japan, for instance, are much higher than in Canada and elsewhere, our major market is the United States and that we must be competitive, corporate tax rates in the United States are not that much higher than Canada's. They are higher, but the level of subsidy and assistance that goes to American corporations is nothing compared to what goes to Canadian corporations. Here we have a graph showing before-tax profits at $57 billion, federal and provincial income taxes of $12.66 billion, and government subsidies of $8.43 billion. So the net income tax, less the subsidies, is 7.4 per cent or $4.23 billion.

A moment ago, I commented on the fact that Japan paid higher corporate taxes. Here is a graph on exactly that point. This graph shows Canada's corporate tax rate relative to some of our trading partners: 8 per cent in Canada; 8.1 per cent in the U.S.; 10.6 per cent in the U.K.; 22.9 per cent in Japan. So the corporations in Japan contributed almost three times as much, as a percentage of total taxes, than did corporations in Canada, and yet those corporations in Japan compete rather well in the global market, as we all know.

• (2100)

We then have some statistics from the OECD, which show taxes on corporations as a percentage of total government principal tax revenue, and these figures are very close to the figures I gave you in the previous chart: 8.2 per cent in Canada; 8.5 per cent in the U.S.; 9.8 per cent in the U.K.; 23 per cent in Japan.

Mr. Hurtig then has a chart on the percentage of taxes on income, profits and capital gains paid by corporations for Canada and its main trading partners. The figures for the United Kingdom are after Margaret Thatcher had slashed taxes very dramatically, as you know, from a previous brief I dealt with earlier today. On this chart, Canada is at 16.9 per cent; the United States at 18.3 per cent; the U.K. at 28.6 per cent; Japan at 48.8 per cent.

Next we go to the top central government corporate tax rates for 1989. The graph does not make clear whether or not any allowance is made for provincial taxes. As the other countries shown, are unitary states, except for the United States, I do not know if that comparison, while unfavourable to Canada, can really be fair, so I will not touch on that.

Then we come back to personal income tax as a percentage of total tax receipts: France—and I do not know where they get all their revenue from, but they are very low—in the area of 12 per cent; Japan, approaching 25 per cent; Italy, just over 25 per cent; U.K., 26 or 27 per cent; Germany, 28 per cent; U.S.A., about 35 per cent; and Canada, getting close to 40 per cent, the highest of them all. Canada is the lowest in corporate tax rates and the highest in personal income tax rates—again

most of that shift having taken place in the last four years of so-called tax reform in Canada.

It would be different if this all resulted in making our corporations more competitive, but it is being done at the same time that interest rates are being kept abnormally high, resulting in a high dollar and the further result that our exports are suffering. So, certainly, you cannot use the argument that there has been any benefit on the corporate side, from a productivity point of view, from these low corporate taxes. In the service sector, they are so low as to be almost meaningless.

Next, we have a graph showing taxes on personal income as a percentage of GDP. Well, that is much the same graph in a different form as the one before: personal income taxes in Japan at 7.3 per cent, rising to 10 in the U.K., 11 in the U.S. and 13.4 in Canada.

The next graph shows taxes on personal income as a percentage of total taxes, for Canada and its main trading partners, according to the OECD figures: Japan at 24 per cent; U.K. at 26 per cent; U.S. at 36 per cent; and rising in Canada to 38.7 per cent. In every case, Canada is the highest on the personal tax level.

Again, OECD figures, total government principal taxes on individuals as a percentage of total tax revenue: France, the lowest, going on a steady incline on a bar graph to Japan at 23 per cent, Germany and the U.K. at 28 per cent, Italy at 30 per cent and up to Canada at 39.1—rather interesting statistics.

We now come to indirect taxes, these famous hidden taxes which will now be exacerbated further by the GST, which was once to be visible but which will now be invisible. The graph shows indirect taxes as a percentage of total government tax revenue: Canada in 1988 was 38 per cent, as opposed to 32 per cent in France, 29 per cent in Germany, 26 per cent in Japan, 26 per cent in Italy and 24 per cent in the U.S. Canada is almost half as much again as in the U.S.

The next chart is combined revenue from net wealth taxes on individuals and capital transfer taxes, 1985. These were taxes we either do not have or have very little of in Canada. I am surprised myself at reading the number of other countries that have net wealth taxes and/or capital transfer taxes. They produce not a large percentage of their tax revenue, but in the case of Japan, it is over one per cent and moves on a sliding downward scale for Greece, Netherlands, Denmark, France, Portugal, U.S., Sweden and the U.K. Even the U.S. is up there at .8 per cent of their total revenue. Sweden is just below the U.S. The U.K. is next, and then Norway, Belgium, Austria, Finland, Spain, Germany at about 4 per cent, Ireland, Italy, New Zealand and then Canada at half of one per cent. So we certainly do not make up for any of the excessive taxes on individuals and hidden taxes by taxing capital or capital transfers in any form, as do our trading partners, almost without exception.

The subject of the brief then switches to corporate concentration in Canada, a subject which I think has to be of concern to any thinking Canadian. I know that the argument on the one side is that even the largest corporation in Canada, which might appear to be a monopoly insofar as our marketplace is concerned, is still comparatively small insofar as the globalized market is concerned. A company that monopolized 100 per cent of the Canadian market in a given product line would still be smaller than a company that had only 10 or 11 per cent of the total market in the United States in the same product line.

That is something that I have never complained about specifically, although I have always maintained that, if you had a free trade agreement with the United States, this monopoly concentration in a given product line would not be of concern because the control would come through the free trade mechanism. However, I also have felt—and I might point out to honourable senators that this is spelled out in the report of the Foreign Affairs Committee on free trade in 1982—that upon entering into a free trade agreement with the United States, we should have drastically amended, if not abolished, the combines legislation in Canada because Canadian companies subjected to free competition from American companies of a larger size should be free to amalgamate and combine in any form that they wished, so as to be as competitive as they possibly could be in the Canadian context. Nothing has been done by this government in that respect, that I know of, since the implementation of the Free Trade Agreement.

However, this particular part of this brief does not deal with the size or concentration or monopoly position of an individual Canadian company in an individual product line, such as a mining company, whether it be Noranda or Falconbridge having an abnormally high percentage of a given product line in nickel or aluminum products, or what have you. I do not think that is of any concern to the author of this brief, nor to myself. What he is talking about here are these huge family agglomerations where the largest Canadian companies become—courtesy of Senator Eyton and others—simply a cog in a financial empire, more interested in spinning money back and forth than in building wealth-producing companies. Perhaps I should not have said "more interested"; that may be unkind or unfair, but one suspects it is often the result.

This chart points out that 25 enterprises in Canada control 1,116 corporations and own 41 per cent of all assets. Whether that means all assets on the Toronto Stock Exchange or all assets in Canada in total, I cannot tell you. The top 1/100th of 1 per cent of all enterprises control 55 per cent of all assets. I am assuming that that now means all assets of the country. Over half owned by the top 1/100th of 1 per cent of all enterprises! The top 1 per cent of all enterprises control 86 per cent of all assets and make 75 per cent of all profits. Put another way, 99 per cent of all corporate enterprises own 14 per cent of the assets and make only 25 per cent of the profits. This is not an area that I have made a study of, but I think it is reaching proportions which are unique in the world.

Honourable senators should note that the text goes on to point out that these are the figures for 1987, before many of the huge, front-page mergers of 1988 and 1989.

• (2115)

In the interests of time, I will move ahead on some of these charts which are difficult to read into the record without having them published.

Next is an OECD chart which lists total tax receipts as a percentage of Gross Domestic Product. Mr. Hurtig then asks,

> Are Canadians Overtaxed?
>
> We continually hear from right-wing "think tanks" such as the Fraser Institute and the C.D. Howe Institute . . . .that we Canadians are overtaxed.

The Canadian Chamber of Commerce and the Canadian Manufacturers' Association tells us the same thing, as do most business groups. Of course, so does the financial press. This graph lists Canada paying total tax receipts below those of the majority of EEC countries in Europe, ahead only of Spain, Australia, Japan and the U.S., but I do not have a clear understanding of whether or not there was a distinction made for provincial taxation, and so I have difficulty with the chart.

The brief then lists government social expenditures as a percentage of GDP for 1989, and we sit pretty well in the middle of some 20 countries mentioned. The brief then addresses social programs and social spending and that is another subject which is probably better dealt with in a different debate on a different day.

With that, honourable senators, I will leave that particular brief and move on to the nine o'clock reading from Mr. Morris K. Udall.

Senator Steuart: Which Udall would this be?

Senator van Roggen: Moe Udall. Honourable senators who were with the Canada-U.S. Inter-Parliamentary Group in Phoenix, Arizona four or five years ago will remember that he was invited to dinner with us one night. I must say, he was an awfully funny fellow. One chapter in his book is on "Aging and Death", and that will be of interest to all members of this chamber. He states:

> An old man was interviewed by a newspaper reporter on his one hundredth birthday. "To what do you attribute your longevity?" asked the reporter.
>
> The centenarian thought for a moment and began ticking off items on his fingers: "I never smoked, I never drank liquor, I never overate, and I always rise at six in the morning."
>
> "I have an uncle who did all those same things, yet he only lived to be sixty," the reporter said. "How do you account for that?"
>
> "Well," said the old man, "he just didn't keep it up long enough."
>
> Following a long and eloquent sermon on the importance of fellowship and getting along with one's neighbors, the preacher asked the congregation, "Is there anyone present who has led such a life that he does not now have any enemies?"
>
> An old man stood up and said, "Right here, parson."
>
> "Congratulations," said the preacher. "Please tell the congregation how you did it."
>
> The old man looked around the room, winked, and said, "I outlived the bastards!"
>
> Every losing politician should heed the words of an old hillbilly often quoted by former vice president Alben Barkley. Uncle Zeke was renowned for his wisdom. When asked why he was so wise, he said, "Waal, I've got good judgment. Good judgment comes from experience; and experience . . . waal, that comes from bad judgment."
>
> Senator Theodore Green, who served in the Senate until his nineties, always carried a little black date book. At one Washington party a lady saw the senator put on his spectacles and begin to study the little black book.
>
> "Senator, can I help you find something?" she asked.
>
> "No, this is only my engagement book," the senator said.
>
> "Oh, I imagine you are trying to see which party you are attending tomorrow?"
>
> "No," the senator replied, "I am trying to find out where I am tonight."

That reminds me of a true story about that great Canadian, Stephen Leacock. I have not told this story for ten years, and I may have forgotten it. However, it was something to do with him being on a train and losing his ticket. The conductor admonished him not to worry about his ticket, that they could trust him since they knew him very well, and that the CPR certainly could give him credit and he could purchase his ticket another time. He said, "That's not the problem, son. I am trying to remember where I am going."

This anecdote in Mr. Udall's book reminds me of a story of my grandmother's:

> At an Arizona-Arizona State football game there wasn't a ticket available for weeks. On the 45-yard line a fan sat with an empty seat next to him. A spectator asked the man if he knew who owned the seat. "Yes, I do," the fan replied sadly.
>
> "Then why isn't it being used on the day of the biggest game of the year?", the spectator asked.
>
> Mournfully, the man said, "Well, my wife and I have season tickets and we always come together. But last Friday she died."
>
> "Oh, I'm sorry to hear that," the spectator said. "But why didn't you give her ticket to one of your children?"
>
> "Oh, I couldn't do that. They're all at the funeral."

My grandmother was a Scottish Presbyterian from your part of the world, Senator Murray, from PEI and Pictou County. She told the story of the Scots lady down in those parts who admonished her husband, who had never go along with her mother. She said, "Jock, there's just one thing I want you to promise me, and that is that on the day of my funeral you ride with Mother in the carriage." He said, "Aye, Maggie, that I'll promise ye, but it will spoil the day for me."

Thank you, honourable senators.

Hon. M. Lorne Bonnell: Honourable senators, listening to Senator van Roggen reminded me of Mr. Spicer going around the country and solving all the problems of the nation by telling stories and listening to jokes in Tuktoyaktuk and in other places, and by doing so knowing exactly what the people are thinking we should have in Canada. Today, with Senator van Roggen's stories, I wonder how they relate to the goods and services tax that we are about to debate here. I have been waiting since September to hear the "Great Debate", because many times I have heard different senators say, "Let's get to the debate on the bill. Never mind all these problems and procrastinations, let's debate the bill." I have waited and waited for senators on the government side to rise and tell us some of the good points of the bill, and after waiting and waiting I finally have to rise to tell them what I think are some of the good points of the bill. Apparently members on the government side do not know any good points in the bill to persuade me to vote for it. I am one of those senators who would like to be able to vote for the bill because Summerside, Prince Edward Island, will get all these offices and all these jobs. Probably half the fellows from the CBC who were fired today will come to Prince Edward Island and we will have an influx of people looking for jobs when the GST passes.

Since I seem not to be able to get anyone on the government side to elaborate on the good points of the bill after waiting for this debate, I thought I would say a few good words on behalf of the Prime Minister and the Minister of Finance, give them some moral support, and show them that someone did have some thoughts on Bill C-62.

It is clearly an understatement to say that the proposed goods and services tax as embodied in Bill C-62 is an unpopular and controversial tax. Indeed, the tax is so unpopular that it prompted the Standing Senate Committee on Banking, Trade and Commerce to recommend that it be killed. The Senate rejected that proposal. Subsequently, members on this side of the chamber, Liberals as well as the Independents, proposed a number of amendments that we thought would improve the bill and those were also rejected. It is useful then to recall at this time just what we have learned about the tax and to recount how Canadians feel about it.

When the government introduced its tax reform white paper in 1987, it promised taxes which would be fair and equitable, visible and supportive of the economy. The goods and services tax has been touted as a tax which meets all of these criteria, but from the evidence of Canadians it failed to pass the test.

Of course, it must be acknowledged that the current manufacturers' sales tax is flawed. Most of the 370 witnesses heard during the Senate Banking committee's cross-country meetings agreed with this assessment. But only 32 expressed outright unreserved support for Bill C-62, while another 30 were reported to support the bill with some changes. On the other hand, 210 witnesses expressed outright opposition to the goods and services tax. An indication of the great number of technical problems with the goods and services tax was that 159 witnesses asked for changes in the proposal. The members on this side of the house have no difficulty in agreeing with the Government that the manufacturer's sales tax is bad, and indeed in need of reform. We, the majority of the Canadians, do not agree that the goods and services tax is the answer.

• (2130)

Although we were aware that a majority of Canadians opposed the goods and services tax, it was startling just how broad and deep this opposition was. In every city across Canada where the committee held hearings, groups, organizations, labour unions and concerned citizens appeared and expressed their fierce opposition to the goods and services tax. An indication of the depth of opposition to the GST was the fact that 132 witnesses asked the Senate to overrule the House of Commons and reject Bill C-62 completely.

The goods and services tax cannot be defended by simply stating that the manufacturer's sales tax is flawed. The goods and services tax must garner support on its own merits. This has not been done. The debate in the Senate today is not to change our stand or opposition to the goods and services tax.

What have we learned about the bill?

We have learned that the goods and services tax is an unfair tax. Most importantly and more important than the technical flaws in the bill is the matter of fairness. Any tax that is going to raise $18.5 billion per year and constitute a major part of the Federal Tax arsenal must meet some basic elements of fairness. The GST, another VAT-type tax, is not generally viewed as meeting those basic requirements. It is a regressive tax; lower income individuals spend a greater share of income on consumption and therefore are obliged to pay a greater proportion of their income on sales tax. To make it more acceptable, the Federal Government is including a system of enhanced refundable tax credits as part of the GST package. Many studies of consumption taxes have shown such credits to be an effective and efficient way of relieving lower-income households of the burden of a consumption tax. But if the basic structure of the tax is going to be determined by the tax credits, they must continue to be effective. Instead the provisions of the bill ensure that only temporarily would they do the job which they are meant to do.

The credits, and the income threshold after which they declined, are only indexed to take account of inflation in excess of 3%. Thus, the real value of the credits would decline over time and an increasing number of individuals and families would have their benefits reduced. Eventually, even the very poor would not be protected from the extra cost imposed by the GST. Indeed, after only five years, some families could lose up to $300 of the real value of their credits, which amounts to one-half of the maximum value of credits for which their are eligible.

In the past, the government has made statements about adjusting the sales tax credits and income thresholds over time. Indeed the debate of this chamber on the amendment to provide full indexing heard just such claims as well as the arguments that the federal sales tax credit has been increased at rates in excess of the rate of inflation and in excess of that needed to compensate for higher tax rates. However, we are

not in a position to evaluate the government's intentions. We can only judge the GST on the basis of the legislation which is before the Senate today, and clearly Bill C-62 does not provide for full indexation of the refundable sales tax credits and income thresholds. If the government is going to do what it says it is going to do, full indexation will, in fact, cost nothing. Why cannot such a basic guarantee be given to the poorest of families who will rely heavily on these credits if the GST comes into being?

But what is particularly ironic is the fact that some of the stronger supporters of the bill have criticized this lack of full indexation. Professor Robert Clark of the University of British Columbia, the Economic Council of Canada, and the Conference Board of Canada all felt that the system of credits is vital to alleviating some of the regressive effects of the GST. Because of this importance, the real value of the credits must be protected. Another strong supporter of the GST, Mr. Wolfe Goodman, stated that a lack of full indexation would ". . . be grossly unfair to the poorest and the most vulnerable people in our community."

This is not the only problem with the GST. The $100 single adult credit is not fully obtainable unless the individual's income exceeds $11,169. We are told that this credit is designed to reach the working poor, but must it also deny the very poor who are in the most dire need of assistance? Also if Quebec continues to treat the refundable sales tax credit as income for purposes of determining social assistance, the GST tax credit would merely offset social assistance benefits to the poor of that province.

The GST credits completely fail to take into account the high cost of living in Canada's remote regions. The GST would apply on the final price of goods and services inclusive of transportation costs, which are a significant component in the price of goods and services offered in the north. Although the average Whitehorse family would pay about $400 more GST than the average Canadian family, this is not reflected in the value of the credit. We also know that the cost of living in Yellowknife is 40% higher than in southern Canada, with outlying settlements even more expensive. Thus, not only are the credits too small, but the income threshold of $24,800 at which the GST credits start to be reduced will not reflect the same standard of living in the North as in southern Canada.

The Government of Yukon made the following point before the Standing Senate Committee on Banking, Trade and Commerce when it was holding hearings in Whitehorse.

However, the new goods and services tax, as proposed, is particularly unfavourable to the Yukon and to other northern areas of Canada. What we are particularly concerned about is a national tax rate of 7 per cent. In fact, a national rate of any per cent will be inequitable for the Yukon, because most of our commodities are, in fact, transported into the Yukon and and therefore our residents will end up paying more taxes than the Canadian residents in the south. Therefore, we would prefer if there was some kind of relief built into the tax in the form of, perhaps, a lower rate of 5 per cent or something like that for the North and the remote areas, in order to offset the additional cost.

[Senator Bonnell.]

Another area that is inequitable is the credits that will be provided under the bill. The cost of living in the North is already high, and with the increased cost caused by the GST we will not receive the same benefits for those tax credits as will the residents of the south.

The other area of concern to us in the north is the threshold at which GST credit is phased out. Again, because of the high cost of living in the north, our salaries and wages are naturally higher than wages in the south. In fact, they are generally in the range of between 20 per cent and 25 per cent higher. Therefore the definition of a low-income Canadians in the Yukon or indeed in the Northwest Territories or any high cost centre in the country, is not the same as that of low income Canadians in Ontario, Quebec, Manitoba or Saskatchewan.

• (2145)

The system of credits is not the only means by which the government has promised the people that the adverse consequences of the GST would be mitigated. Some products are to be zero-rated while others are tax-exempt. The government, for example, has made much of the fact that residential rents are tax-exempt. This exemption serves to conceal the GST paid on inputs, but it certainly does not eliminate the tax. This is particularly ironic because the FST is being discarded because of its invisibility.

The price of exempt items, such as residential rents, would go up as a result of the GST. In the case of new rental accommodation, the increase can be substantial. The Fair Rental Policy Organization of Ontario has claimed that average rents in Ontario would increase by 2 per cent on account of the GST. Rents in new buildings would increase by about $50 a month. It is true that provinces such as Ontario have strict rent controls, but if these costs cannot be passed on explicitly via higher rents, they will be passed on in other ways—through lower maintenance, less frequent repairs or direct charges for other services.

Many Canadians find it difficult to purchase their own homes. The government has reassured Canadians that the affordability of housing will not be much affected by the GST. Evidence is quite to the contrary. Land will now be taxed for the first time under the GST. It constitutes a large part of the price of housing in high-cost housing markets. In these areas, such as Toronto, Vancouver and the Golden Horseshoe areas of southern Ontario, new home prices could increase by 3 per cent, substantially higher than the figures cited by the federal government. In Ontario, this amounts to a $10,000 increase in the price of a home. Even though the sale of used housing is free of tax, that market should also see price increases as a result of the GST. Since used housing is a substitute for new housing, an increase in the price of the latter should drive up the price of the former. A more direct effect is due to the fact that soft costs—that is, realtors' fees, legal fees and so on—will now be subjected to the GST. A 7 per cent tax on these costs could increase the price of a home by 0.5 per cent.

Although the GST does not tax basic groceries, it is quite misleading to think that it does not tax food. According to the Canadian Restaurant and Food Association, 40 per cent of the householder's food dollar is spent in eating establishments. When we add to this the food items which are not basic groceries, either by the nature of the items or by the size of the packaging, the notion that food is not taxed proves to be totally incorrect.

Although there would be a GST rebate of 2.5 per cent on purchases of newly-constructed houses valued up to $350,000, declining on prices above that level, there is no similar rebate offered on new rental accommodations. The Senate Banking Committee heard that the cost of new rental accommodations would increase by 7 per cent. On average, the GST would raise residential rents by 2 per cent in Ontario, and even older buildings will be subject to the tax on many inputs. Similarly, the committee was told that the GST could raise the price of a monthly rental by from $27 to $56 in Vancouver. Low-income individuals can ill afford such rate hikes, particularly in tight rental markets such as Ontario where almost one half of the tenants with incomes below $25,000 already pay 30 per cent of their income in rent. It seems extraordinary that in introducing Bill C-62 the government failed to address adequately a problem as fundamental to a sales tax as the issue of regressivity. It is unfair to lower-income families and it is unfair to those living in high-cost parts of the country.

We have also learned that the tax is too complex. The goods and services tax is not only unfair, it is extremely complex. A multi-staged sales tax such as the GST is regressive with respect to compliance by business. A British study found that the cost of complying with a VAT tax is 40 times higher for small businesses as a proportion of sales than for a large firm. Businesses making only taxable sales must account for the tax paid on purchases and the tax owed on sales. However, the complexity increases as the number of zero-rated and tax-exempt items are added to the system. The evidence from a book by Professor John Whalley and Deborah Fretz, indicates:

> . . . the particular form of VAT that Canada proposes to introduce is, by international standards, surprisingly complex. It also has a relatively narrow base and, if European experience is anything to go by, further complications may yet develop, including multiple rates.

The complexity of the tax is most evident for small retailers selling food products. The definition of basic groceries is replete with anomalies. It will be up to the retailer to ensure that the tax applies correctly. Large retailers who have computerized check-out scanners can program their computers to distinguish between taxable and tax-free products, but for smaller retailers these distinctions must be made by the cashier.

Suppliers of exempt and non-exempt goods and services must appropriate their inputs so as to claim input tax credits only on purchases used to produce taxable supplies. This poses particular administrative difficulties for those who supply both types of goods, such as financial institutions, education institutions, charities, non-profit organizations and landlords whose complexes include both long-term residential and commercial supplies. Under any value-added style tax, the compliance cost for small business is already substantial, but the government has magnified this beyond tolerance by proposing to introduce the goods and services tax without folding it and the provincial sales tax into a single national tax regime. The Canadian Federation of Independent Business has said that the two-tiered approach is unworkable and has been adamant that the GST not proceed without the cooperation of the provinces. The Canadian Federation of Independent Business told the committee that what this government is proposing is the absolute worst sales tax in the world, that it is the worst system that man could possibly devise. The Saint John Board of Trade indicated that small business would face an administrative nightmare; yet the federal government has decided to proceed with this tax anyway.

Most provinces intend to apply the provincial sales tax on top of the GST rather than in parallel. If the goods and services tax is to be visible, cash registers must be equipped to separate out the GST component from the subtotal before the provincial sales tax is applied. Unfortunately, most cash registers simply cannot handle the job and consumers would see a single compound rate consisting of both the GST and the provincial sales tax added on top. This is especially ironic considering that visibility was supposed to be one of the major benefits of this goods and services tax. It now appears that visibility has been sacrificed, and the best the government can do in that regard is to require vendors to hang a sign stating that the price has GST included.

• (2200)

The recent agreement by Quebec to harmonize its provincial sales tax with the GST, although a step in the right direction, is considerably short of a national consensus. Even then the agreement was reached at the cost of the resignation of Quebec's Minister of Revenue. The premiers of the other nine provinces stated in a joint communique, released at the premiers' conference on August 13 and 14, that they find the goods and services tax unacceptable and believe that it should not proceed. The recently elected premier of Ontario, the Honourable Bob Rae, has publicly vowed to fight the GST. What is also ironic is the fact that Quebec has agreed to harmonize with the federal government, yet has now stated that it will employ a tax base that differs from the federal system with the removal of the tax on books. This is not a good sign.

The Organization for Economic Cooperation and Development recently commented on the proposed goods and services tax. That organization concluded that the lack of federal-provincial harmonization is the most serious shortcoming of this new tax, leading to needlessly higher administration and compliance costs. These costs also rise by the failure to tax basic groceries.

Complexity of compliance is harmful to the economy. Resources must be spent in an activity that adds nothing to the goods and services people wish to consume. This complexity is often reflected in the higher administration costs to the government, which must hire an additional 4000 people and spend

an extra $380 million to collect the same amount of money. This makes no sense at all.

While the government has argued that the goods and services tax is a replacement tax, this is clearly not the case. According to the evidence of the Chief Statistician of Canada, 60 per cent of personal expenditures are on services. Even when expenditures on exempt services, such as rent, are excluded from the tax base, a substantial portion of consumer expenditures will be directly burdened by a sales tax for the first time. Significantly, the Canadian Advertising Foundation agreed that the goods and services tax is not simply a replacement tax for the existing manufacturers' sales tax. The Standards Division of the Foundation ruled that government radio advertising stating that the goods and services tax is not an additional tax was deceptive because the goods and services tax is applied on a much broader base than the manufacturers' sales tax, including such services as restaurant meals and haircuts. The Better Business Bureaus of Vancouver and Toronto labelled the government's advertising as offensive and misleading.

We also learned that the goods and services tax harms our economy. Of all the tax alternatives, none is as damaging to the tourism industry as the goods and services tax. It would encourage Canadians to vacation abroad and discourage foreigners from coming here. This industry generates $24 billion per year in revenue and employs 1.2 million people. Tourism has the potential of being a major growth industry in Canada, yet the evidence indicates that the tourist industry is already suffering from a declining number of foreign visitors, and the GST will only exaggerate the problem.

Bill C-62 would provide some relief in the form of rebates to foreign travellers for tax paid on accommodations and goods purchased and taken out of the country. However, this would not alleviate the problem because of the minimum $20 rebate amount and because the large portion of expenditures tourists make are on services and other items that do not qualify for the rebate. Also, the tourist rebates would do nothing to encourage Canadians to remain at home rather than to travel abroad.

With the United States border within several hours for the vast majority of Canadians, the goods and services tax is one more reason to vacation south of the border.

Senator Corbin: Senator Bonnell, would you allow a question?

Senator Bonnell: Yes.

Senator Corbin: You are talking about travel to the U.S. border and points beyond. As a Prince Edward Islander you would travel from your home to the ferry at Borden, buy your ticket and have a half-hour crossing. Then you would have to drive across New Brunswick to St. Stephen to Calais, Maine or you can go up through Fredericton and hit the border at Vanceborough or go further still to Woodstock to Houlton. How long would it take you to get there, and would it be worth the time and expense? Of course, once at the border you are not in a shopping centre. I suppose your first point would be Bangor, Maine, Freeport or down to perhaps Portland. Would the trip be worth your trouble?

Senator Bonnell: The only answer I can give you, Senator Corbin, is that not too many Prince Edward Islanders want to leave home to go anywhere. It is the garden province, the best tourist area in the country, it is the birthplace of the nation, it has more beaches than the state of California, it has the warmest salt water north of Florida, so who would want to leave to go to the United States, which is not as good a country as Canada?

But you will have to pay a sales tax on everything you do. Even crossing on the ferry you will have to pay a 7 per cent tax. You will have to pay 7 per cent on gas. If you eat in New Brunswick on your way you will have to pay a 7 per cent tax, along with its provincial sales tax. Then once you hit the American border, you can get your gas for one quarter of what you would pay for it in Canada and on which there is no sales tax. So with a few dollars across the border, we could travel farther, buy more and pay no tax on our accommodation. If a tourist comes to Prince Edward Island, he will have to pay a provincial sales tax of 10 per cent on his bed, along with the 7 per cent GST.

Because of the fact that our province is so beautiful, none of our islanders would leave. It would take us an hour to get across Prince Edward Island. We would have to wait an hour at the ferry because we do not have a fixed link. It would take another hour to cross on the ferry, another hour to get Moncton, another hour to get to Sussex, perhaps an hour to get to St. Stephen, and then from St. Stephen we are into Calais, Maine. There is not much there so we would probably have to go to Bangor, which would take us another hour and a half. Once we go that far we may as well go all the way down to Boston where all our relatives are and then come back. It would take us quite a few hours to get there, and we would be paying an extra 7 per cent tax all the way there and all the way back. We would finally decide we were broke before we started and we would not go anywhere. It is a sad situation.

Senator Murray, can you do something about this? Can you at least give us the fixed link so we will not have to wait the hour or two?

Senator Murray: Another miracle! You are in favour of it! You have finally declared you are in favour of it.

Senator Bonnell: I asked if you could give us the fixed link.

Senator Murray: Make sure that is in *Hansard*.

Senator Bonnell: That will be in *Hansard*, don't you worry. We on this side do not fool around with *Hansard* and change the words or change the actions. We leave it as it is.

Senator Corbin: Senator Bonnell, if you eventually get that fixed link, regardless of the nature of the link—whether it be a bridge or combination bridge-tunnel—people going to the island and islanders would have to pay a toll for the use of that facility which would also be taxed under the current rules. What are your views on that?

Senator Bonnell: If the truth was known, back in 1867 when this great country was put together, and even when the Fathers of Confederation met in Charlottetown in 1864, the Prince Edward Island delegation wanted Upper and Lower Canadians to get together there to put the package together. We did not join then. We waited until 1873 so we could get promised continuous communication with the mainland.

Senator Murray: The disagreement with the Senate kept you out.

Senator Bonnell: The Senate as well. We wanted to make sure we had four seats in the Senate, and we wanted to make sure we had a chamber of sober second thought.

Senator Murray: You wanted the 3-E Senate.

Senator Bonnell: We wanted what kind of a Senate?

Senator Murray: You wanted a 2-E Senate.

Senator Bonnell: 2-D?

Senator Murray: E. You wanted the same number of senators for every province.

Senator Bonnell: I think we should have that. We should have an elected Senate, an equal Senate and an effective Senate. If we had four representatives for Prince Edward Island and for all the other provinces, think of the money we could save! We could lower the goods and services tax and have better representation across this country. Four men like myself from each province would be great.

Senator Murray: Perhaps some women to!

Senator Bonnell: Four women would be good, too!

Senator Perrault: That is a marvellous speech!

Senator Corbin: Would you still retain the provision for eight additional senators in the Constitution?

• (2215)

Senator Bonnell: No. I think if we had four from each province, there would be no call for the divisional senators because we would get along so well. We would all be thinking of our regions and our provinces and we would be showing some strength to the lower house so that they would not dare confront us with this type of legislation when 85 per cent of the people of Canada are against it. That would not happen if we had a strong, elected upper house with four representatives from each province—or even ten from each province, if they want to give some more of their friends a job.

Anyway, back to the fixed link. If we get a fixed link or a causeway or a tunnel, I am afraid they will put a tax on transportation across it. I am afraid they would make us pay, and our travel across to the mainland should be free. On the Trans-Canada Highway, you can go from Nova Scotia to New Brunswick and it does not cost you five cents. You can go from New Brunswick to Quebec and it does not cost you five cents. However, to come to Prince Edward Island, we will be penalized because we will have to pay a tax to come to our beautiful province, or if we wish to leave and go and see what the rest of Canada is doing, we will have to pay a tax again to take the ferry to get across to the other provinces. We were promised in Confederation that we would have continuous service to the mainland, and Canadians should not have to pay five cents to come to Prince Edward Island to see our culture and our people.

Senator Corbin: Speaking of your people, have they found the Malpeque Bell yet?

Senator Bonnell: Well, I will tell you about the Acadians and Malpeque. Some years ago, the bell in Malpeque disappeared and they lost it for years, but they found it not too many years ago in an Acadian museum. There was the bell, and the Acadians said it was their bell, it was an historical bell that they wanted and that it should belong to the Acadians and should be in their museum. The next thing you know, the church down there said no, that it was their bell, and they took it out of the museum and put it back in the church. The other day, it disappeared again from the church and they cannot find the bell. Some people think they are building a new Acadian museum and the bell is in the foundation now and so the Acadians have the bell forever. Where the bell is, we do not know. We have the RCMP looking for the bell, the Acadians looking for the bell, and the United Church of Canada looking for the bell, but the bell has not been found. Perhaps some day that bell will tell the real history of the early settlers in North America.

Senator Corbin: If they find it, this government will probably tax it. Be careful!

Senator Bonnell: Yes, there will probably be a tax on it as well. Anyway, I was speaking about the goods and services tax. Thank you for your question and thank you for having such an interest in Prince Edward Island and our transportation problem. If you could get some of the Trans-Canada Highway up through New Brunswick fixed so that we could come to your province and travel on better roads, we would be much happier. I hope that the federal government will help you with that project so that all of us in Atlantic Canada who have to travel through New Brunswick to get to Upper Canada will have an easier time. I am sure that even Senator Buchanan from Nova Scotia would like to see a good highway through New Brunswick. He would like to see the Trans-Canada Highway widened out so that we could have at least four lanes that would help out our trucks and transportation because the rails are gone and now we have to put everything on the road. We have these big 18-wheelers and they are destroying the roads of New Brunswick, and all of Canada should be paying its share because all of Canada uses those roads. Even people from Cape Breton travel those roads through New Brunswick. We need a better highway system.

Senator Graham: And all the people trying to get to Cape Breton use those roads.

Senator Bonnell: Even people from the Yukon or British Columbia have to travel on the roads to get into New Brunswick. We Prince Edward Islanders are apparently special; we have to pay for a ferry to get to the island.

Senator Corbin: You will still pay the GST on the Wood Island Ferry, though.

Senator Bonnell: Yes. Many of our islanders go down to Cape Breton in the fall of the year when the leaves are turning to see the beautiful hills and valleys and lakes along the great Cabot Trail.

Senator Corbin: Don't forget the fog!

Senator Bonnell: Yes, we should not forget the fog.

Senator Corbin: That is one thing they have in Cape Breton that this government will not be able to tax.

Senator Bonnell: I am sure they will try. As I was saying, the United States border is only several hours' drive for the vast majority of Canadians, whether they live in New Brunswick, Ontario or British Columbia, and the goods and services tax is one more reason to vacation south of the border.

The problem of cross-border shopping in the United States has already reached serious proportions for some Canadian border communities. The GST can only increase the relative attractiveness of United States shopping. When surveyed, 47 per cent of Canadians indicated they will vacation in the United States rather than in Canada, according to the Conference Board of Canada Tourism Research Institute. The number of Canadians taking their holidays within Canada has been consistently declining for the last decade, with the United States being the prime beneficiary. This sort of economic environment, with the perception of the high Canadian dollar and the fact that travel will become more expensive after the goods and services tax comes in in 1991, will only further encourage that trend to travel and holiday in the United States. Foreign travel receipts represent a valuable Canadian export worth approximately $7.2 billion to the Canadian economy in 1989. Taxing exports is simply the wrong route to take. Furthermore, it runs contrary to one of the government's stated reasons for introducing the goods and services tax, which is to relieve the tax burden on Canadian exports.

We should not ignore the regional impact of a deteriorating tourist industry. For the outlying regions of Canada, which do not have an industrial base and are unlikely to have a strong industrial base for some time to come, tourism is very important for their economies and is, in fact, one of the few realistic alternatives to an economy heavily dependent on natural resources.

A major preoccupation of economic policy concerns the control of inflation. We are paying a high price for this policy, in terms of higher interest rates and their effect on the economy. Yet, the federal government is intent on introducing a tax which will, in all likelihood, increase the rate of inflation.

The first reason it would raise prices is that provision has not been made to remove the existing manufacturers' sales tax from all products. Representatives from groups across the country said this. For example, the government's 8.1 per cent rebate for FST paid on existing inventories is completely inadequate compensation for firms which are holding goods on which they paid tax at the rate of 13.5 per cent. In this regard, automotive parts dealers, building supply dealers, importers and manufacturers of toiletries, cosmetics and fragrances all pointed out the inadequacy of the FST rebates. Firms are expected to pass along the supposed savings from the removal of the FST, but this is impossible where the old tax remains embedded in its inventories.

It is also ironic that the GST is touted as a tax which removes relative price distortions in the economy. Yet, the manufacturers' sales tax inventory rebate is applied in a haphazard manner, giving too little to some and possibly too much to others. During the transition, this is probably the most important source of distortions that many sectors can expect to face. Contrary to the intent of the GST, relative price distortions will not be corrected.

The government is spending $19 million on a Consumer Information Office, the CIO, to monitor price changes as a result of the GST. The House of Commons committee which studied the organization heard that, in most cases, it is impossible to determine the amount of FST embedded in the price of a product. The Consumer Information Office recently released its first publication on the expected price changes from the GST. However, the Retail Council of Canada believes that the booklet could mislead the public because it sets up benchmarks that are not part of the real world in which retailers operate.

The government has announced that the introduction of the GST will result in a one-time price increase of 1.25 per cent. Aside from the dubious belief that all of the manufacturers' sales tax savings will be passed along to consumers, the government's price estimate assumes that workers would not respond to any price increases brought about by the introduction of the goods and services tax. This is definitely not the story that was heard coast-to-coast from union representatives. The unions have said repeatedly that their wage demands will reflect the expected price increase from the GST, which is substantially above that presented by the government. Thus, the government seems to want to introduce a tax which would lead to higher wage demands, unemployment and possibly labour strife.

The information that has been made available so far indicates that the government's price estimates are simply not tenable. On balance, it is much more likely that the initial price impact will be higher than the government's 1.25 per cent estimate, and wage demands are likely to extend this in subsequent periods and boost the underlying inflation rate.

This does not bode well for monetary policy. The Governor of the Bank of Canada has said that the bank's monetary policy will respond to any increase in inflation. We should be deeply concerned that the Bank of Canada's response to the GST could raise interest rates or halt the recent economic trend and help push this country into a serious recession, and probably a depression.

● (2230)

When the government was first considering the introduction of a new sales tax, economic propects looked very rosy and the economy has generally performed well since then. But unforeseen events have adversely affected the economy. Inter-

est rates are far higher than was expected back in 1987 and the Bank of Canada has remained steadfast in its fight against inflation via a tight monetary policy. The resulting high interest rates have had the effect of slowing down the economy which had started to weaken in early 1990. The rise in oil prices due to the crisis in the Middle East has proven to be just the catalyst to bring on this recession and perhaps depression.

Introducing the GST at this time, when interest rates are still high and the economy is in recession, brings with it a set of adverse economic effects that a more opportune introductory date would avoid. Therefore, we should have voted for Senator Waters' amendment to postpone the GST until next year. The change in tax regimes imposes adjustment costs on the economy reflected in a jump in prices, lower growth and higher unemployment. These costs are temporary in nature and will be imposed on the economy no matter when the GST is introduced. But it appears to be particularly counterproductive to impose those costs on the economy at a time when we might be heading into a recession. Exacerbating an economic downturn is not usually considered good economic policy.

We have also learned that the GST represents a tax-grab rather than tax reform. If left in place, the manufacturers' sales tax could generate $18.5 billion in 1991. The government is proposing to generate approximately the same amount of money in 1991 via the goods and services tax. But in addition to this revenue, it would impose an additional $380 million in administrative costs. This money must come from somewhere and it will come from taxpayers. But it will impose a higher burden of compliance on business, especially small business. These costs must be paid somehow and they are likely to be paid by consumers.

In the first few years the goods and services tax will cause economic dislocation. Sectors, such as services, hit with the sales tax for the first time will suffer, while the overall reduction in consumer purchasing power will slow down the economy and cause unemployment.

Why go through all of this if the tax is to be revenue neutral? The answer that it generates $9 billion in added output is not sufficient, in light of the major economic dislocations involved. Furthermore, it is the elimination of the manufacturers' sales tax which would generate the output gain, not the introduction of the GST.

More than likely, according to many observers, the government is going through this exercise to introduce a tax which could significantly boost future revenues. The international experience in this regard is not reassuring. Value-added tax rates in the rest of the world have not only been introduced at higher levels than in Canada, they have grown substantially. With about one-half of the Canadian GDP already going through one form of government or another it is not comforting to be presented with a new tax that can only be referred to as a "cash cow". In this regard, it is useful to repeat the words of Thomas Jefferson which were quoted by a representative of Saskatchewan Sports Inc. when appearing before the Senate Banking committee, and I quote:

> I place economy among the most important virtues and public debt as the greatest of dangers to be feared. To preserve our independence we must not let our rulers load us with perpetual debt. We must make our choice between economy and liberty or profusion and servitude. If we run into such debts we must be taxed in our meat and drink, in our necessities and in our comforts, in our labours and in our amusements.

Many Canadians do not think the goods and services tax is fair. Also, it is not clear that it is efficient. Our tax structure must be competitive with that of our major trading partner, the United States. The United States does not have this kind of a tax and has deliberately rejected it in the past. Moreover, Americans do not face the same high level of taxation that Canadians face. If the GST promises ever higher taxation, our competitiveness will further erode.

Nine out of ten provincial governments oppose the move by the Government of Canada into retail sales taxes. In New Brunswick the provincial Minister of Finance told the Senate Banking committee:

> The goods and services tax represents a massive federal invasion of the sales tax field, which until recently was exclusively a provincial domain. If the federal government decides to use the goods and services tax to reduce its deficit it will do so on the backs of the provinces by raising its initial 7 per cent rate and crowding the provinces out of this very important revenue source. This could result in a reduced ability to deliver provincial services or increased reliance on other taxes, such as higher personal and corporate taxes.

The Minister of Finance of the Province of British Columbia stated:

> The provinces are being put in a vice. We are being squeezed on the revenue side by the GST's intrusion into our tax field and on the expenditure side by the offloading of program costs.

So you see the situation whereby the federal government is usurping a tax field that has always belonged to the provinces and, at the same time, reducing the grants for education, health and other equalization payments to the provinces and putting the provinces in a real squeeze. I understand that the Province of British Columbia is taking the federal government to court to see if the federal government really has the right to intrude into the provincial sales tax field within the provinces.

Senator Steuart: I wonder if Senator Bonnell could answer a question. You have mentioned the problems the provinces will face with cuts to transfer payments for basic services. You mentioned it, others have mentioned it, and witnesses who appeared before the committee as it travelled across the country dwelt very seriously on the blow this will be to the tourist industry, which is already suffering because of the difference in prices between Canada and the United States. You also mentioned the inflationary trend that this will cause, coupled with higher oil prices and cutbacks in services. At the same time, your province has been promised some jobs. In fact,

every province will get some jobs out of this tax. There will be tax collectors and tax examiners in every province in Canada. Space has been rented in Regina and Saskatoon, and a tremendous amount of space in Vancouver and Winnipeg. Therefore, every province will have new employees to check on the tax, catch people, or collect the tax and, in fairness, teach people how to implement the tax.

Have you any idea of the number of jobs Prince Edward Island will receive from the location of the—I do not think it is the headquarters—but fairly significant offices—at least they were made to sound significant? Have you any idea how this will counterbalance the number of jobs that will be lost because of inflation, because of the blow to business generally, the cutbacks in small business, and the tourist trade, which is most important of all? Will it balance out so that Prince Edward Island is a net gainer in employment, or will the extra jobs not even offset the number that will be lost because of the detrimental effect that this tax will have?

Senator Bonnell: Honourable senator, Prince Edward Island will certainly not be a net gainer. Prince Edward Island will lose 1,200 jobs from the Summerside base alone. The government is now promising that the GST will provide 400 jobs to replace that, but the 1,200 jobs have been taken away so one can see the benefit there. Prince Edward Islanders are fed up with promises. We were promised 1,000 jobs in a Litton plant.

Senator Steuart: What type of plant?

Senator Bonnell: It is an armament plant. They were getting ready for war even then. When the election was over and we did not vote the way we should have voted, according to the government, we lost the Litton plant.

Ever since Confederation we have been promised a causeway. Every election we are promised causeway, but it never seems to come. A week before the election Mr. McInnes came from Halifax and promised that we were going to get a fixed link. A few days after the election Mr. McInnes and Mr. MacMillan from Prince Edward Island said that there would be no fixed link, there had to be an environmental study. In a year's time, there will be another report just in time for the next election. In fact, we have been promised it for so long that we call them the "party of the cause wait-a-while". We even had them build a strip of land, and they came out with a bulldozer and dumped the fill for the causeway and that strip of land is still there going nowhere.

● (2245)

Senator Corbin: That is on the New Brunswick side.

Senator Bonnell: On the New Brunswick side, that is right. And so we get fat with promises but we never seem to get anything. We have to depend on our potatoes and our fish and tourist industry. Where the potatoes are concerned, we have McCains now, and the K.C. Irving people are coming down, but in order to get them down there it is going to cost Prince Edward Islanders about $15 million to put in a treatment plant for them; to make sure the environment is protected, so the taxpayers of Prince Edward Island will be out $15 million.

Senator Lewis: Treatment plant for potatoes?

[Senator Steuart.]

Senator Bonnell: Treatment plants so the offal from the potatoes will not pollute the environment. We must not pollute our streams any more, we must not pollute our air any more, we must not pollute the soil any more, and yet we must have jobs. It seems to me whatever job you get you are going to affect something in the environment, so the whole thing has got to the point that we in Prince Edward Island are just going to sit there and think about our history—think about things and hope that somebody will come to visit us from the rest of Canada and leave us a few dollars.

Senator Corbin: And the sea is eating the island away.

Senator Bonnell: And the sea is eating us away. The island is getting smaller, and the people are getting discouraged, and we have no jobs. We have the highest unemployment next to Newfoundland, the lowest income in Canada next to Newfoundland, and we just cannot live on promises, and that is all we seem to get. But it is a beautiful spot, a wonderful quality of life, beautiful air, pure water. Clean seas, green grass. All the things that are worth having, and beautiful golf courses. Lovely trout fishing, but our economy is dependent on equalization from the federal Government, and they are cutting back on that.

Our educational system is going down because we cannot afford the taxation. And the federal Government is cutting back on our payments. Our health care system is cut back, we cannot afford any of the major medical advances.

We cannot get heart surgeons to come to Prince Edward Island, we have to send patients off to Ontario or Quebec or New Brunswick or Nova Scotia.

We have beautiful weather, and more senior citizens than any other part of Canada. People live longer in Prince Edward Island than anywhere else in the world. If you come there you will live to be an old man.

We had Senator Forestall come over there, he was tempted to stay but he loved his place so well on Parliament Hill that he gave us up to come back here.

Doctors cannot make a living there. They have to come back here to Ottawa to get in the Senate, put a little extra income into their pocket because people live so long and they do so well with that beautiful environment. Somehow or other I got off my course.

Senator Steuart: Well you certainly answered my question, I think.

Senator Bonnell: It is a beautiful place. The Lucy Maud Montgomery home is the place where Anne of Green Gables is. It is the beautiful north shore, one of the greatest national parks in all of Canada.

Senator Buchanan: Great provincial cottage.

Senator Bonnell: Great provincial cottage, which belonged to/shared by the federal government and the provincial government, and all you good Conservative senators on that side of the house should come down for a week, speak to your leader, as there is a cottage there by the beach at Cavendish, which you can have for a week. But every second week the province

wants it. So you can only have it every second week. Senator Phillips cannot get it, because he is an Islander. He has a beautiful home there by the sea, so why take a week when he can take a whole year there?

Tuna fishing, the greatest tuna in the world. Biggest tuna in Canada. Governor General Michener, I have told you before, gave us a trophy for the largest tuna caught in Canadian waters. There is a Grey Cup but there is the Michener Cup as well. And the Michener Cup has come to Prince Edward Island, except one year it went to Nova Scotia. One of our tuna was going south for the winter and he got caught in Nova Scotia in the fall and consequently they got the trophy down there for that one year.

Senator Lewis: Don't you have some kind of a trophy called the Bonnell Trophy for golf?

Senator Bonnell: Yes, but if you go to any of the golf courses in Prince Edward Island, if you go to one of the greatest onesdown in Brudsnell, P.E.I. if you ever go there you will find the third hole is called Lake Bonnell, called after that great Bonnell who was a promoter of tourism at that time. And the people of the province gave him a hard time, they said there were ecological biomes getting loose in that agricultural soil, and instead of promoting agriculture they were promoting tourism.

Also if you go to the west end of the Island you will find a place called Mill River, you will also find up there Bonnell's high-chair. Senator Phillips plays there almost every Sunday in the summertime, another beautiful spot. Many of you senators should come down and see some of those beautiful tourist attractions, you would never forget your colleague and friend from the Senate, Bonnell, because his name will be there.

I used to tell the Premier years ago, I used to have him cut the ribbon while I was laying the cornerstones.

Senator Comeau: Also Meech Lake.

Senator Bonnell: Well, we could have had Meech Lake if you had come down to Charlottetown, and met in the Federation Chamber where the Fathers met in 1867. They promised to come there with the Premiers.

Senator Buchanan: We were going to come down.

Senator Bonnell: I know. Mr. Prime Minister would not come, but consequently he lost Meech Lake. But he could have saved Meech Lake right there in Charlottetown where the Fathers met, because the table is still there.

You know, this is a great nation, this nation of Canada, one of the greatest nations in the world. And there is no monument to any colonels or brigadiers, all there is to show the birthplace of this nation is a table where they just sat down in Charlottetown and built this great big land, so that table is still there. The same chairs are still there where the Fathers sat and you people from other parts of Canada, Saskatchewan, Newfoundland or Northwest Territories or even Quebec should come down and visit those historical things, and have yourself a good summer on our Island beaches.

Senator Buchanan: We had a pretty good Premiers' Conference in that neighbourhood.

Senator Bonnell: Sure, a Premiers' Conference, but you probably would never have had the privilege of sitting around that table if it had not have been for the fact that you were a premier. But I would like to have all the Senators come in, have them sit there, let them have their picture taken, take it home to their grandchildren and say, "look, that is where the Fathers of Confederation sat—there is Sir John A. MacDonald's seat." Just think of the history you could make, and there is no tax for sitting in those seats. The chairs would be taxed if you bought a new one, I can tell you that.

Senator Corbin: On a number of occasions this evening, you have extended an invitation to honourable senators to visit the Island and to spend some vacation time on the Island. I should inform you that I have vacationed on the Island on a number of occasions with my family in recent years, and I have enjoyed the Island tremendously. I only regret that it does not have 12 months of summer, because I would like to spend more time there throughout the year.

But I will tell you what happened: One year we rented a cottage, and at the end of our stay we paid by cheque. We enjoyed it so much that the next year we rented the same cottage from the same people, and when we arrived they said that they had forgotten to charge us the provincial tax the previous year, and I said, "Well, OK, we will consider it." She was not suggesting I reimburse her for the provincial tax she had to pay, but what she forgot to charge me for.

Now if I go down there this summer maybe she will find she forgot again to charge me the provincial tax, and on top of that, I suppose there would be a federal sales tax.

Senator Bonnell: No, this bill will not pass, I do not think.

Senator Corbin: It won't?

Senator Bonnell: I hope not. You are going to vote against it, are you not?

Senator Corbin: I will, but if by chance or by force the bill does go through?

Senator Bonnell: I think after my speech tonight the senators opposite will realize the folly of their ways.

Senator Corbin: If the bill does go through, here is the question, Senator Bonnell. If the bill goes through and you rent a cottage on the Island and the owners of the cottage under provincial law have to charge you provincial sales tax, now they will also have to charge the GST. Now if they forget to get you to pay, or to charge you with the GST, they will have to pay out of their own pockets, won't they? You pay the rent for the cottage, you pay the provincial tax, but they forgot the GST—which is a big nuisance as far as they are concerned—and you go home, you leave the Island and you take the ferry and you go home. You go back to New Brunswick, you go back to Quebec, Ottawa or whatever.

At one point government auditors will come around and check the record books and say, "Oh, oh, you Mr. or Mrs. so

and so, you did not collect the GST on the rent for your cottage. You owe us the GST."

Who will have to pay in that instance? Will it be the owner of the cottage or the customer who rented the cottage that summer. What methods will the federal government use to collect that unpaid GST.

I would like you to think about that and give me the benefit of your comments. You know, the GST being a nuisance tax and nothing else.

Senator Bonnell: Well, senator, the only thing I can tell you is, as I understand this GST, that the Government is hiring thousands of policemen, tax policemen, to go around and check those poor tourist operators, those small businesses, to make sure that they get every single solitary cent that is owed to the federal government. And if, perchance, that poor little lady in Prince Edward Island who gave you the cottage, and she forgot—most Islanders have good memories but that lady did not—if she did not collect the tax, she would have had to pay it out of her own pocket.

The poor little lady, she will probably have to sell some of her vegetables, some of her potatoes, or perhaps even a pumpkin in the back yard in order to collect the few dollars. Maybe even the hen's eggs, she will have to save the eggs and collect them to pay the tax to that police taxman who comes around and checks her books.

Also the provincial government has another taxman going around and she will have to sell something else to pay him. But the only thing I can tell you is, you should remind that poor forgetful lady that you know, because you are here, and you knew that some of your friends put that tax into effect. You should tell her, "I'm sorry, I had nothing to do with it myself, but some of my colleagues did and I owe you this money, so you won't forget." So you should remember that.

But I am thinking after tonight many of our colleagues will realize the folly of their ways. They will think of that poor little lady in Prince Edward Island with the little cottage, and they will say no to the GST.

Some Hon. Senators: Hear, hear!

Senator MacDonald: That is going to be the headquarters for all the spies.

Senator Bonnell: I would not be surprised. Senator MacDonald says that all of those inspectors are spies, and they are all coming to spy on people. I did not realize it was going to be that way, but since he is on the government's side he knows, I guess that is right. Anyway, I will go back and read what Thomas Jefferson said. These words, as I said before, were quoted by the Saskatchewan Sport Inc. You got me off my course, so I think I should read it over. He said:

● (2300)

> I place economy among the most important virtues and public debt as the greatest of dangers to be feared. To preserve our independence we must not let our rulers load us with perpetual debt. We must make our choice between economy and liberty or profusion and servitude. If we run into such debt we must be taxed in our meat and drink, in our necessities and in our comforts, in our labours and in our amusements.

[Senator Corbin.]

And I repeat, many Canadians do not think that the GST is fair. Also, it is not clear that it is efficient. Our tax structure must be competitive with that of our major trading partner, the United States. The United States does not have any kind of VAT, and it has deliberately rejected it in the past. Moreover, Americans probably do not face the same high level of taxation that Canadians face. If the GST promises even higher taxation, our competitiveness will further erode.

I have said that nine of the provinces oppose the tax, and I told you that a minister from B.C. had stated that the provinces would be put in a vice, that they were being squeezed on the revenue side with the GST intrusion and on the expenditure side by the offloading of program costs. That is about where I was when I was so rudely interrupted.

Senator Steuart: Now we will get some new stuff.

Senator Bonnell: The introduction of a federal sales tax extending to the retail level, although within the constitutional authority of the federal government, represents an unwanted intrusion into what has traditionally been a tax field occupied by the provinces. This is likely to have long-term implications for the ability of the provinces to raise revenue by this means.

This is a lovely way to spend and evening, among friends.

We have learned that increased reliance on sales tax is not the best alternative. This tax represents a fundamental change in direction for taxation in this country. Aside from the issue of whether the GST is revenue-neutral or budget-neutral at the outset, in virtually every other country, the introduction of a VAT-style tax has resulted in a greater reliance on sales tax as a revenue source.

Some examples of VAT-rate increases in other countries after the introduction include Austria, where the tax started out at 8 per cent and went up to 20 per cent; Denmark, where it started at 10 per cent and has gone up to 22 per cent; France, where it started at 13.6 per cent and is now up to 18.6 per cent; Germany, where it started at 10 per cent and is now at 14 per cent. In Italy it started at 12 per cent and it is now at 18 per cent. the Netherlands started with the a VAT of 12 per cent, and it is now at 20 per cent. In Sweden, they started with 11 per cent, and it is now 23.44 per cent.

Senator Perrault: May I ask the honourable senator a question? Does he have a list of nations where the VAT, the GST or whatever it is, referred to in these other jurisdictions, has been noticeably reduced?

Senator Bonnell: I could not find in my research any country where the tax has been reduced. Canada is the only nation that I could find that will have a double taxation with the GST and provincial sales taxes. Here the provinces will have their sales tax, and the federal government will have a sales tax superimposed on their tax.

Senator Perrault: How many countries have two levels of government levying a tax of this kind at the retail level? Is Canada the only country in the world in this situation?

Senator Bonnell: I do not know. There are so many countries that I did not check. However, in my research I could not find another country with a double-tax system similar to what we will have in Canada.

Senator Perrault: That is absolutely shocking.

Senator Bonnell: For example, Germany does not have a provincial sales tax and a federal sales tax on top of it, if you understand what I am saying.

Senator Perrault: I do perfectly. We seem to be the only country in the world to have that kind of tax.

Senator Bonnell: It is the only one that I could find. There may be a similar situation elsewhere, but most countries in South America do not have it, and those in Africa do not have it. I do not know where you could find a federated state in which both the federation and the provinces have such a tax.

Senator Phillips: Anyway it was not in the speech that they gave you.

Senator Bonnell: No, it wasn't in the speech.

Senator Perrault: And all the provinces oppose this tax.

Senator Bonnell: I understand that one province intends to go along with it and that the other nine are opposed. Three provinces are going to court to show that the government does not have the jurisdiction.

Senator Comeau: P.E.I. is the next to join.

Senator Bonnell: Is that correct?

We have learned that increased reliance on the sales tax is not the best alternative. This tax represents a fundamental change in direction for taxation in this country. Aside from the issue of whether the GST is revenue-neutral or budget-neutral at the outset, in virtually every other country introducing a VAT it has resulted in greater reliance on sales tax as a revenue source. I have told you how these other countries have increased. There is no reason to believe that the experience in Canada will unfold any differently.

Indeed, it is probably fair to say that the main reason the federal government is so eager to replace the MST with this new tax is because the government has raised the manufacturers' sales tax as high as it can. When they came to power it was at 9 per cent and gradually, through four different raises, they got to 13.5 per cent. They feel that they cannot raise it any higher because manufacturers and big business in this country will not allow it. Consequently they are going to transfer the burden to the consumer, the poor, the disabled, single parents, welfare recipients, children, and old age pensioners.

Senator Corbin: And the dead!

Senator Bonnell: And even the dead, as well as veterans and people who buy books and provide sports training for their children. Anyway, it is coming off the MST and it is certainly going on the consumer and the poor people of Prince Edward Island, Newfoundland and all of Canada. They will be paying a greater percentage of their income on this tax than those who are rich.

Witness after witness told the Senate Banking Committee that on equity grounds increased reliance on sales tax was the wrong direction for Canada's tax policy to take at this time. Anti-poverty organizations, senior citizens' groups, unions and concerned individuals all recommended that the government abandon the GST proposal and address its budget requirements to other tax and expenditure measures. The United Seniors Group of Ontario made the following point with respect to the consumption tax:

> The GST does not make sense in a progressive country. A dollar means something different to a person who has only $2 than it does to a person who has $1,000. For the most part seniors do not have that many dollars. It is unfair to hit them with a consumption tax that further restricts their buying power. Why should the extra dollars of the wealthy, those they use for investment and those they inherit from wealthy relatives, be protected from taxation while the entire population is being asked to give up 7 per cent of their spending dollars? It is backward.

Fundamental questions about the GST remain. For instance, does the government really need to levy its own sales tax? Could the federal government vacate the sales tax field and raise income taxes instead? If some form of national consumption tax is desired, must it take the form of a European-style, credit-invoice, value-added tax with the associated paperwork burden that requires tracking every transaction in the economy The government has completely bypassed any public debate on these questions in its haste to introduce the GST.

The other fundamental question which has not been answered is whether the federal government can reduce its spending sufficiently to obviate the need for a new tax. According to Mississauga Citizens Against the Tax:

> The alternative to the GST, which we have a responsibility to lay out, is to reduce wasteful and unnecessary government expenditures. Canadians are not at all convinced that the government has made any serious effort to reduce its expenditures . . . .
>
> We need a serious review of all government departments and agencies to see if they are fulfilling their mandate and whether their mandate is even necessary in this day and age.

We have learned that the tax is flawed.

Senator Perrault: That is an understatement.

Senator Bonnell: It certainly is. This piece of legislation is fraught with inequities and technical problems. I will list only a small sample of some of these problems. It is clear that the parents of the tax and the drafters of the bill failed to address these problems adequately. We talk about basic groceries. The government predicted the problems that the bill would cause in its treatment of basic groceries when it said in its August, 1989 technical paper, "No matter how lines are drawn, the great variety of food products makes it virtually impossible to

remove every anomaly." There is no doubt that anomalies are left in the bill. Numerous examples exist of food and beverage products that face different GST treatment, even though they are competing products. Soft drinks are taxed while mineral water and coffee are not. chocolate bars are taxed while chocolate-covered cookies are not. Salted nuts are taxed while unsalted nuts are not. Unflavoured milk is always tax-free, whereas chocolate milk is taxed and so on.

• (2315)

Senator Perrault: Is caviar going to be taxed, senator?

Senator Bonnell: Caviar is not going to be taxed, no. Don't forget that is a rich man's dinner, while the chocolate milk the kids drink will be taxed.

Senator Petten: Chocolate milk is going to be taxed?

Senator Bonnell: Chocolate milk, yes. Caviar is a tax-free item for the rich people, but the poor children of the country, those in Newfoundland and Prince Edward Island, will pay tax on their chocolate milk. Many children cannot drink milk unless there is chocolate or something sweet in it. That is the way it is.

Senator MacDonald: Do you still need a doctor's prescription to buy booze in P.E.I.?

Senator Bonnell: I can tell you about that, too. Many years ago we had the Women's Temperance League. In order to get a bottle of alcohol or beer you had to get a doctor's prescription. If you got half, you got a "due bill". The due bill looked very much like the coal slips you used to get when you weighed the coal that you needed in those days for the furnace. Many people would come in with their coal slip, tell them that it was a due bill and that they would like to get their half pint of rum. But at election time it was always free. You used to be able to get it without a doctor's prescription at election time.

Senator MacDonald: Shocking!

Senator Perrault: Absolutely shocking!

Senator Bonnell: It was shocking. Some of these people from Nova Scotia would try to buy the votes of our poor people, and they would always bring good rum. Many of our Liberal friends turned Tory in order to get a drink of that good rum. Anyway, we changed that. We had what was known as the "Cullen Amendment". Mr. Cullen, who has a milk plant in Prince Edward Island called "Purity Dairy", was a minister of the Crown at that time. He put through an amendment that you would not need a prescription any more, but you would get four quarts of liquor a month. We had a governor, but he vetoed the bill. His name was Lepage. He refused to give that bill Royal Assent. We had temperance for some time after that, then the government of the day changed the governor. The next governor, Mr. Bernard, put it through. From then on you did not need a prescription to get your liquor in Prince Edward Island.

Senator MacDonald: When was that?

Senator Bonnell: That was in approximately 1947, after the war.

[Senator Bonnell.]

Senator Lewis: Were you a medical practitioner then?

Senator Bonnell: I was a student in Halifax, Nova Scotia, not too far from my friend Senator MacDonald, trying to get an education at that great university of the Maritimes called Dalhousie—

Senator Perrault: Hear, hear!

Senator Bonnell: —which has excellent students. We even beat Saint F.X. in most things in those days. Saint F.X. has had some distinguished citizens pass through its doors, and if you go to that university, you are sure to get a job in this country.

Senator Perrault: Another good university!

Senator Ottenheimer: I would like to point out to the honourable senator that the governor who refused the Royal Assent was the uncle of the senator who is now in the chair.

Some Hon. Senators: Shame!

An Hon. Senator: Shocking!

Senator Bonnell: I did not know that. Thank you for informing me of that. If that is the case, it is nice to know that he has Prince Edward Island roots, and I hope I have persuaded him to vote against the GST. We had another Speaker there who was going to vote for it all along because he was the government appointee, but I know that this man who has relatives in Prince Edward Island will realize, after listening to me tonight, that this is a bad tax and should not pass at this time.

Senator Perrault: At a bad time!

Senator Bonnell: Back to the GST.

Senator Steuart: We were doing much better without it!

Senator Bonnell: Senator MacDonald wanted to know about the prescriptions from the doctors before the war, and I did not want him to leave here uninformed about the history of that great day in Prince Edward Island, which was the last province in Canada to have the temperance. We are temporate in all things in Prince Edward Island—liquor, politics, religion, what we eat, what we say and everything else. That is why my speech tonight is not dynamic or drastic. Rather, I am trying to get under the skin of members opposite so you will realize the dangers of this tax.

Senator Perrault: It is a very thoughtful speech.

Senator Bonnell: I notice that my good friend and colleague, Senator Phillips, never left his chair tonight. He listened to every word that eastern Prince Edward Island tells the west. He knows that good messages come to the west from the east.

Senator Petten: And you meet in the middle.

Senator Phillips: I prefer a western wind.

Senator Bonnell: You have the great west winds up there. Anyway, the goods and services tax was supposed to eliminate relative price distortions. Yet in the area of food products, it introduces a new set of distortions.

Senator Perrault: Shame!

Senator Bonnell: The tax therefore fails to meet the requirements that the government has set out for it.

Senator Phillips: You read that page five minutes ago.

Senator Bonnell: I did not think you were listening.

Senator Perrault: It takes a great deal of repetition to make our facts understood.

Senator Bonnell: Mainly, economic decisions should be based on the relative merits of competing products, not on the basis of differential tax treatment of these products.

The tax, as written, is also inconsistent with the government's inherent principles regarding the definiton of grocery. The government has decided not to tax basic, essential and unprepared foods purchased for consumption at home. Thus, as a general rule, family-sized quantities are not taxed. In some situations producers provide pre-packaged amounts of family-sized quantities, whereas, in other situations, consumers pick and choose for themselves the combinations and quantities desired. The former are tax-free while the latter are taxed, yet, in principle, both should receive the same treatment.

Finally, the definition of "basic grocery" attempts to distinguish between good and bad food, necessary and unnecessary food. It is for this reason that snack foods are taxed, whereas goods used to prepare a hearty meal are not taxed. It is also for this reason that foods purchased for preparation at home are now tax-free, whereas foods purchased in restaurants or take-out establishments are taxed.

But where does this leave luxury foods, which are not necessary and might be construed as a rich man's frivolities? Well it might be difficult and again anomalous to treat caviar and smoked salmon different from other grocery products. It indicates how full of holes the government's definition of a basic grocery really is. After all, the decision to zero-rate these products was based on a desire to ameliorate the effect of the GST on lower income families. But these families are more likely to buy a hamburger at McDonald's and pay the goods and services tax than they are to buy some caviar and pay no tax.

I have a lot to get through yet, senators, but I am starting to get hoarse. I do not know whether I should stretch my vocal cords or rest.

Senator Phillips: Go an another hour!

Senator Cochrane: At least!

Senator Bonnell: You must be enjoying it.

The GST and the non-profit sector. Bill C-62 adversely affects the non-profit sector in many ways. Some examples stand out. It has been learned that a non-profit woodworking business in Prince Edward Island employing handicapped individuals would be subject to the GST on its sales. The committee also heard from the Royal Canadian Legion about the taxation of Remembrance Day wreaths. Both of these are instances of socially desirable activities which could be harmed by the GST.

The amateur sports community has a number of serious concerns with the GST. First, many amateur sports associations would not qualify for the 50 per cent rebate of GST on inputs, either because they are not national organizations or because they do not receive at least 40 per cent of their funding from government. We believe that it is totally unfair to penalize some sport organizations purely because their mandate is not national in scope. Further, it is inconsistent of the government to simultaneously urge non-profit organizations to reduce their reliance on government spending, only to penalize these bodies by disqualifying them for the 50 per cent GST rebate because their private funding levels are too high.

Another question about this tax is its application with respect to fees paid on sports programs directed toward children over the age of 14. What is the rationale here? Are programs aimed at youth in the crucial 15- to 18-year old bracket less important than those designated for youngsters? After all, these are some of the most difficult years for teenagers; and the ability to participate in organized activities can be crucial to becoming responsible adults, yet the bill discriminates against this age group.

But what is truly oppressive about the GST in this sector is the way in which it will impose an onerous administrative burden on these organizations. While all taxpaying firms and organizations will face an increased administrative burden as a result of the GST, charities and non-charities and non-profit organizations are especially vulnerable. Many produce both tax exempt and taxable goods for sale and would need to differentiate their costs and sales between the two types of activities in order to claim the 50 per cent rebate and input tax creditors as well as collecting and remitting taxes. This would represent a formidable task for business, but for those charities and non-profit organizations that must rely on volunteers, it is oppressive.

Public sector bodies have been classified into a group known as the MUSH sector—that is, the municipalities, universities, schools and hospitals. This group has a number of problems with the GST. First, the tax rebate percentages offered are based on the average amount of sales tax currently paid by each of these sectors. At best, this provides only rough estimates since some organizations pay more sales tax than the average, while others pay less. Furthermore, on a cashflow basis, the new system imposes a heavy cost on the MUSH sector. Organizations must finance the extra GST liability between the time it is paid and the time they receive their rebate.

• (2330)

The Canadian Hospital Association calculated the effect on cash flow could amount to $95 million per year for that sector. Organizations in the MUSH sector are also extremely concerned about the administrative complexity of this tax. The Federation of Prince Edward Island Municipalities told the committee that small municipalities simply cannot cope with the GST. The committee was informed by representatives from the Canadian Hospital Association that they could not be ready for a January 1991 implementation date because of the

time necessary to introduce a new administrative system. Municipalities also suggested that the January 1991 implementation date was too soon.

Municipalities are facing increased labour costs due to the GST. Representatives from the City of Toronto and the City of Edmonton testified that GST protection is a major negotiating item with their unions. Municipalities have questions about the taxability of para-municipal organizations such as non-profit housing corporations.

Moreover, the City of Edmonton operates a number of commercial enterprises, such as telephone and power companies, which would be subject to the tax. These services would be subject to GST although there are really no competing private-sector counterparts. Alderman Ron Hayter of the City of Edmonton told the committee that the government's assertion that the tax bill of municipalities would not rise because of the GST was false. He stated:

> However, in Edmonton's case the commitment of Mr. Wilson will not be honoured. In fact, unless the terms of reference are altered the impact on the City of Edmonton will be significant, adding more than $20 million in additional tax per year to the backs of citizens of our city.

The GST would also have a damaging effect on companies carrying on business with municipalities, because services provided in-house would not be taxable while contracting out would be subject to the GST. This would have the effect of distorting the relative merits of public-sector and private-sector productions, something that the GST is not supposed to do.

Cooperatives. Cooperative businesses play an import role in the commercial activity of the prairies and Atlantic Canada. The GST would penalize these cooperatives in three ways: it would levy a tax on their share capital, since the issue of shares in cooperatives is considered a taxable membership fee; it penalizes those cooperatives that recoup their costs through taxable direct charges to their customers rather than by marking up non-taxable items such as food; and third, because of the layered structure of the co-ops, these businesses would have to account for GST at several levels of their organization. This will place an unnecessary and unfair administrative burden on co-ops, compared with their competitors. This point was made quite convincingly by Federated Cooperatives Limited of Saskatoon, Saskatchewan, whose spokesman told us:

> The government proposes to treat shares issued by Cooperatives in the same manner as shares issued by a golf club or curling club. In other words, such shares would be subject to GST in the same manner as membership fees.
>
> We strongly disagree with this proposal. First of all, financial services are exempt of GST. "Financial services" are defined as including the issue, allotment, or repayment of a "financial instrument". A "financial instrument" is defined as among other things an "equity security".
>
> Cooperative shares have consistently been regarded as equity. First, for income tax purposes, cooperative capital is treated like other corporate capital. Second, in accounting practice, cooperative capital is indistinguishable from the capital of other business in the equity section of the balance sheet. Third, a statute of Canada, the Canadian Cooperative Associations Act, defines a co-op share in the manner of a financial instrument. Therefore, from an accounting and income tax perspective and indeed from a legal perspective cooperative shares are an "equity security".

This application of the GST to cooperatives is unacceptable. These organizations provide a valuable service in this country and should be encouraged rather than discriminated against. It is unfortunate that the Senate could not see fit to remedy this problem by accepting one of the amendments proposed here last week.

Health care. Health care provided in health care facilities or by recognized health care practitioners would be exempt from the GST. However, Bill C-62 would discriminate among health care institutions and between practitioners. For example, long-term care facilities operated by the public sector would receive the same 83 per cent rebate that the hospitals will receive while others operated on a non-profit basis would receive the same 50 per cent rebate that is given to charities. Those long-term care facilities operated for profit would not be eligible for any rebate on the tax paid on their purchases.

We now know that a number of important health care practitioners' services would be taxable under the GST. The list includes psychoanalytic psychotherapists for children, massage therapists, dieticians, social workers, veterinarians and Christian Scientists. Exclusion of these practitioners from the list of exempt health care services contradicts the government's assertion that health care will not be taxed by the GST.

As physicians are exempt under the GST, they would have to pay tax on their own purchases but would not be permitted to charge tax on their sales. According to evidence from the Canadian Medical Association, the provinces have indicated that they will not permit doctors to raise fees to compensate for their increase in costs. In effect, physicians are being asked to bear the cost of the GST and to accept lower incomes.

It is important to recognize that the exemption of health care services from the GST does not mean that these services will not bear tax. The purchases made by health care providers are taxable and their costs would rise accordingly, with the exception of health care facilities, which would receive a rebate.

Funeral services. The Funeral Service Association of Canada told the Senate Banking Committee:

> We believe that every Canadian has a right to a burial or a cremation according to the rites and practices of his or her religion and cultural heritage, and that Canadians find it offensive for the Government to tax those services.

Three days before they were due to begin collecting the GST, the Ontario Funeral Service Association indicated that they were still unclear on the rules affecting the taxation of pre-paid funerals. The fact that this organization was unable

to obtain a consistent answer from Revenue Canada is indicative of the confusion faced by businesses when the government has not made the necessary preparations.

Education. While witnesses from the educational sector were opposed in principle to the GST, they also made a number of specific criticisms of the tax. A recurring comment was made on the unfairness of taxing some courses simply because they do not count toward a diploma or degree. The Canadian Federation of Students noted that textbooks and other educational materials purchased separately by students would be taxable. The GST would also pose a major administrative problem for educational institutions, which would need to apportion their costs according to taxable and non-taxable courses. We now know from the Canadian Association of University Teachers that the GST might be applied to research grants provided to universities.

All of the available evidence indicates that, contrary to the impression being given by the government, educational studies would be subject to the GST. Tuition fees for most non-credit courses and payments for textbooks and other necessary learning materials purchased by students would be taxable. The Alberta Association for Continuing Education, in particular, strongly disagreed with the government's view that education would not be taxed. They stated:

> We have seen one advertisement that has been running which suggests that the GST will have no impact whatsoever on education. That is a blatantly false statement from our perspective. We would certainly appreciate it if the advertising in support of the GST being purchased by the federal government was more accurate.

Insurance. The impact of the GST on the property and casualty insurance industry demonstrates not only a major flaw in the legislation but also an example of one arm of the government working in opposition to another. The federal government has a regulatory mechanism in place to ensure the solvency of this sector, yet the workings of the GST could actually threaten that solvency.

The property and casualty insurance industry would have significant problems under the GST. The industry would be required to settle claims after January 1, 1991, on which they would have to pay GST but which are funded by lower premiums collected prior to the GST implementation date. Since the industry is an exempt financial service, these extra costs cannot be recovered by claiming input tax credits. The GST would reduce capital and reserves in this industry by $350 million but the inequity can only be appreciated by focusing upon single companies. For instance, the GST would cost the Laurentian Pacific Insurance Company a total of $1.571 million—more than the company earned in 1988 and 1989 combined. This is another clear problem with the legislation as drafted—

Senator Perrault: Hear, hear!

Senator Bonnell: —that could have been rectified had one of our amendments been accepted.

Taxation of reading materials. The taxation of books and reading materials is a step backwards—

Senator Perrault: Hear, hear!

Senator Bonnell: —in promoting literacy and would place an unnecessary burden on students who must purchase their own textbooks.

Senator Perrault: It is just wrong, as is taxing bibles.

Senator Bonnell: First year students at the University of Toronto, for example, must budget $700 for textbooks. A representative of the University of Toronto Press stated that professors would respond to the GST by reducing the number of textbooks on required reading lists. This is further evidence that education would be taxed under the GST. Finally, it is worth noting that taxing reading runs counter to the Carter Commission report, which recommended that newspapers, magazines and books should not be subject to a retail sales tax.

• (2345)

It is particularly ironic that books will be taxed under the GST while the government is attempting to fight illiteracy. According to the "Don't Tax Reading Coalition":

> Where would the fight against illiteracy be without the printed word? Why fight at all if books, those vessels carrying writers' words to thirsty minds, are snatched and cracked? Is not a tax on reading a most regressive kind of tax? For who most needs these books but the poor, the undereducated, the immigrant of language strange, those least able to afford the gift of print needed most.

The GST has been promoted by the government as a means of drawing business participants out of the underground economy. This, according to the government, would result in a tax system which is fairer because tax evasion is reduced. It would also increase total government revenues. The underground economy is supposed to be reduced because of the desire on the part of businesses to claim the input tax credit. In fact, the GST will do little to reduce the size of the underground economy.

It is a matter of simple common sense to realize that taxes do not pull participants out of the underground economy, they push them into it. A tax which has the prospects of increasing rapidly over time will not reduce the underground economy, it will increase it. It is simple-minded to suggest that in order to be eligible for the GST input tax credit a businessman will subject himself to personal income tax, corporate income tax and a host of other taxes associated with registration with Revenue Canada.

A firm operating in the underground economy can be thought of as an exempt firm. Whether the government grants this exemption, for example, small firms, doctors, residential landlords, or a firm takes it upon itself to be exempt, that is, participate in the black market, the advantage or disadvantages of exempt status are the same. A business would rather be exempt when selling to households while a firm would rather be non-exempt when selling to other non-exempt businesses. A taxable business must raise its prices by 7 per cent,

despite the fact that it receives input tax credits whereas an exempt business raises prices by less than 7 per cent because the value added of the business is not subject to tax. Moreover, an exempt firm, legitimate or otherwise, bears no compliance costs. While a business selling to other non-exempt businesses is worse off if operating in the black market, a business selling to households loses nothing and is better off financially by operating in the black market.

It is true that black market firms will have no advantage when selling to registered business, but this is not their traditional market. They sell to households and no incentive is provided to encourage them to register. But the policies of the government have actually increased the scope for profitable underground participation. Smaller firms have been offered a quick method of accounting. If they take this choice they need not apply for input tax credits except for major capital purchases. Thus they lose nothing by purchasing services from a participant in the underground economy. Not only can the household receive lower cost services when dealing with a participant in the underground economy, so can a small business.

The government is rejecting the manufacturers' sales tax because it is an invisible tax. On the other hand, the GST is supposed to be a visible tax. The government has had to soften its original claims of visibility. Today, all that can be guaranteed is that retailers must post signs informing their customers of the existence of the GST.

Some retailers, such as Sears, have stated publicly that they will present GST exclusive prices and add the tax at the cash register. Other retailers, such as Woolworth's, have stated that they will include the GST in their posted prices. Customers will now find it difficult to do comparison shopping. They must not only make sure that different retailers are, in fact, selling goods of similiar quality and size, but they must now be sure that retailers are quoting prices on the same basis. Governments like to say, "an informed consumer is a good consumer." The danger is that the lack of consistency in the pricing of retail products could lead to confused consumers.

Visibility is also diminished when the GST exempts certain products from the tax. Exemption does not remove the tax, it only hides it. The effective tax rate can vary from one supplier to another, if there are different degrees of self-supply with respect to services needed to produce their final product.

Thus, tenants will not know how much tax they pay on their monthly rent. Households will not know how much tax they pay on day care services or dental services. A student paying tuition for a degree-granting course, or purchasing a meal plan, will pay some GST but will not know the extent because of the exempt status.

Exempt status under the GST will subject a product to the same visibility problems that now plague the manufacturers' sales tax.

So far the government's strategy in promoting the GST has relied solely on comparing it with the manufacturers' sales tax. However, no matter how damaging the manufacturers' sales tax, this does not lead inevitably to the conclusion that the GST is the best alternative. Only a rigorous comparison to the GST and the other alternatives can determine that. Unfortunately, the government has failed to produce any studies which show conclusively, or otherwise, that GST is the best alternative to the FST.

The government has tried everything in its power to get this bill passed, despite the fact that the majority of Canadians do not want it, and despite the fact that the evidence now clearly shows this to be a bad tax. Despite all that Canadians have learned, some have learned little indeed.

Honourable senators, before I start the next part of my speech which could perhaps take me until tomorrow morning, my voice has left me. With those few remarks, I will leave this to another debate at another time. I wish that all of you will try to understand what I told you tonight and vote against this tax and not burden the taxpayers of Canada with this regressive tax at a bad time. Senator Buchanan and Senator Hatfield were provincial premiers and both know how this will usurp provincial powers.

Senator Perrault: He attacked it and said what a rotten tax it was.

Senator Bonnell: I know it will be difficult for some people to vote against the tax because they have been put here specifically to vote for the tax.

Senator Perrault: Hired guns!

Senator Bonnell: I would like to suggest that they go for a walk the day that the tax is being passed and let it fail.

Since it is now after 12 o'clock and is now December 6, one year ago today 14 university students were massacred in Montreal. I would like to remind honourable senators that this is the day we want to remember those students who lost their lives at the university in the great city of Montreal and hope that gun control will come in soon.

Hon. Philippe Deane Gigantès: Honourable senators, I would like it noted in the record that it is now midnight in the night from Wednesday to Thursday and I dedicate this part of my speech to the 86 per cent of my fellow Canadians who have been turned off by Prime Minister Mulroney. Since the other 14 per cent are also worthy Canadians, I dedicate this speech to them in the hopes that they too will be turned off by Prime Minister Mulroney.

I am going to outline the plan of my speech, because I see that there is a plan in what the government has been doing. It is a very old plan. In many ways, it is not so much something that Conservatives sit down and work out. It is something that is part of conservative thinking, and some conservative thinking is imprinted in all of us.

When conservatives talk of change, what they mean is let us change what we are now doing and return to mythical better old times. Lucretius quoting Epicurus said that in the good old days we were small, brutish, frightened and living in caverns. But in conservative thinking, there has always been some ideal old times in which those who have made it were no longer

contested. But they are contested. Every now and then non-conservatives push humanity a little forward. Now and then conservatives come back with a counter-revolution and try to push things back to where they were. We are in one of those phases. They pick usually a "nouveau riche", a parvenu to lead them and do the dirty work for them in order to go back to the time when people touched their forelocks to them, accepted their lowly condition and accepted that the masters are masters and it should be like that. There are good people who have this idea.

I was listening with some sorrow to the speech of Senator Molson where the spirit was coming forth, is it not a pity that people will not leave things as they are, accept circumstances and not challenge everyone? I do not think that Senator Molson was saying that in the sense of "let me be what I am, let me enjoy what I have." But it is the conservative feeling and it is a very old tendency in human beings to become conservatives as soon as they reach a certain level of possessions and they enjoy them. They do not want any challenge to their very own.

On another occasion in this chamber I spoke of Bertram Russell stating that the whole of philosophy has been debated since the 6th century B.C. when it was first written as to whether collective rights or individual freedoms should prevail. Bertram Russell stated that the history of mankind shows man oscillating between ossification through too much discipline and anarchy through too much individual freedom. I would allow myself to disagree with this very great philosopher by pointing out that the essential conservative wants the ossification of everybody else through too much discipline so that he can exercise unlimited individual freedom and unlimited individual power in his field.

I see this pattern in what the government is doing. This is one of the counter-revolutionary psyches. We have got to go back, privatize and take away from people all those little bits of safety that make life tolerable. We have to have them frightened again, brutish and small, and in the caves. I will develop this theme further and give historical examples starting from earliest times with fairly complete analyses of what must be conservative heaven, the world of the Brahman in India where they have convinced people for millennia that the one fatal sin is to try ao rise above your station and challenge those who have, if you are a have-not. But in the meantime I would like to start on the GST itself.

● (0000)

We have been told that it is necessary to have the GST in order to reduce the deficit. The other evening I explained—you can find it in the record, and if you want the figures from Statistics Canada, the Research Branch of the Library of Parliament will show them to you—that if, in its first five years, the administration of Mr. Mulroney had kept its rates of interest at the same level as those of the United States, and its revenue from tax on the profits of corporations at the same level as those of the United States, the national debt at the end of December 1985 would have been $85 billion less than it actually was. This is simple arithmetic.

Why was it not done? Well, because those who have money like high interest rates. They make money out of it. And, of course, the Conservative Party is dominated by the corporate sector, and the corporate sector always screams that it is being taxed more heavily than in the U.S. when the facts show it is not. The way to find that out is not by looking at nominal rates of taxational corporate profits, but it is to look at what proportion of the gross domestic product corporate profits are before taxes, what proportion of the gross domestic product they are after taxes, subtract the second figure from the first, divide the result by the first and that gives you the percentage of corporate profits that are taxed away.

In the first five years of the Mulroney administration the Canadian corporate profits have been taxed from 4 to 10 per cent less than in the United States. If Canada were a banana republic, in danger of having civil war, if it lacked the resources, if it lacked food, if it lacked water, if it lacked space, if it were threatened by external invasion, I could see that one might assume that investors would be afraid of investing in Canada. But as Finance Minister Wilson said to the *Wall Street Journal*, "This is a country that has everything that one could dream of. It has resources, it has money, it has food, water, land, space. It does not have a threat of invasion. It is a good place in which to invest, in which to park your money."

Space is important because it means space for bringing in immigrants. So we could have had, as we have had many times in the past, interest rates at the same level as in the United States, and taxes on corporate profits at the same rate as in the United States. We would then not only have had a lesser national debt of $85 billion in December 1985, but thanks to lower interest rates during those five years Canadian businesses would have been able to grow more and reduce unemployment levels so that we would not enter this recession with unemployment above 8 per cent. But, again, you cannot expect a counter-revolutionary Conservative government to think in that way.

The other day at the External Affairs Committee, and thanks to an initiative by my honourable colleague, Senator Ottenheimer, we had lunch with Mr. Georgi Arbatov of the Soviet Union. He is a member of the Supreme Soviet, chairman of one its important committees, and chairman of the Canada-Soviet Friendship Association. He is high up in the Kremlin. Many of us have met him in previous years. It was absolutely fascinating to meet him this time and it gave me great pleasure to see how accurately he was using the word "conservative" to describe the Brezhnev-Stalin type of Communist, the people who have arrived, who have possession of all the goods on this earth and don't want anybody to challenge them, a true conservative spirit. By the way, Milovan Djilas, one of the great idealists of the post-Second World War communist revolution, and a friend of Tito of Yugoslavia, wrote a bitter book called, precisely, *The New Class*. If one reads it, and reads the development of other classes in other countries in other times, one is struck by the similarity of how it does not matter what ideology it is, once a group of people

get their fingers into the pie they become conservative like everybody else. Above all, all they want is to have all the burdens on someone else and to have all the privileges and all the fun themselves. The conservative spirit.

So we have had an attack on the social safety net. We are not here to talk of disentanglement. We are going to allow the health service to be split up among the provinces, and put the health of the people of British Columbia in the tender care of Mr. Vander Zalm, who has said that the regions of British Columbia should have levels of health service commensurate with the resources of that region. This is Mr. Vander Zalm, who objected to any money being spent on feeding poor children in schools, and who said, "If the parents of these children showed more responsibility, the state would not have to help the children." Well, okay, so we have irresponsible parents, and unfortunately they have produced children and they are neglecting them. According to conservative thought, conservative philosophy, what does it matter? The fault is with the parents and, of course, with the children, because what we are facing here is something that has always been believed by Conservatives, that they have it by the will of God. Dieu et mon droit. They were put in the position in which they were because they have some special worth and value in the eye of the Almighty, and therefore they deserve to be rich, to be comfortable, to be cossetted, to be unchallenged, and the poor in all their generations are poor because they have not the grace of God and therefore deserve whatever happens to them, and their misery must be visited unto their children.

So we are going to disentangle the health service. Canadians across this land are not going to have the same level of service as they move from province to province. That will be one less thing that unites us.

There was a dream, a Liberal dream introduced through the equalization payments, to guarantee all members of this great nation an equal minimum level of services so that they could move from province to province—otherwise, what does it mean to have one country if you can't move?—and be able to have a certain minimum of services wherever they are as a right because they are Canadians. This has been attacked. Health services, according to the polls, is the one thing that Canadians most like and they will smite this government, or try to, before those services are destroyed. I see the destruction of the country going on at such a pace that I wonder if in the next two years the Tories will not be able to dismantle everything.

They are dismantling the CBC. I was looking at television earlier and a person was saying, "What is going to give us our Canadian news, our Canadian identity now." They no longer have a station in Windsor. In Saskatoon they will have American news, mainly, or the network news. The local people of Canada will be unrepresented in the Canadian network. Why? Well, because they don't matter as much as dollars. They don't matter as much as their availability of Challenger planes for ministers, as chiefs of staff with salaries double what we get here in the Senate. Maybe they don't talk back as much as we do; maybe they should, to earn their keep.

They have dismantled VIA Rail. They have privatized Air Canada, and now that they have privatized it we are being told by Air Canada that it might not be able to survive the competition of the open skies with the United States. The United States airlines are not going to be interested in servicing small Canadian communities, because there are not enough passengers, or they will stretch safety, but that doesn't matter, the almighty dollar matters, the bank balance, in Switzerland preferably, matters.

The GST shifts the burden of the tax, that is undoubted, from the manufacturers to the consumers. It shifts the burden of the tax from the very rich to the less rich. This is the pattern of the whole tax reform carried out by this government.

There used to be only a hundred people with incomes of over $250 thousand who paid no tax at all. In the latest figures released by the Minister of Revenue, there are now 250 such people, and the tax on the very rich has gone down as a proportion of their earnings. The tax on the others has gone up. These are the Tories. And, it is part and parcel of the pattern of the GST.

I said there were ways of saving money by pursuing a different interest rate policy, and by having the same taxation on corporate profits as in the United States. That is not the only alternative, as I will say later. No, they went and picked the GST and of the various forms of consumer taxes they could have picked, they picked one that has been tried and found to be not very good in Europe. It has been studied and we know that it does not work, this type of tax. We know that it is too complicated, as you will see shortly. The administration of this tax is going to be 40 times more costly for a small business than it will be for a big business. Again, it is part of the pattern to help your large corporate friends. They can take you on trips. They can guarantee your rich directorships when you are thrown out by the people. By then you have delivered the country to them and therefore they will reward you.

● (0015)

I would like to read a few extracts from a publication called *VAT and Small Business, European Experience and Implications for North America.* It is written by Graham Bannock and it was published by the Canadian Federation of Independent Business and by the National Federation of Independent Business Research and Education Foundation. They have studied this tax and its applications in Europe. They say, in giving a summary of their conclusions:

> Although the introduction of VAT need not, in itself, result in higher taxes, those OECD countries with it have much higher tax ratios than those without it. Once the elaborate infrastructure has been laid down, few governments have been able to resist the temptation to increase the rate of VAT.
>
> In theory, VAT introduces a minimum of distortion into the pattern of consumer spending and the structure of production, and does not spill over into costs. In practice, it is far from economically neutral in most countries.

> Where levied at a uniform rate, VAT inevitably bears more heavily upon the poor than upon the more affluent. This regressivity can be offset by the use of multiple rates and exemptions but only at the cost of increasing the compliance burden and economic distortions.
>
> VAT is a complicated tax but its advantages over a sales tax really boil down to a certain administrative neatness for government and a plausible, but as yet undemonstrated, claim to a higher degree of security against evasion and fraud.

I shall come back with another publication describing fraud. I will give you two examples immediately, because I know you are dying to hear them, of the sort of fraud that occurs. These are Canadian examples and were told to me by two people involved in them, both being lawyers. One of them was the lawyer for a car dealership that owed him $20,000. The lawyer and the car dealer agreed that instead of the lawyer receiving $20,000, he would be given a $20,000 car—that was the value to the dealer—for $4,000, on the grounds that it was wrecked. The dealer would declare that the car fell off a ramp and was wrecked and he would write it off. So the lawyer received $16,000 on which he paid no tax, and the dealer had a $16,000 write-off.

The other lawyer was just setting up and, in view of the GST, he agreed with a client to have the client provide office space for him and he would provide legal services for the client. It was a straight barter arrangement, no GST. There will be millions of these situations. The underground economy in Italy has been stimulated by the GST until somewhere around 35 per cent of the economy is now underground. France is not far behind, despite draconian penalties for those who get caught. This publication goes on:

> The price for these advantages, which would probably only be relevant if it were intended to levy the tax at rates approaching the average 20 per cent level in Europe, is the imposition of a new and heavy compliance burden upon business and particularly upon small business, as well as a significant increase in the size and cost of the tax administration machinery of government.
>
> A great deal of mythology has grown up around VAT. It is not evasion-proof, nor is its impact free from economic distortions. The distortions arise not in theory but in the translation of the concept into practical reality. Most governments either exempt some goods and services from the tax or use multiple rates to soften the impact of VAT on low income groups. The tax is also very difficult to apply at all in some sectors, such as banking, for technical reasons. Other modifications are invariably necessary to lessen the compliance burden on very small firms and firms in certain sectors such as retailing, or to reduce evasion. When all this has been done, VAT has no clear cut advantage over a well-designed sales tax except (possibly) in terms of enforcement at high rates of tax, as already mentioned.

Another reason, we are told, that the GST should be brought in is because of its superiority to the sales tax. Most of the works on a sales tax compared to a GST in the European experience show that there isn't such an advantage. So if there isn't such advantage, what is the advantage? The advantage is that it shifts the tax burden from the rich to the poor. It shifts the administrative burden from the rich to the poor. At least the administrative burden for the rich is lightened and for the poor it is made heavier, but then the Conservatives do not care about the poor and the small.

> For some large businesses in Europe, the interest earned on [GST] revenues before they need to be paid over to the authorities far outweighs the cost of collecting and administering the tax.

This is a back-door payment to big business by this government. The article continues:

> In other words, they actually profit from [GST]. For UK small firms, net compliance costs (the value of time spent on VAT administration after allowing for cash flow benefits, if any . . . .are quite significant in terms of the competitiveness of the business and its profitability . . . .
>
> One of the most striking features of the international economic scene during the past two hundred years or so, in addition to the spectacular growth in wealth and international trade, has been the increase in the role of government in economic affairs. The share of the Gross Domestic Product accruing to employees of central and local government: (but not including state industries) in Britain more than quadrupled from 3.0 per cent in 1907 to 12.9 per cent in 1973. Because of the growth of transfer payments (employment benefit and social security payments), the overall share of Government in national expenditure is much larger. In Britain, it increased from 12 per cent of the Gross National Product in 1790 to 53 per cent in 1982. If we take Britain as an example, government expenditure has risen everywhere and now accounts for between one quarter to one half of the GDP in all the advanced countries.

This, of course, is what the Conservatives object to.

> The upward pressure on government expenditure has not been matched by as strong a pressure to keep taxes down. As a result, tax revenues as a percentage of national incomes have increased roughly in line with government expenditures . . . . What has happened is that as countries have grown richer, governments have taken a larger share of the total. This relationship is not, however, a very close one; most of the richer European countries have a higher tax ratio (averaging 40 per cent) than might be predicted from the general relationship between income and the tax-take, while North America, Japan and a few other countries . . . .have lower tax ratios . . . .

The reason for this high tax ratio is what Canadians like and what they have wanted to have, which is a safety net, and especially medicare, which is the jewel in the crown of our

social safety net and which will now be attacked through this device of disentanglement.

> [GST] is a tax on final consumption which is collected at every stage of production and distribution rather than at the retail stage alone as with the sales taxes that are familiar in North America. [GST] is levied on the difference between the sales of each firm and its purchases, that is, on the value it adds to these purchases. Traders who are registered for the GST are entitled to credit the tax they pay on their inputs against the tax they collect on their outputs and remit only the difference to the tax authorities. (If the input tax is greater than the output tax, they receive a refund).
>
> Since traders do not bear the tax on their inputs and charge the output tax on their sales to their customers, the formal incidence of the tax largely falls on the consumer. The effective incidence may be shared, however, by other stages in the chain of production and distribution. For example, the imposition of VAT, may stimulate shifts in the pattern of consumption away from taxed goods and towards untaxed goods. Producers and retailers may attempt to arrest these shifts by reducing margins which may force some out of business. The incidence of taxation is a complex subject, and whilst most economists would agree that VAT is fully shifted forward to the consumer in the long term, it is possible that business bears some of it in the short term.

Let me give an example that I heard about earlier today. it involves a physiotherapist in Montreal. She has an establishment and several employees. She is closing down because she says the 15 per cent tax will so reduce the number of customers she will have that it will not be worthwhile for her to have that business. She will operate in customers' homes strictly for cash. So, in effect, we are pushing a citizen into illegality and tax evasion through tax.

● (0030)

> This is especially likely to be the case when the tax is not applied uniformly on all consumer spending. In a recent Forum of Private Business survey, 93 per cent of small businesses claimed to pass on the whole of [GST] to their customers.

We are speaking of Britain.

> Although [GST] is described as a multi-stage tax, these considerations indicate that it is only really the collection which is multi-stage. As we shall see, a main purpose of the additional complexity of the multi-stage collection over a single stage retail sales tax is to make evasion of the tax more difficult, although there are other advantages. To understand fully how [GST] works and its appeal to economists and governments, it is necessary first to understand the relationship between value-added and national output and expenditure . . . .
>
> Tax liability in the [GST] adopted in Europe and under consideration in North American, however, is assessed by a third alternative: the *invoice method*. What this means is that each firm invoices its customer for the value of its sale to that customer plus VAT (output tax) and receives an immediate credit against the amount of VAT it is due to pay to the government for the VAT paid on its own purchases (input tax). At the end of the accounting period. (which may be monthly, quarterly or even annually . . . .) it pays the difference between the output tax and the input tax, if positive, or applies for a refund if its output tax is less than its input tax.

That is, the tax that it has paid to its supplier.

> Since value added is defined as the difference between purchase and sales, then the same rate of value added tax applied to purchases and sales will, if credits are given for the tax on purchases, yield the same net tax as if the same rate were applied to value added.
>
> In fact, the VAT system in practice does not tax the true value actually added in any period at a particular rate, not only because depreciation is not allowed for but only because the tax has to be paid even if the producers are taking a heavy loss and not adding value at all. Moreover, since, in practice, input tax is not reclaimable on all inputs, value added is not accurately calculated by the invoice method.

So we have the proposition of a defective tax. The more we go on looking at it, the more we will see the tax with which we end up as having one and only one advantage, which is the advantages it gives to the very rich.

> It should be pointed out that the remittances of tax to the tax authorities . . . will only all be made in any single tax accounting period if all the transactions take place within that period. In practice, the retailer will purchase the canned fruit from the manufacturer sometime before he sells it to the consumer and he will pay for the goods some time after he receives them. The manufacturer will be liable to remit the VAT on his sale to the tax office when it becomes due, whether the retailer has paid him or not, but he will also be able to deduct his input tax from his output tax whether he has paid his supplier, the primary producer, or not. As we shall show later, these features of [GST] mean that the collection and remittance of the tax benefits the cash flow of some registered traders and has a negative impact for others. The precise cash flow impact of VAT on any individual trader will depend upon the frequency with which he has to make returns to the tax authorities, their timing in relation to the collection period to which they relate, and the length of the credit periods he gives to his customers and receives from his suppliers. The cash flow impact will also crucially depend upon the rate of tax charged on inputs which, for reasons to be explained later, in practice will necessarily be the same as the rate on outputs . . . .
>
> *Disadvantages of VAT*
>
> It is, of course, widely recognised that, like all taxes, [GST] does present problems to both the taxpayer and the tax authorities. The most common objection to the

> introduction of a [GST] is that a broadly based tax on consumers' expenditure will bear disproportionately heavily on those with lower incomes. That is to say, it is *regressive* with respect to income.
>
> Since people with high incomes on average spend a smaller proportion of their income (they save more either before or after income tax) then a given rate of [GST] on total consumer spending will tax a higher proportion of income of the poor than of the rich.
>
> It is because of concern about regressivity that most VAT systems charge lower or zero rates of tax on expenditure on basic necessities such as food and housing.

As you can see, we tax housing here.

> Some countries have more than two [GST] rates; Three European countries have four. Of 32 countries with [GST], only nine had a single rate system in 1984, but none of these actually levied their single rate on all consumer expenditure.
>
> The items which are VAT exempt because they present intractable problems to the designers of [GST] systems account for a relatively small proportion of consumers expenditure—perhaps around 10 per cent on average in EEC countries. Items of expenditure, lower rated or exempt to offset regressivity, however, typically account for a somewhat greater proportion of consumer expenditure, usually nearer 30 per cent. Together, these special categories, however, are so important that all the theoretical advantages of the [GST] in terms of neutrality towards production and consumption and its clear superiority over single stage wholesale or retail taxes go out of the window.
>
> It is easy to understand why this should be so for neutrality of consumption since different rates of tax clearly distort consumer choice and the operation of market forces. The effects if differential rates on production, however, are more complicated. A producer who does not charge VAT on his output of exempted goods but is allowed credit for his inputs, for example, is receiving a subsidy from taxpayers while other producers that are not entitled either to charge [GST] or reclaim it are paying a tax which is intended to apply only to final consumers. In a few cases, exempt (as distinct from zero-rated) exporters will be paying a tax in this way upon their exports . . . .

We are not supposed to be paying a tax on our exports, but we will be.

> There is, however, an even more intractable shortcoming of VAT and that is that it imposes heavy compliance costs upon small firms and requires on entirely new and expensive administrative machine in government.
>
> The acquisition of the necessary knowledge and machinery to impose, record and remit the tax are largely a fixed cost, and it inevitably follows that there are economies of scale in tax compliance as in other spheres of business-government relations. Because the administrative resources of small businesses are limited, the burden tends to fall to a significant extent upon the proprietor whose time is the most precious resource in most small firms. Small businesses are also unable to spread the cost of in-house professional advisors over a wide range of activities and their data processing activities are computerised to a lesser extent. All this means that the compliance costs of taxation and [GST] in particular are highly regressive with respect to size of firm. [GST] is also expensive to collect from small firms so that government administrative costs as well as business compliance costs are relatively higher for small firms.
>
> . . . other indirect taxes are also regressive by size of firm, but because VAT involves the participation of all businesses, not just retailers as with a sales tax or manufacturers and importers as with a wholesale tax, and because it requires records of inputs as well as outputs, the total social costs and distortions of a VAT system are very much greater at the national level than with, say, a retail sales tax. For the same reason, the costs of administering [GST] for government are also absolutely much greater than for other indirect taxes: More returns have to be processed, refunds have to be made as well as remittances received, and the major system of local offices staffed to audit traders' records and deal with queries as well as to perform the other functions of tax administration is necessary . . . .
>
> There are also major start-up costs for a VAT system both for government and taxpayer and . . . .troublesome, though containable, transitional micro-economic problems to do with the level of investment and inflation.

I am skipping a few pages because—

Senator Hébert: Oh!

Senator Gigantès: I have lots of other material. Don't worry. This briefcase is full of material, and so is this one. But this book is now getting into figures and graphs.

Senator Forrestall: You will come back to that on Monday?

Senator Gigantès: And Tuesday and Wednesday.

> A number of econometric studies have been carried out . . . .and although we have not reviewed them in detail—

Because I have skipped some of them.

> —the general conclusion seems to be that VAT has been only mildly inflationary, particularly through its subsequent effects upon the wage price spiral in some countries. These studies lend little support to the view that VAT contributed to the upsurge of inflation in the 70's . . . .However, it does make the inflationary effects of a GST in this about twice what the government predicts it will be.

Therefore, when we are told that inflation under 5 per cent necessitates interest rates that kill farmers and small businesses and makes the purchase of homes by young people getting married impossible, imagine the outcry if inflation increases another couple of points, which would help this

government's rich friends to make even more money with higher interest rates.

● (0045)

> The government's tax administration or collection costs are only part of the total social cost of operating the tax system—

Senator Corbin: Senator Gigantès, would you allow a question?

Senator Gigantès: Certainly.

Senator Corbin: You are talking about the cost of the GST. I just happened to read *The Yukon News* of November 28, 1990, and in there is an ad entitled "GST Workshops" and I should like to read from that ad before I put my specific question to you. It says:

> 3 hours of practical GST information for the approximate cost of 1/2 hour of a chartered accountant's hourly billing rate!!
>
> It is only a matter of time before the Goods and Service Tax becomes an integral part of your business. As a business operator it is important to ensure that you have taken all actions possible to prepare for it. You must ensure you understand how GST works and properly administer it to your benefit.
>
> These workshops will review how GST works and offer you many practical planning tip for implementation of GST in your business. The master agenda for these sector specific workshops is as follows:
>
> Introduction to GST Structure & Process
>
> How GST impacts on businesses
>
> How to set up your accounting records
>
> Forms, deadlines and filing alternatives
>
> General points and practical planning tips
>
> Question and answer exchange
>
> Sector specific issues plus dates & times outlined on the mini-agendas below
>
> All workshops are being presented at the Gold Rush Inn - Town Hall Room

Then the mini-agendas follow. Under the title of "GST for Retail/Service Business Operators" they have:

> Pricing concerns
>
> Documentation Concerns
>
> Accounting for GST
>
> Transition Rules
>
> Planning Objectives
>
> Date: December 12, 1990 Time: 7-10 pm

Another agenda is entitled "GST and Charities/Non-Profit Organizations":

> Definitions
>
> Present rules
>
> Proposed operations rules
>
> Proposed rebate rules
>
> Planning for GST Implementation
>
> Date: December 18, 1990 Time: 7-10 pm

Another agenda is entitled "GST for Tourism & Transportation Operators". You can imagine, Senator Gigantès, that that would be a big item up in the Yukon. This agenda reads:

> Tourist rebates
>
> Qualification and administration
>
> Assignment to third parties
>
> Allocation to qualifying activities
>
> Transitional Issue
>
> Deposits/prepayments
>
> Travel over year-end
>
> Timing of services rendered
>
> Other Issues
>
> Date: December 17, 1990 Time: 7-10 pm

The final mini-agenda in this ad, entitled "Last Minute GST Workshop (Subject to Demand)", reads as follows:

> This workshop is for those that have left GST preparation until the last minute. It will offer many useful last minute planning tips to prepare for GST. It will follow the master agenda above followed by a question and answer session from participants.
>
> Date: December 27, 1990 Time: 1-4 pm

In other words, that will take place between Christmas and New Year's Day.

> These GST Workshops are being presented by MacKay & Partners - Chartered Accountants

Can you guess what the admission fee is?

Senator Gigantès: A thousand dollars?

Senator Corbin: No, no. It is $60 per person, but then there is a 10 per cent discount for multiple registrations, and it says that group rates are available upon request. The ad continues:

> For more information or to pre-register please contact:

Then it gives the names and the phone number 668-4030. Then it says:

> . . . or visit our office at 2090A 2nd Avenue, Whitehorse.

Then it gives the postal code, and in very, very small print, right at the bottom, it says that these events are co-sponsored by the Federal Business Development Bank, MacKay & Partners and the Whitehorse Chamber of Commerce.

My question to you is: Should not a universal tax be so simple that you do not need to have to pay to have it explained to you by chartered accountants? Does not this ad say exactly the opposite, that it is impossible for the common person to make any sense of it unless you have recourse to top professional advice? Such is the nature of the GST. In my view, it will create absolute chaos if it ever goes through, and I would like your reflections and comments on that.

Senator Gigantès: Thank you, senator. Of course it will create chaos, but not for large corporations because they will

be able to use their computers, and they will be able to afford this firm of MacKay & Partners.

[*Translation*]

. . . but little ones . . . You see the guide who is looking after tourists in the Yukon and trying to help them catch some fish. Every time the tourist catches a fish, the guide takes his booklet out and "inputs". . .

Senator Corbin: What does the guide "input"? What tax will he levy on the tourist? This is all very complicated.

Senator Gigantès: But, as you will see, I have evidence from thousands of individuals and associations, and I will read it to you later on; they will be fully in agreement with you.

I would like to make another remark. It is that, fortunately, this is only December 7 and we might make some arrangements to enable some of our colleagues to reach an agreement with them, to cross to the opposite side and teach these people for free. Since they are Conservatives, and claim that they understand this, they could perform a charitable act and help the people of Yukon to figure out this damn tax, instead of seeing our colleagues sleeping in their seats!

This is very disconcerting, even gruesome, since . . . I am sure that this also happens to us. If we were asleep, it would be the same thing. When we fall asleep like that in our seats, we look like our future death mask, just like in a museum where you can see Napoleon's death mask or somebody else's.

Mr. Beaulieu, do wake up! It's enough to send me into a depression to see you like this. He does not hear me. Wake him up!

[*English*]

Could you wake Senator Hatfield? I really feel I am calming him too much. Look at him.

In any event, we were saying that

> The government's tax administration or collection costs are only part of the total social cost of operating the tax system however, and are in fact for [GST], only a small part of those total costs. First of all, Value added taxes, as we have shown, are not neutral. They alter relative prices and by doing so distort the structure of production and consumption in ways which will reduce welfare (in the technical economic sense of the word)—

"Welfare" meaning the maximum amount of satisfaction, goods, services, whatever, that you acquire for a given input. It does not mean the kind of welfare you provide for poor people.

There are also other ways in which value added taxes reduce welfare, for example, by discouraging firms to grow beyond the threshold. VAT may also stimulate tax evasion.

If you have a little firm below a certain level, say, $30,000, it will pay a general 5 per cent and will not have to do the paperwork. However, if you run a small firm, you might decide it is not worth it to grow to, say, $40,000 or $50,000 if you have to do the paperwork, so you lower your sights. You do not hire more people. There may be opportunities for growth, but because the headaches are so great, you will not do it.

As Senator Corbin was pointing out, in most countries, unfortunately, the bureaucracy runs mad. There is a little phrase we put in each bill we pass which enables the minister to make the appropriate regulations for the administration of the tax. That is a licence to kill for the bureaucracy. They generally look upon this as a way to complicate the life of a taxpayer, as a way to establish themselves in their jobs. They have developed a kind of jargon in which they speak to one another and that only they understand. It is quite hermetic; most people do not understand it. I am humiliated each year when I have to go to a tax accountant and have my taxes done, but I do not understand the English or the French of the tax forms.

We may end up with something like a single tax, as Dennis Mills proposes because, whatever its disadvantages or advantages, people are just too exasperated from having to read bureaucratic prose. That is why, when our colleagues across the way read speeches prepared for them by the Department of Finance or whatever other department, they do not sound like themselves at all. One meets them outside and listens to them discoursing eloquently, as I am sure Senator Castonguay is doing now. I do not know if he is flirting with Senator Lavoie-Roux, but I am sure he sounds a hell of a lot more amusing now than he does when he reads a speech written for him by the Department of Finance. That is true for any politician.

It must have been mortifying for Senator Hatfield, when he was premier of New Brunswick, to find suddenly a text of leaden prose dumped on his desk, knowing that he would have to change it, rewrite it, improvise something or throw it away

if he wanted to be at all understood. Of course, it is useful if you do not want to be understood, and as this government mires itself increasingly in the dislike of the people, I suspect it will be resorting more often to bureaucratic prose so that it can do things without people understanding what it is doing. I suppose if you have to, you have to.

> Finally, as shown, VAT tends to work against the progressiveness built into the rest of the tax system and may promote inequality. We do not attempt to measure social costs which, though they are very important, are common to a greater or lesser extent to all forms of indirect taxation and are difficult, if not impossible, to quantify.

> What probably is most important, although there have been few attempts to measure them, are the costs incurred by businesses in collecting the tax . . . .

> These compliance costs are large in aggregate and much larger than the government's administration costs and moreover, they introduce further distortions into the structure of production. Compliance costs consist mainly of the value of the time spent on keeping records, making tax returns and other matters solely for the purpose of meeting the requirements of the tax authorities . . . .

In other words, this tax will turn a lot of honest Canadian businessmen—at least I assume they are honest if they do not vote Tory—into unpaid public servants.

• (0100)

On the one hand the Tories are complaining that there are too many public servants and suddenly they are creating many more.

> There may also be other costs, (stationery, telephone calls and possibly capital costs for equipment) . . . .

> . . . the Bath centre arranged for the mailing of 10,000 postal questionaires to a stratified random sample drawn, with the cooperation of the authorities, from the VAT register. In addition to classification data on size and type of registration, questions were asked about the time spent on VAT, numbers of invoices processed, terms of credit, the nature of any benefits gained from complying with VAT regulations, source of advice and visits from VAT officials . . . . Data was made available from Customs and Excise . . .

We call it Revenue Canada.

> . . . to allow the re-weighting of the response by size and sector to ensure that the results were representative of the population of registered traders as a whole.

This is normal procedure for sampling.

Senator Cogger: What are you reading?

Senator Gigantès: The title of the publication is *VAT and Small Business: European Experience and Implication for North America.* It is an excellent study. I highly recommend it.

Senator Cogger: By whom?

Senator Gigantès: It is by Graham Bannock and published by the Canadian Federation of Independent Business and National Federation of Independent Business Research and Educational Foundation. I will spare you all the footnotes. When they are here I don't read them. What would I say, "Superscript, parentheses, close the parentheses, superscript, return to the normal size"? I will spare you all this. It is a very well researched book and I highly recommend it. It shoots down all the rationale for the GST. All the good things it is supposed to do the book says it does not. The same amount of money could be collected with a simpler tax. The conclusion, which we will reach eventually, is that it is advantageous to big business but not to small business.

Senator Cogger: Have you checked whether reading someone else's book qualifies for your Guinness record? I thought you were supposed to deliver a speech.

Senator Gigantès: If you wish a learned speech, I have to cite authorities.

Senator Cogger: I am only asking the question, because if the *Guinness Book of Records* should ask any one of us to be a witness, I would like to know. I read somewhere that you intended to get into the *Guinness Book of Records* for making the longest speech.

Senator Corbin: That is a question you ask after 20 hours of speaking, not at this stage. Hold your horses.

Senator Cogger: If you wish to address me, senator, please return to your seat.

I wish to make a small correction. Before Senator Bonnell left the chamber he pointed out that today was the first anniversary of the tragedy at the Institut polytechnique. I wish to point out to honourable senators that in the *Debates of the Senate* for November 6, Hon. Royce Frith rose on a question of privilege—it seems that he jumped the gun by a month—and stated:

> I would not like this day to pass without some reference on the Senate record to the horrors that took place one year ago at the Institut polytechnique de Montréal.

I wish to pass on that point of correction. I may not be present when Senator Frith returns to the chamber, or I may be dead of boredom by then. I will count on one of you gentlemen to point it out to him. It was obviously a genuine mistake.

Senator Hébert: You have to survive until the vote.

Senator Cogger: We all know that Senator Frith never makes a mistake, so probably it is the record that is wrong. I will ask the Table Officers to make proper amends.

Senator Bosa: What page were you quoting from?

[Senator Gigantès.]

Senator Cogger: Page 3548 of the *Debates*. I believe that Senator Bonnell is correct, and that today is indeed the anniversary.

Senator Corbin: Honourable senators, on a point of order I would like to apologize to my colleagues opposite for speaking to Senator Cogger out of my place in the Senate. I promise not to do it again.

Senator Cogger, if you are to die of boredom, do it before January 1, otherwise you will have to pay a tax on your funeral.

Senator Stewart: According to Senator David, the correct thing is to arrange for cremation. The GST will not be very high in that case.

Senator Cogger: I want to know in my heart of hearts, and perhaps Senator Gigantès can answer if he puts himself in my shoes.

Senator Gigantès: I don't think I can fit my feet in your shoes.

Senator Cogger: If I receive a call from the *Guinness Book of Records* and I am asked if I was present in the Senate, I can say that I was here, if not mentally, because it was difficult, I was there at least physically. If I am asked if I was a witness to this forever speech, I will have to say I don't know if I could call it a speech, that it was more of a reading. When I was at the Séminaire de Québec and the priests were upset with us, they made us sit at our desks and they would read like this forever, but they didn't claim they should get into the *Guinness Book of Records*. Anyway, I don't want to jeopardize your record, senator.

Senator Gigantès: I am not sure what the purpose of your question is. What do you want from me? What are you asking me?

Senator Cogger: I would like you to recommend what I should answer the *Guinness Book of Records*, that I was here

but that you read? I believe I read in *The Gazette* that you intended to read a speech. Now, do you call reading material a speech?

Senator Gigantès: Senator Cogger, when your clients ask you for advice, do you charge them?

Senator Cogger: Pardon me?

Senator Gigantès: You are a lawyer. When your clients ask you for advice, do you charge them?

Senator Cogger: Most of the time.

Senator Gigantès: You have just asked for advice and I charge, too. We will discuss the price afterwards, and then when we agree I will tell you the answer to your question.

Senator Cogger: I normally give the advice and then send the bill.

Senator Gigantès: I am not too sure that you would pay me.

Senator Bosa: You quoted Senator Frith from page 3548 of *Hansard* and the terrible thing that happened at the Institut polytechnique de Montréal one year ago today.

Senator Cogger: Yes.

Senator Bosa: I don't see the pertinence of this intervention.

Senator Cogger: I wanted to correct the record, because Senator Bonnell drew our attention to the first anniversary. I only wanted to point out that in his speediness to get on the record a month ago, evidently by mistake—he is never wrong—Senator Frith stated:

> I would not like this day to pass without some reference on the Senate record to the horrors that took place one year ago at the Institut polytechnique de Montréal.

I have a lot of respect for my colleagues opposite, and I am quite prepared to pay my respects, but make up your mind. That tragedy certainly does not have two anniversaries back to back in two months.

Senator Gigantès: Senator Cogger, I would be most grateful if you would drop this point. This truly is not a point of fun and games. Talk about anything else, criticize me, attack me, anything you like. The memory of that horrible incident is not something you should be bringing out here in order to complain about Senator Frith. This is a day on which we should show respect or silence.

I don't think you can say that I could give you advice standing in your shoes. What size shoes do you wear?

Senator Cogger: Eight and a half B.

Senator Gigantès: My shoes are ten and a half Triple E. What can I do? I am know as "Big Foot". I don't think we can make a deal on the price.

In any event, I was reading for the Senate *Debates* and the edification of senators opposite. I did not at any time see any of those publications inscribed in "*The Guinness Book of Records*". This is the record of the Senate, and there are many previous examples of senators having read excerpts from various books in order to instruct their colleagues. I even read excerpts from mine. I have a couple of books here that I could read and perhaps get some free translation. If you care to challenge me on that, I could start that again.

We were talking about compliance costs. Compliance costs are large in aggregate and much larger than the government's administration costs and moreoever introduce further distortions into the structure of production. Compliance costs consist

mainly of the value of the time spent on keeping records, making tax returns and other matters.

Senator Hébert: The Conservative Whip is calling his colleagues back to order. They are not supposed to disrupt you. Senator Cogger is not listening to his Whip.

Senator Gigantès: Senator Cogger, if anyone asks you about my speech, you may say that, despite many interruptions, I kept my good temper and continued reading instructive material to my colleagues in the Senate.

I was talking about the study that was done by the Bath Centre in Britain and I described how they worked at making the sample valid. The respondents were asked to value the time spent on compliance with Britain's GST and to record the related paid out costs such as fees paid for professional accountants of the kind that Senator Corbin was mentioning in the advertisement in that great publication the *Yukon News*. By the way, the government could close it down, too, as it closed down regional stations of the CBC.

Total compliance costs for all registered traders amounted to 9.3 per cent of GST. That is the cost that the traders have to absorb, over 4.5 times the administration costs from the government. So not only is the GST 7 per cent, but there is a compliance cost of 9.3 per cent which no doubt the traders will pass on.

Senator MacDonald: Senator Gigantès, it has been well advertised that you intend to speak for some time. Since I will only be here until 7 a.m., and because some of us are very interested, I was wondering if you would give us an indiction of the alternatives to the value added or consumption tax, whatever you want to call it, that you intend to expound?

• (0115)

Senator Molgat thrilled us by telling us about the Dennis Mills—Pocklington theory about a flat tax, which I am very interested in. Senator Marsden also said you had 11 alternatives to the consumption tax.

[Senator Gigantès.]

I have never heard anybody seriously suggesting an alternative, but you, Senator Gigantès, are capable of suggesting an alternative. I was wondering if you could do that before 7 a.m. or, if not, tell us approximately when in the course of your discourse you might do that so we could then fill the chamber and have questions to put to you.

Senator Gigantès: Next Tuesday, sir.

Senator MacDonald: You won't be speaking next Tuesday.

Senator Gigantès: I will be speaking next Tuesday.

Senator MacDonald: Again?

Senator Gigantès: Continuously, breaking for whatever breaks forced upon me by the wisdom of our fellow senators.

Senator MacDonald: Do we have to wait until Tuesday to hear this?

Senator Gigantès: Well, I have already given a little hint of what I would do to Senator David. Change your corporate profit tax and your interest rates so that they are equal, and interest rates so that they equal those of the United States, and in the last five years you would have reduced the national debt collectively by $85 billion. There are others, and I want you to be here on Tuesday with bated breath.

Now if you are good, if you are really good, I promise I will give you the text even before it is printed in Hansard. Is this too magnanimous?

My fellow senator says I should give you the text even before it appears in Hansard. I have it right here. I promise you, this is it, and when the time comes—Tory Blue—when

the time comes you will get it all. I will keep nothing back, I promise you. I will reveal all the titillating details.

Senator MacDonald: I hope the question is not impudent: Are you a member of the Chrétien Task Force set up to determine alternatives, or is this your own idea, or does it have any kind of a sanction?

Senator Gigantès: Excuse me, have I given the impression in this chamber that I take orders from anyone? That I am the kind of person like one of our colleagues who said she disagreed thoroughly, but she would vote the way the Prime Minister wanted her to, not I, sir.

If Mr. Chrétien is in agreement with my ideas, so much the better. If he is not, I will still vote for him. following the example of Madame Chaput-Rolland. What can I say? He has not heard them yet. I mean this is a surprise for all of them.

Senator Hatfield: You cannot vote for him, you do not live in New Brunswick.

Senator Gigantès: Well, I will vote for his party. I might move to New Brunswick to vote for him. If you do not want me,l you are going to interdict New Brunswick to me senator, how cruel. I mean I am having a difficult time with New Brunswick. I am sure Senator Corbin would welcome me there. Senator Simard—I must say I made a facetious remark about a town in New Brunswick and he was absolutely furious. He spoke for several hours attacking me, even though I was apologizing. I apologized, and he objected to my having given the impression that I did not like a particular New Brunswick town. I did, I just pointed out that I suffered food poisoning there, and I will not mention the town.

I may have suffered the food poisoning in an adjacent province, I will not say which, before I got to New Brunswick. Senator MacDonald, are there any further clarifications that you are seeking from me? May I resume?

Senator MacDonald: I think Senator Cochrane has a question.

Senator Cogger: No, you may not address this side of the chamber.

Senator Gigantès: I was talking to my senator.

Senator Cogger: You were speaking to Senator Cochrane.

Senator Gigantès: No, I was not speaking to Senator Cochrane. He was speaking to me.

Senator Cogger: Anyway do not talk to me, you have to be there.

Senator Corbin: I can talk to you from my seat. Not on my feat.

Senator Cogger: Well, that is a new Corbin Rule.

Senator Corbin: Well, that is the thrust of the debate. You can do that from anyplace.

Senator MacDonald: Anyway, let's get back, Senator Gigantès, I admire your courage to be a one man non-team player vis-à-vis your own views.

Senator Gigantès: Excuse me, sir, you just said I am a one man non-team player vis-à-vis my own views. Are you suggesting I am fighting myself somehow? That is what you seem to be saying. I am prepared to do that for your entertainment.

Senator MacDonald: Well, ever since last week when this poll came out, I have been fascinated that while 73 per cent

disapproved of the GST, 64 per cent believe that Chrétien will flipflop on the GST. So I would think that any suggestions that you have would be very welcome at this time by Mr. Chrétien and his task force on alternatives, because the poll goes on, and we have to accept the polls in this chamber because we have been referring to them.

Senator Gigantès: Absolutely.

Senator MacDonald: We either believe them or we do not believe them. It is the benchmark from which we all start.

Almost two-thirds, 64 per cent believe the Liberals would leave the unpopular 7 per cent tax unchanged, if they won the election. The same poll, *The Toronto Star—CTV News Poll.* That is why alternatives to the consumption tax, the GST, become such an important part of this debate, which, of course, we know is a filibuster. But there are some very, very good suggestions that have come forward. I wish they had come forward before our Banking Committee, and that that committee had taken its job seriously, and had suggested, as had been the custom, various changes that might have been accepted in the course of committee hearings. This has been the tradition of the Senate.

So that is why alternatives to the consumption tax will be the major contributions you could make to this chamber, and if you say you are going to do it Tuesday, I will be here Tuesday.

Senator Gigantès: Thank you. It is not at all surprising that after six years of Mr. Mulroney, the public does not believe any politician and expects that all politicians flipflop, I mean flipflops like a fish fresh out of water on the deck of a schooner.

Yours is a Prime Minister who said, shaking Mr. Clark's hand, that he was right behind him all the way. He was keeping the other hand behind his back with a stiletto in it, which, as some members opposite who are now looking away, know very well was being sharpened to be placed right between the shoulder blades of Mr. Clark, and was.

He also said during his 1983 leadership race that a free trade agreement with the United States was something he would never, ever, ever accept. It would mean the destruction of Canada. He accepted it.

In 1982 he fully approved of the Constitution as it was passed then and praised it in a very wholesome fashion. Afterwards, to get Separatist votes, and to get the Parti Québeçois help in the election, he started changing the vocabulary and calling it the 1982 betrayal.

Well, of course, the public is skeptical. What Mr. Chrétien said was that he will abolish the GST, that he is putting together a committee to study a reform of the tax system, the tax system as a whole, mainly because the good citizenry finds loopholes, and after a while they start distorting the economy to take advantage of loopholes they perceive in the tax system.

It must then be amended, of necessity. The time has come, especially after several years of Tory rule, that the tax system has to be overhauled, because the number of loopholes for Tory friends are so enormous. If those kind of loopholes were put in the drift nets that the Japanese use, we would not be destroying the fish in the sea because we would not be able to catch any of them.

So, Mr. Chrétien said that he will put together a task force to study the tax system. he has not chosen it yet. I do not know if he will put me on this task force. If he tried to do so I would refuse, and I would refuse because I think my duty is to be here and instruct you, sir, as I will do Tuesday morning, and try to get into Senator Cogger's shoes, in order to answer the numerous and frequent phone calls he receives from the *Guinness Book of Records* for the same reason.

All these things will keep me far too occupied, also reading my books so as to get free translations fraudently, as some of your colleagues say. I am much too busy a man, and I have my dog to play with too, so no I will not—I am terrible in teamwork, in committee work, as everybody over here will tell you. I am an absolutely insufferable colleague. So you cannot see me in a task force. I am a loner. All my life I was a loner, possibly because most other people would not have anything to

do with me. I am resigned to it. I finally ended up in the Senate!

I was told when I was a little child at school, because I was not taking life seriously, I would never amount to anything, and now how right they were. Here I am a senator alongside you.

Now we were saying that compliance costs amounted ti 9.3 per cent. In other words, the businesses in Britain in this study found that it cost them 9.3 per cent of the tax to comply, on average.

Now this includes the low compliance cost to big businesses and the much higher compliance cost to small businesses. What do you think the businesses do with those compliance costs? They certainly do not absorb them. They pass them on. This is one of the secret ways in which prices are increased by this so called visible tax.

[*Editor's Note: For continuation of proceedings see Issue 115L.*]

THE SENATE

Thursday, November 29, 1990

[*Editor's Note: Continuation of proceedings from Issue No. 115K.*]

Thursday, December 6, 1990

● (0130)

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE ACT
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMEND—MOTION FOR THIRD READING—DEBATE CONTINUED

Hon. Philippe Deane Gigantès: Much as been claimed about evasion. I have other texts on it. It is very difficult to remember all these findings by heart, Senator Cogger. After all, we are reaching the age where Alzheimer's is our middle name. I could not possibly remember all my photostats plus all that is in this book on value-added tax, so you will forgive me if I read from them. They are studies carried out on how much a tax operates in other countries.

Senator Cogger: Great speech but no record.

Senator Gigantès: I am not trying to break a record. I am trying to contribute to the legislative process of this country.

Senator Cogger: Senator Gigantès, do you know why we keep interrupting you? It is because we made a decision in caucus, after your grand announcement, that whatever happened we would not try to prolong anything. You walked in here determined to bore everyone to death for the next 20 to 25 hours. I could be up on my feet fighting or teasing you or whatever, and it would not change a thing. If you are surprised or concerned that you are not being taken seriously, then remember that anyone who walks into any room saying, "Gentlemen, I shall now speak for the next 20 hours", cannot be expected to be taken seriously. The exercise does not make for convincing debate or anything of the sort. It is a silly, stupid exercise simply to get into a book of records. So keep on going.

Senator Haidasz: That was not very kind, Senator Cogger.

Senator Hébert: Senator Gigantès, perhaps you could explain to Senator Cogger that filibustering is part of parliamentary system and tradition. Perhaps you could help him to understand.

Senator Gigantès: Sir John A. MacDonald was a great filibusterer. So was John George Diefenbaker. As for being taken seriously, it depends on who it is. The young who know me take me seriously, and they like me. That matters. Small children like me, generally. My dog takes me seriously and I find that more important. He is a very intelligent animal.

Senator Adams: Did you have to pay GST to get him?

Senator Gigantès: I did not pay GST on him because I bought him before the GST. However, I have had him snipped, because if he had any puppies I would have to sell them and pay the GST, and I am damned if I will allow my dog's gonads to contribute to the maladministration of this country.

Senator Cogger: See what I mean, Senator Haidasz.

Senator Haidasz: It is amusing.

Senator Cogger: Hardly convincing or to be taken seriously.

Senator Gigantès: So much of the claimed superiority of VAT or GST over sales taxes and other taxes depends upon the assertions that it is more evasion proof. The extent of which the GST is evaded in those countries which operate the tax is difficult to substantiate, but before looking at the evidence available, let us examine the logic of the assertion that it cannot be evaded.

Earlier I gave the examples of two lawyers I know who are already evading it. Lawyers, of course, are specialists in tax evasion and make a great amount of money out of it. They call it "tax avoidance".

Senator Haidasz: Tax avoidance is illegal.

Senator Gigantès: Avoidance is legal; evasion is illegal. The line between the two is truly mathematical: it has no dimensions.

Senator Haidasz: It is invisible.

Senator Gigantès: It is geometrical and it is visible in the eye of a good tax lawyer.

[*Translation*]

Senator Corbin: I do not understand what you are telling me.

Senator De Bané: He is explaining that the line is very thin.

Senator Corbin: It is a sequence of points.

Senator Gigantès: No, it is not a sequence of points. Not at all. In geometry, it is not a sequence of points. Even according to Einstein or contemporary geometricians, a line cannot be regarded as a sequence of points. It is a non-dimensional line between two points. You would drive Euclid to despair. I beg you! I can tell you that Einstein would take out his violin and

would start playing mazurkas. Yes, Dr. Haidasz? I would like you to explain this to me, Senator.

Senator De Bané: But I'd like to put the following question to you. You say that the difference between tax evasion and tax planning is a matter of order of magnitude. Wouldn't you say that morality comes into play, in that . . .

Senator Gigantès: The Conservatives don't have any, that's why I didn't refer to a concept they wouldn't understand. Our colleagues' opposite may honour morality and proclaim their attachment to it but they do not practise it, particularly their prime minister.

I'll do a bit of simultaneous translation. Senator Simard is not present but there are other francophones. I'll give a little demonstration, if that's agreeable. I'll do a sight translation of an English text I have here, just for a change. French is such a beautiful language.

When it's claimed that the GST administers itself, it is normally meant that the retailer will make sure he obtains the appropriate document from his supplier so that he can deduct the tax paid to the supplier. Likewise there will be the same incentive for the supplier to obtain the appropriate document from his customer so that he too can claim a tax credit from the government.

Theoretically, then, the GST system reduces evasion in two ways. First of all, the tendency to underdeclare income is reduced because of the fear that suppliers may reveal the quantity of supplies delivered; the tax man would then be interested in finding out details, such as whetherr the supplies are part of inventory or whether they have been sold and for how much.

The other deterrent to evasion is that hiding income requires much more effort, since one has to persuade suppliers, that is, the people you buy from, to cheat also. However, if there is no cross-checking, a multistage system does not the change the existing incentive for those who think that if they succeed in hiding a part of their purchases, they'll also be able to hide a part of their sales, and thus avoid tax. Not a only a GST-style tax, but also less income tax, since they'll be declaring a smaller income.

A retailer who sells an item to a customer for a price including tax and who does not register this sale will be able to keep for himself an amount in excess of the tax on his inputs. Therefore if he lies to the tax authorities, he stands to profit. Hence the temptation for him to make such proposals to his suppliers, explaining that they can also benefit, and the effect would be to create a large underground market. That is what happened in several European countries; I mentioned that in Italy it amounted to between 35 and 40% and the Italian GST only amplified the phenomenon.

So the amount of purchases would be underdeclared and sales would be made mainly to private individuals, as for example a plumber. It would be to his advantage to buy his supplies retail, like a ordinary customer, pay the GST on the purchase but not charge it to the customer and keep the difference for himself. There would be a strong temptation to avoid registration and hide the true level of one's sales, thus encouraging the development of a black economy.

[Senator Gigantès.]

[*English*]

If he is concealing his sales for GSt registration purposes, he is more likely to escape detection if he underdeclares or does not declare his income at all for income tax purposes. I come back to the incident of the physiotherapist that I talked about earlier . . .

[*Translation*]

After closing his business, he would then supply physiotherapy services in the home of his customers. He will be paid cash and will not declare his income. He will charge the customers less than if they went to a business registered for the GST. In this way he can keep his money for himself, claiming that he has no income and in this way avoid paying income tax as well. That's the sort of thing that GST has given rise to in other countries.

• (0145)

[*English*]

Since marginal income tax rates in Europe will on average be 30 per cent or more and the GST 20 per cent, the benefits of evasion are high. In this way GST has probably done much to stimulate the growth of the black economy which is causing concern to authorities in all European countries.

[*Translation*]

That is what they want to encourage here. In fact, the idea of a black market economy is in keeping with conservative philosophy; you do not pay income tax, that is quite a conservative attitude.

Senator Corbin: Who is going to profit from this?

Senator Gigantès: Are you talking about the water I am drinking or the text I was reading?

Senator Corbin: Who will benefit from tax evasion?

Senator Gigantès: Well, just about everyone will benefit from that except consumers, employees, and people like you and me who cannot take advantage of such things. But entrepreneurs will certainly resort to to it and they will push a lot of clients into a type of illegality. One of our colleagues was telling us that he has a contractor who says: "If you pay me by cheque, it is $30 an hour, if you pay me cash, it is $20". This type of thing is going to become much more widespread and that is bad for the moral tone of society generally. A lot of people are going to be corrupted by that.

As I was saying earlier, I only referred to the mathematical dimensions of the definition of a line because the moral dimension is something which escapes Conservatives.

Senator De Bané: On that same topic, do you know the sophist philosopher who said that when you shoot an arrow at a moving object, it will never reach it because as the arrow moves forward, the object is also moving ahead, of course. So, for every unit of time, the distance will decrease, but the arrow will never be able to reach its target completely, and that is the line that Paul Valéry was referring to in one of his poems when

he said: Achilles was running but going nowhere . . . and in this way he would never reach the far horizon.

Senator Gigantès: That is a beautiful line from Valéry, who was in fact a great poet, whom I admire a great deal, but as for his worth as a mathematician, allow me to . . .

[*English*]

> If any benefits do result from the incentives for customers to obtain receipts with purchases, they are restricted to transactions between registered traders.

[*Translation*]

That is a very important sentence. Only GST registered suppliers, and the government is complaining that more than half have not registered, will have an incentive to obey the law and not find ways around it.

[*English*]

Those supplying directly to the public—

[*Translation*]

. . . because the public cannot claim a GST rebate, and so does not have to provide any documents. At the final point of sale, the public does not necessarily have to provide any documents to the government, because it will foot the bill at the end of the line.

[*English*]

> Those supplying directly to the public have no more reason to issue an invoice or receipt than they would under a sales tax.

[*Translation*]

There is no advantage to this. A GST does not promote morality in society any more than a retail sales tax would.

[*English*]

> Where the authorities have reason to suspect fraud by a retailer, they can check with his supplier to compare the retailer's purchases with his sales—if he is purchasing more than he is selling then there is evidence of fraud if his stock position is inconsistent with his declared sales. If the supplier is in collusion with the seller then the fraud will only be detected by carrying out further inquiries . . . checks with suppliers, when there is doubt about the sales of a retailer, is a routine feature of the administration of sales taxes in the United States. The strength of the [GST] system is that it allows routine computer checks to be carried out of the ratio of input taxes to output taxes, which can pinpoint cases where these ratios are out of line and where there is a possibility of fraud. What it does not do is allow the detection of fraud itself; this can only be done by a physical audit.

Which, in effect is what happens with retail taxes. So there will be no way to detect fraud. The same administrative costs will have to be incurred as with the GST.

> Automatic detection would only be possible if each trader recorded every purchase and sale on his return with the [GST] number of his supplier so that the computer could cross-check that the claims tallied with one another. For obvious reasons the returns made to the tax authorities are not made in that detail and the more complex the structure of multiple rates and exemptions, the greater the normal range of variations in ratios will be and the less reliable guide they will give to the existence of fraud.
>
> Another claim made for the strength of the [GST] system's defences against fraud over a sales tax is that, because collection of the tax is multi-stage, then only part of the proceeds of the tax is lost if it is evaded at any point in the system. This is, of course, true but the corollary is that there are many more points in the economy at which scope for fraud exists.

The distinction made in the previous paragraph was that the computer may indicate a possibility of fraud, but you cannot take a possibility of fraud to court. A physical investigation will be required, which will incur heavier compliance costs than exist in the retail sales tax system.

[*Translation*]

Senator De Bané: You know, Canada's entire tax collection system is based on the voluntary compliance of its citizens. In fact, government only audits about 2% of taxpayers, precisely because 98% of Canadians do comply with our current system. It is based, then, on the principle of voluntary compliance. While I have the floor, perhaps I could answer my colleague Senator Corbin's question on the line. It was indeed the philosopher Zeno of Elea, a disciple of Parmenides, who attempted to prove the impossibility of movement through a series of paradoxes that have remained famous, the most famous of them being that of the arrow that never reaches its target, moving in a straight line.

According to this philosopher, to reach a point, a moving object must first of all cover half of the distance which separates it from that point, and before that, half of that half, and so on ad infinitum. Of course, I understand full well that our colleague, Senator Gigantès, said that that was a famous sophism, but now the sophistry comes mostly from the other side!

Senator Gigantès: You flatter them! Come now, our dear colleagues opposite are not capable of sophistry! They know how to make money! That is very simple. This is one of the problems of government when Conservatives, among whom businessmen are the majority, take power. The problem a businessman has to grapple with is quite simple: He must sell his wares for more than he pays for them. He has to deal with related matters, personnel and what have you, he has to buy supplies, but whatever he does, he must make a profit on his sales.

Senator Castonguay: Do you really believe that businessmen are nothing but salesmen? Are you not forgetting about manufacturers? Those who make things? Do you not think that these same businessmen are the ones who produce things and contribute to creating wealth in a country? You seem to have an extremely negative view of businesspeople, one which always surprises me.

Senator Gigantès: It surprises businessmen, I agree. There certainly are businessmen who add value to the materials they

purchase. They try to sell the processed raw material that they purchased, with a markup that accounts for the value they have added through the manufacturing process and their profit margin.

Senator Castonguay: They are the ones who create wealth.

Senator Gigantès: What I am saying is that for an industrialist, the problem is a difficult one. I admire them. I admire people who can make money a great deal, because I have never managed to make any. But making money is much less difficult than the political problems a prime minister faces. You can find nearly optimal solutions to the problems a businessman faces, but you can never find optimal solutions in politics.

In politics, you have to try to find a compromise. That is what democracy is about. All compromises are imperfect. Allow me to use an example I often resort to, that of selling gas to power automobiles. Retailers who have gas pumps want to sell as much as possible. Ecologists would like them to sell none at all. And so the government has to find a policy that satisfies the ecologists somewhat and that also suits the gas retailers to a certain extent. Both of these groups are going to think that the policy falls short of the mark, but will probably feel that it is not wretched enough to cause a revolution.

Thus, politicians and businessmen have completely different perspectives. The businessmen finds logical, linear solutions that lead to certain results. He has a car to produce, for instance. The government has to come up with a multidimensonal concatenation of compromises. That is the truth, and it is very difficult to do, much more difficult than producing a Toyota and creating a distribution and sales network. That is very impressive, but much less difficult than the work a statesman such as yourself, a former statesman, has to accomplish.

● (0200)

[*English*]

> Another claim for the strength of the VAT system is the GST system's defences against fraud over a sales tax is that, because collection of the tax is multi-stage, then only part of the proceeds of the tax is lost if it is evaded at any point in the system. This is, of course, true but the corollary is that there are many more points in the economy at which corporate fraud exists. In a minor way it becomes easier for registered traders and their staff to acquire goods and services for personal consumption free of tax than under a retail tax system. More important, because registered traders reclaim input taxes under VAT, there is benefit to be gained from false invoices covering fictitious purchases which, if supported by fictitious invoices for zero-rated sales (especially exports of invisible services to associated overseas companies) are less likely to arouse suspicion under routine computer ratio checks.

That is an important sentence again.

Are you receiving me well, senator?

Senator Corbin: Senator MacDonald?

[Senator Gigantès.]

Senator MacDonald: Senator Gigantès, I hate to return to this subject but I am confused. I asked you a question earlier and you said you would give us the answer on Tuesday. My calculation shows that you will have been speaking for over 34 hours at that stage.

Senator Gigantès: Yes.

Senator MacDonald: Surely, your resources on that side are not so impoverished that you would occupy 34 hours of your colleagues' time.

Senator Gigantès: Just wait until you see what others do after me.

Senator MacDonald: Well, I will come back to this again because, you see, if I thought you had the alternative I might seriously change my mind. I should like to quote from *The Edmonton Journal* of November 1:

> The Liberals could easily change the name of the consumption tax, tinker with the rate, and keep their promise to axe the GST — but the net effect would be the same.
>
> If Chretien is going to earn belief from Canadians, he'll have to outline what taxation measures he has in mind.
>
> It's not good enough to appoint a committee to look at the options. He should know the broad outline of his tax policy before a committee gets down to the details.
>
> Chretien is no political beginner—he is a former finance minister, a veteran of half a dozen cabinets. Does he favor a progressive income tax? Will he do away with consumption taxes altogether? Will he take the advice of international economists and come up with a sales tax that taxes food? Canadians deserve the know the answers if they are to trust the Liberals with their votes.

On your shoulders, Senator Gigantès, lies a heavy responsibility to answer, presumably on behalf of your party, if you are going to occupy 34 hours of their time.

Senator Gigantès: I was thinking of 44, actually.

Senator MacDonald: If Tuesday is to be the time, we wait with bated breath for the answer.

Senator Gigantès: Senator, I read that article in *The Edmonton Journal*. It was in the *Quorum*. I wrote a letter to them, and I have it in my computer so I could give you the full text, but if I remember rightly, I said that it really is a little premature to ask us to decide right now what fiscal remedies we have to apply to the damage that the Tories are continuing to do to the economy. There are constitutional developments. Provinces are asking for disentanglements. They are asking for the right to collect all their taxes and do all their expenditures. The free trade deal with Mexico might affect what we are doing. The authority of the federal government might be further diminished. Yet you expect Mr. Chrétien to guess at the dreadful, noxious effects of Tory mismanagement between now and the election and predict immediately what taxes will be necessary to repair the damage to the Constitution, to our trade position, to the loss of manufacturing jobs, to the change in the distribution of fiscal resources as between the federal

and provincial governments that will be pertaining at the time that we take over. If, of course, Mr. Chrétien did so immediately, naturally, a Southam paper like *The Edmonton Journal* would immediately say, "He is frivolous. He does not know what the situation will be like, and here he is now telling us in advance what he will do when he does not know what situation he will face." Now, this kind of baloney is suitable for your prime minister, but I would not like a Liberal prime minister to be that fraudulent.

Senator MacDonald: Senator Gigantès, please. Not baloney. He was equivocal before he became the leader, while he was campaigning and after he became the leader. The conversion came only a few weeks ago. It was amazing. He could not even get the words out. He said, "I have always been opposed to it," meaning the GST, "and I will be opposed to it always." It reminds me of a song: I will be so-and-so always. It seem unequivocal. So what have we got, Senator Gigantès? Have we got "Son of GST"? "Daughter of GST"? "Cousin of GST"? "Return of GST"? That is all we want to know.

Senator Gigantès: You want to know? I will tell you. One of the problems that people who are unfamiliar with such matters have in understanding Mr. Chrétien, and a problem that the Tories have and that the press has after so many years of Tory dishonesty, is that they have difficulty understanding an honest man. What Mr. Chrétien was saying is that there is a consumption tax now, called the manufacturers' sales tax. There has been this consumption tax for a long time. It collects about $18 billion. You are changing it into a GST. So, to be very clear as to the GST-type of consumption tax: "No, never. I'll kill it. Period."

Will there be a consumption tax, as there is now, or a federal sales tax or manufacturers' tax? The answer to that is that there will be a reform of the whole tax system, and we will see what place in that reformed tax system, designed to repair the damage we will inherit, a consumption tax will have.

However, it will not be a multi-stage goods and services tax such as this nightmare you have designed where stockbrokers' caviar is not taxed but a pregnant Canadian woman's four ounces of yogurt is; where hot popcorn is taxed but is not when it is cooled; where raspberries off my raspberry bush are not taxed but the raspberry bush is; and similar idiocies. I don't know what happened to you guys. Why did you do this? Wait until I start telling you all of the defects of the tax, because I am going to read them all one by one. I have 44 hours to fill. By the time I finish with all this, you will see why Mr. Chrétien is perfectly right. He is not an idiot. He is not going to have the same sort of tax.

What you are playing with here is fair game. After all, we are in politics. You are trying to confuse the issue. You ask if there will be a consumption tax. Well, there is a consumption tax now. However, will there be a GST? The answer to that is, categorically, no. Will there be a consumption tax as the one now? Probably not. There will probably be a consumption tax which will not penalize our exports, and that does not mean it has to be a GST-type.

Senator Corbin: That is your view.

Senator Gigantès: That is my view.

Senator MacDonald: The GST is a consumption tax.

Senator Gigantès: The MST is a consumption tax, too. Who do you think pays it? Do you not think it is passed on to the consumers, the people who buy things?

Senator MacDonald: Yes.

Senator Gigantès: If you do not like to get into the minutia and detail of the tax system and try to understand it, Senator MacDonald, why are you picking on me? I love this sort of stuff. I bathe in the obscene Byzantinology of tax. I adore it.

Senator MacDonald: Senator Gigantès, you have answered my question. I simply wanted the assurance that we would not be denied your alternative on Tuesday, and you have answered the question. I hope that the popcorn and the raspberries will sustain you during the next 34 or 38 hours.

Senator Gigantès: I will not take either popcorn or raspberries. They both have too much roughage. Moreover, raspberries are diuretic. So I will take neither. In fact, when anybody has asked me, I have always said I will take pasta, which is a complex carbohydrate and is very good for you.

Senator Cogger: Who cares?

Senator Gigantès: Well, in case you ever want to filibuster, or if you have to defend yourself in court and you have to make a long speech, I advise you to take that kind of stuff.

Senator Cogger: Senator, thank you for proving my point. I said you were embarked on a silly, stupid exercise, wasting time; and the more you go at it, the more you prove it. Back to your diet!

Senator Gigantès: I beg your pardon?

Senator Cogger: Are you going to entertain us some more with your diet?

Senator Gigantès: Of course, I will do my very best. We have 41 hours and 48 minutes to go, together. Let us go through this together. If you relax and try to enjoy it, it will be a little less painful. If you find this so very disagreeable, I recommend that you ask one of the pages to go to my drugstore and buy those nice little devices called ear plugs. There is a nurse on duty, and she could give you some cotton wool, or you could take some of this blotting paper and chew it until it becomes rather mushy and put one in each ear. Two little red things there would be very nice. It is all the fashion these days to have earrings, and you would not even have to pierce your ears. You could use your ear hole.

Senator Cochrane: Come on!

Senator Corbin: Patience.

Senator Gigantès: I like her. She is a good person.

Senator Cogger: Don't be sexist now!

Senator Gigantès: What is sexist about liking somebody and expressing admiration for her work as a senator? She has been

an excellent senator. It is one of the very strangest things about Mr. Mulroney; he has appointed some very good senators.

Senator Cogger: Thank you.

Senator Gigantès: It is awful that they have to be used in the terrible way in which they are being used, because they are good people. However, if one accepts to sail in a ship—

Senator Cogger: Do you want to know how you guys are being used? I will quote a little from the December 10 issue of *Maclean's*. Here is what the head of Environics Research has to say about Liberal senators. It ties in with a point that Senator MacDonald was referring to.

> And when public attention turned in September to the government's widely disliked GST legislation, Chrétien refused to say whether he would abolish the tax if he were elected.
>
> Finally, on Oct. 28, Chrétien said that he would do so. But a survey published on Nov. 27 by Toronto-based Environics Research Group found that fully 64 per cent of those polled said that they did not believe him. More telling, however, was that over half of those who described themselves as Liberal supporters told the polling company that they did not believe their own leader. Said Environics vice-president Donna Dasko: "There is a much higher degree of cynicism about the Liberals, despite the fight by Liberal senators against the GST. That should be a source of concern."

● (0215)

That is how your own supporters view your current role. In this article by Kaye Fulton it is stated that after six years out of power the Liberals are still having trouble adjusting to the harsh realities of Opposition.

Senator Gigantès: It is an experience you will have soon yourselves and you will find it is hard to adjust to the harsh realities of Opposition. There are some among you who are making this adjustment right now and they are not finding it very agreeable. Yes, we are having a hard time adjusting to the harsh realities of Opposition, especially when we have to stand over here and watch your Prime Minister destroy the country. If you want me to enumerate how he has done it, I will do so.

He has destroyed the country. Who speaks for Canada? Not Mr. Mulroney. He is not trusted in English Canada to defend federalism because they know he is a prisoner of the separatists in his caucus. In the next two years the fate of Canada may be decided and the Prime Minister will not be there because he will not be trusted in English Canada; even if he tries to defend federalism, which he has done in the last couple of weeks, he will no longer be believed. He is at 6 per cent in Alberta, and for good reason. He is the man who hailed the Constitution of 1982 and to get votes called it a betrayal. He is the man who used the drug patent bill as a device to get votes and thereby attacked federalism by saying that those who opposed the drug bill opposed it in order to harm Quebec. During the debate on the Free Trade Agreement he said exactly the same thing, that people who opposed it opposed it in order to stop l'épanouissement du Québec. This man has done so much damage to Canadian federalism that it may be impossible to repair. After six years with him, everybody, Liberal supporters included, cannot possibly believe a politician. If a federal Prime Minister can sink so low as to betray his major trust of defending the federation, anything can happen. It is like someone taking Holy Orders and then debauching his congregation. That is what happened with your Prime Minister. I have much more to say about it.

Senator Bosa: Say it.

Senator Gigantès: Not now. I want to go on with the GST debate.

Senator Bosa: I wonder if I could ask Senator Cogger a question.

Senator Gigantès: No, you must ask me a question. I have the floor.

Senator Bosa: It is probably true that Her Majesty's Loyal Opposition finds it difficult to adjust to becoming members of the Opposition when they have been in government for such a long time. Is it not equally true that the Conservative government finds it difficult to be in government because they have been in opposition for such a long time and are finding it difficult to adjust to the new situation?

Senator Gigantès: That is like telling a child who has been starved during an illness not to eat too fast. They rush and grab everything they can as fast as they can and make as many of their friends as rich as they can as quickly as possible and then get indigestion. You are correct, it is difficult for them.

Now, can we return to the GST, or would you rather I spoke on another subject? I am ever ready to oblige; you pick the subject and I will talk. I thought we were here to discuss this detestable, stupid tax.

Senator Stewart: They want you to talk to the point about the Prime Minister until it is clear.

Senator Gigantès: They want me to?

Senator Stewart: Yes, Senator Cogger is urging you on.

Senator Gigantès: I will bind this speech very luxuriously and send it to the Prime Minister as a souvenir of how I feel about him.

Senator Cogger: It is just a compendium of everyone else's work, because you are just incapable of an original thought. We have not heard one out of your mouth tonight.

Senator Gigantès: According to Bertrand Russell there has not been any original thoughts since Plato, so I stand in good company. Philosophy is a footnote to Plato, and since Bertrand Russell considers that everything is included in philosophy one way or another, I have to bow to his dictum. He was a very great mind.

Senator Stewart: That is unfair to Senator Cogger. He has a fresh thought every day.

Senator Gigantès: He does?

Senator Stewart: Yes, a fresh one every day and sometimes a notion at noon.

Senator Gigantès: We must furnish him with a refrigerator so they do not turn bad.

> It seems to be the general experience that losses of revenue are relatively greater in small firms than in large, among service industries more than other sectors, and more in retailing than in manufacturing. Revenue authorities are understandably reticent about the methods of evasion used, particularly the more sophisticated devices. The French authorities however state that of detectable fraud, 43 per cent is accounted for by the omission of taxable transactions, 11 per cent by irregular deductions of input tax, 10 per cent by false exports . . .

By the way, false exports are clearly in the domain of large corporations because small corporations are not in the export business. In an earlier paragraph we saw that registered traders can claim that they have received or sold services for export to affiliated companies abroad. Only large corporations have affiliates, so this is a very good tax.

> A government report on tax fraud in The Netherlands Sijbren Cnossen in Aaron (1981) revealed . . .

The authors are Sijbren, Cnossen and the editor of the work in which they appeared is called Aaron. That is the fellow who adored the Golden Calf. I have told you my story, have I not, Senator Cogger, about how one can tell a Tory from a Liberal from a Socialist? One shows them greed and the Tory falls on his knees and says, "The Golden Calf of Aaron" and worships it. The Socialist does a nervous fandangle trying to stamp greed out and says, "The snake in Paradise". The Liberal looks at it and says, "What an interesting beast of burden, let us harness it." Aaron is the fellow with the Golden Calf while Moses was up there taking dictation from the Lord.

This famous tax report stated, and for VAT read GST:

> . . . although VAT fraud was slightly more frequent at the retail stage than at other stages of production . . . Forty-four per cent of all reassessments "for tax evasion involved deliberately incorrect applications of the law, such as rules regarding deductions for prior stage taxes. Sixteen per cent had tried to postpone payments improperly. Thirty—eight per cent had failed to enter sales in their books or had kept incomplete accounts. Seven out of ten violations were committed by former offenders, perhaps because the penalties for violation tend to be rather low.
>
> The principal instrument of enforcement is the audit visit . . . one of the disadvantages of [the GST] is that it requires giving power to large additional numbers of officials to enter virtually all significant business premises in the country.

A new tax police.

> In the U.K. [GST] officials have the right to gain access to business premises at any reasonable time and without search warrant although, except in some cases where fraud is suspected, appointments are made in advance.

In other words, people can come in and search.

> When in the premises these officials have the right to examine all [GST] bookkeeping records and any correspondence or material relating to specific transactions.
>
> Since delay in making [GST] returns can be a useful source of finance for businesses, penalties are necessary for late returns as well as for failure to keep proper records or for fraudent returns. Penalities for late returns are generally imposed administratively in the EEC countries usually as percentage of the tax due, although those for other offenses are left to the judicial system.

So we are going to overtax our judicial system. It is already overtaxed and we are going to pile on the agony.

> There has been a distinct tendency for administrative powers and penalities to be increased over time.
>
> In some countries, the methods used to enforce [GST] compliance go far beyond audits on business premises. In several countries, inspections of goods in warehouses are regularly carried out and vehicles transporting goods are required to carry documents listing the buyers and sellers of the goods carried, with their [GST] registration numbers. In Italy, since 1980 hotels and restaurants must issue [GST] receipts, a copy of which by law must be taken off the premises by the customer who may be asked to produce it in the street.

Already there are 4,000 or 5,000 more employees of Revenue Canada for tax collection. Recently the government has come back with supplementary Estimates to have still more employees. This is just the beginning. They have not got into chasing tax evaders. It is my turn to be political, they will probably be checking on Liberals more than on others.

> The UK Forum of Private Business carries out regular surveys . . . amongst its members and asks "Which act has the most adverse affect on your business?" and "Which act would you like to see changed? As to the first of these questions, [GST] came top of the list on every occasion in surveys carried out between March 1979 and March 1982, with the percentage mentions running from 35 per cent to 57 per cent. In six out of the seven surveys in which these questions were included, [GST] also came top of the list as the Act which respondents would most like to see changed. In both cases, the trend it mentions has been broadly upwards over the period of 1979/1982 . . . even though the UK abolished multiple positive rates of [GST] within the period.

• (0230)

> Similar results were obtained in a more recent independent survey carried out for the UK Department of Industry. Professor Bryan Carsberg carried out a survey of small firms and their auditors for the UK Institute of Chartered Accountants in 1984. He found that small business proprietors ranked [GST] well above all other administrative requirements in terms of the cost, time and effort involved, including tax administration for employees, the preparation of annual accounts and social

> security administration. The auditors took a similar view and ranked VAT above the annual accounts and the provision of information for banks.

So we are going to persecute our business people. Those who voted Conservative, we might say, deserve to be persecuted, but I am a Liberal and I do not have that kind of nasty attitude to human beings. I think they made an error and they should be forgiven. But now they are going to be persecuted with an administrative straightjacket, with a tax which copies the British one and for which, of all the various tax forms, applying such a tax is the most administratively cumbersome. We have to go and imitate what was the worst.

So let us look a little at what happens when you run a small business and you have to face the GST.

> The process starts with the routine bookkeeping and sales administration of the firm. Most small businesses, whether registered for [GST] or not, will keep a record of major purchases with a file of purchase invoices. The purchase ledger or cash book will need an extra column for [the GST] however, and if the proprietor wishes to reclaim all the input taxes he pays, he will need to ensure that every entry is supported by an invoice or tax receipt giving the [GST] number of his suppliers. Credit card counterfoils and till receipts will not be sufficient for this purpose unless they bear the [GST] number and, where appropriate, the rate of [GST] charged. . . . in entering the input [GST] in the ledger, he or his bookkeeper will need to distinguish between disallowed input taxes, including items for personal consumption (which may require an additional calculation if they are part only of the total of the voucher) if additional work is to be avoided when the [GST] is totalled for the purposes of the regular return. For sales, the firm will need to ensure that [GST] is charged at the appropriate rate.

You know, we have zero-rated, we have exemptions, and that all the necessary information, date of supply, GST number, name and address of customer is on the invoice.

> The amount and the [GST] charged will also need to be entered separately in the books so that output tax can be totalled for the return to the tax authorities. Note that the tax to be paid is not just the [GST] rate times sales because the tax is expressed on the net price. A 10 percent [GST] is 9.09 per cent of the tax inclusive price, and this calculation will need to be made frequently for both purchases and sales where the tax is not shown separately on receipts. For cash sales, a retailer may have to write out by hand a special tax invoice on a pre-printed form if requested. The more invoices a firm issues or receives, and the more complex the [GST] rate structure, the greater the administrative burden will be.

You see, this is one of the reasons why I am reading this material. I have never run a retail store, I am happy to say. I have been fortunate. I much admire those that have the courage to have to undertake such an operation. It is risky; it is hard work. However, they are valuable members of the community. So unless I looked at some authorities, like the one I am citing, I could not possibly know what a retailer would have to face in dealing with the GST. I am wondering how many of our colleagues opposite have been retailers. I am not sure any of them have. Senator Cogger, for instance, is a lawyer. I am sure he has not run a retail business. He does not know anything about the problems of a retailer, as I did not until I read this book.

[Senator Gigantès.]

I am not at all sure about Senator Tremblay. He is not here but he will be able to read the record. He has been a great public servant. He has not run a retail shop. He would not know a retail shop if he fell down in it. I do not know about Senator Hatfield either. He was a distinguished Premier, a great statesman, a great Canadian. All of us admire and like him. I am not sure he ever ran a retail store. Did you, Sir? He will not answer. So I will never know if he ran a retail store or not, but I have some friends in New Brunswick and they will give me the information.

We cannot possibly judge the GST without hearing what it does to the people who are going to have to administer it at their own costs—and enormous administrative costs are being put on all small business people by this tax because of its complexity.

As you will see later, because I will refresh your memories as to what he said, one of our witnesses told us that he would kill for the New Zealand type of GST, where it is quite simple. At the end of the reporting period, you say, "I sold $100,000 worth of goods; the tax on those is $7,000. I want $90,000 worth of supplies, the tax on those is $6,300; $7,000 minus $6,300—I owe you $700." Simple. No, we had to go and imitate the British System, with an invoice on every transaction and multiple entries in the ledger and, therefore, an enormous new burden costing 9.3 percent—and that is if we look at businesses alone.

I will continue with the description of what happens to business people in handling the GST.

> At the end of the month or longer period, depending upon the regulations, the firm will have to make a return showing its input tax, output tax and net tax payable or repayable. At its simplest, this may be a one-page form with just a few boxes to insert the numbers, and at its most complex it may be a forbidding document of several pages. . . . the complex french form . . . fills three pages and 78 lines although every line clearly is not applicable to every trade. Complexity in the return is largely a function of the regulations—the more rates and special rules there are governing payments, the longer the form will need to be.

And of course because this government, which was supposed to be the great reconciliator, and would get all provincial governments working happily in conjunction and with perfect love with the federal government—everybody falling into everybody else's arms at every step; not a single bad political thought in anybody's mind; not one instance of Ottawa-bash-

ing in any provincial capital; just a total love fest. That is what it was going to be.

I mean Gary Filmon was going to walk around all the time with a halo around his head and no problems at all. Grant Devine would not argue one bit about the Rafferty Dam. Nothing but sweetness and light everywhere.

They were not even able to agree with the provinces on coordinating the sales tax. So the poor unfortunate retailer has to know whether an item is taxed at the federal level, and also taxed or not taxed at the provincial level. What is the provincial rate, and what is the difference? They are not the same for all sales. What is the federal level? Is it zero-rated or isn't it? This complicates things very much more, and to resolve his problem he has to have an invoice on each item showing all these things and then they must be entered into a ledger, both for each thing he buys and each thing he sells. Terrific!

So if you are a rich firm and you can computerize all this, it is not too bad. But if you are a small firm, and you cannot afford complex machinery, you are cooked. It costs you a lot more.

One of the things we on this side are doing is expressing the indignation and the protest of all these good people who are going to have their lives more complicated and more expensive because of a badly designed tax.

Senator MacDonald, who has now left, was asking why we didn't propose amendments. How many times in the past six years have we been told by the Tory government that we had no business proposing amendments? Who were we? As Senator Stewart was pointing out, it started out with the Tory government saying, "We want you to allow us to borrow money for the project, for which we have already given you Estimates, to complete the program for this year. But we also want you to allow us to borrow a huge sum for next year, and we will not tell you what we are going to spend it on. Now, you go to your bank manager and ask for money and say, "I will not tell you what I am going to spend it on," and see what happens.

No parliament of the British persuasion has ever approved government borrowing before the Estimates are presented. The Estimates in this case were printed. They were printed, and I can reveal the name of the person who told me. It was Michel Pelletier. I can reveal his name now because he is dead. He died of cancer some weeks ago. He was an employee of the Queen's Printer, we were old friends and he was telling me, before all this trouble started about the Estimates, how terribly busy they were because they had had to print Estimates and then, in the usual procedure, these were packed and labelled and whatever. There they were, sitting there ready to go—and I knew this. Then later, Mrs. Flora MacDonald let the cat slip out of the bag and proved that yes, indeed, this was so. You had the Tory government saying, "No, we won't tell you what the Estimates are. You have to approve money or borrowing for us sight unseen." This is the same government that says, "Give us suggestions; we will listen."

• (0245)

Pat Nowlan was talking recently of the overweening pride of the Prime Minister. If his mirror showed him with bags under his eyes, he would smash it. He probably has an opaque one that does not show the truth. This Prime Minister and this government are so brim-full of unjustified pride. It is a collection of incompetent, strutting, nonentities. I am sorry that the Leader of the Government is not here so that I could say things about him. As soon as he appears, I shall do so.

Senator Corbin: Senator Gigantès, you need not worry about the absence of the government leader. They have people here taking copious notes of your pronouncements. He will be given a report when he wakes up sometime this morning.

Apropos of what you have just been saying, I would like to quote to you a citation from Sir Winston Churchill, which he pronounced in the British House of Commons on June 2, 1908. It is taken from a little book called *The Eloquence of Winston Churchill*. I quoted from it a number of times yesterday and I intend to quote from it again in the course of this debate. He had this to say about public funds:

> The great principle which this House ought to guard and cherish is that, when the tax collector comes to the private citizen and takes from him of his wealth for the service of the public, the whole of that money taken shall go for the purposes for which it is intended, and that no private interests, however powerfully they may be organized and however eloquently advocated, shall thrust their dirty fingers into the pie and take the profit for themselves.

Would you please comment on that citation from Sir Winston Churchill in the context of what you have just said?

Senator Gigantès: Sir Winston was one of the great men of this century—and probably of many centuries. He cared deeply for the state in which he lived and for humanity. He was a Conservative in the good sense, and there are some. Let us not forget that it was he who appointed Lord Beverage to produce the Beverage Report, which is at the root of the Keynesian social security system that is employed there and here in Canada. He had a concern for ordinary people. He fought alongside them and he was not a first-generation nouveau riche upstart. He was somebody from a tradition that cared. He was, of course, terribly strict about propriety and honesty in government and absolutely implacable about rooting out the kind of petty dishonesty we have seen from members of the caucus of the other side who have been convicted for their acts.

Of course, I excused Senator David for daring to accuse me falsely of fraud the other day, because what could he do? He has not been in politics for very long. He came to the Senate and sat in the Tory caucus and probably rubbed elbows with some of those convicted felons and therefore judged others by those standards. Winston Churchill was not like that. Neither were the Labour people who followed him. Clement Attlee threw out one of his ministers because the minister accepted a special price for a suit; one suit. The fellow lost his portfolio,

had to resign his seat and was banished from the house for something that would probably amount to $200 today. Of course, that is unheard of among those convicted felons.

One of the problems this government has had is that many of the people they have had elected were doing in public office things that appear fairly reasonable and common in business. If you are in business and you know that a deal is cooking somewhere that involves the purchase of land, you will rush out and buy that land. Then you make a killing by selling it, and you are considered a smart businessman in doing so. If you are a minister of the Crown and you do that, it is at least sleazy, if not criminal.

Winston Churchill was not sleazy, as your quotation shows, Senator Corbin. When he said that, he was a very young man. He had just returned from the Boer War where he had so distinguished himself with his spectacular escape after having been captured.

Senator Corbin, have you read the three-volume Churchill biography?

Senator Corbin: No, I have not.

Senator Gigantès: You should; it makes wonderful reading.

Senator Corbin: I will look into it. I believe you may have missed the purport of the quotation, however. I was referring to the Estimates and the destined allocations. Governments do not get their Estimates approved by the house unless the allocations are openly laid out on the Table. That, I believe, is the thrust of Sir Winston's comments, and that is what you were alluding to in your speech before you switched to another angle.

Senator Gigantès: I was trying to entertain, since Senator Cogger feels that we should all know this technical stuff about the GST. I admit that the tax side of economics is dull. Students are driven to despair by it. So I thought I would try to make things a little more interesting for him, and that is why my mind wandered a bit. But what can one do?

Senator Corbin: Senator Gigantès, do you not think that the most grievous sin of this government, this executive, is the use of their majority? They feel that they can damned well do anything regardless of the traditions of Parliament, of the rules and of the way of doing business. They think they are modern and contemporary in their attitude and that because they have a crushing majority they can run over Parliament and play with it like a toy to get what they want at any cost. Is that not their most grievous sin?

Senator Gigantès: Yes, that is their most grievous sin, but it is not a sin that should surprise us. Most nations along the Mediterranean, and probably other nations, say that when a fish goes rotten it smells from the head. We have a Prime Minister who is exactly as you have described him. He has the illusion of grandeur and he is petty. He is the captain. While in the British navy during World War II, my ship visited New York. A lady asked the skipper of my ship whether the ships of the British navy were insured. The skipper said, "No, Madam; we courtmarshall the captain." Quite properly, the British think that anything that goes wrong in a ship is the fault of the captain. He sets the tone of how the ship operates.

Mr. Mulroney has set the tone for this government. Here is a man who had eight provinces with two opposition parties supporting him on the Meech Lake Accord, and he blew it. What does he do? He blames someone else. He could not possibly admit that it was his fault. Instead, it is Jean Chretien's fault. Who was running things? Mulroney. What did he do to foresee difficulties? I have said this before, but it bears repeating. An army lieutenant would be demoted to the ranks if he was in charge of a military operation and he did not have a plan for a second attack if his first one was repulsed; if he didn't have alternative routes for retreat, for getting at things such as ammunition supplies, for getting food and drink; if he didn't know help would come and if he did not understand the enemy's position.

Mr. Mulroney was guilty of every single one of those errors in preparing for the Meech Lake Accord. As I was saying to Senator Castonguay before, because Mr. Mulroney is a labour negotiator, he thought that he could put the premiers in a smoke-filled room, get them dizzy with fatigue, then soon things would happen. Why? Because this was the beautiful boy from Ireland himself, as his mirror tells him every day.

Did he not foresee that Mr. Trudeau would object? It was perfectly natural that Trudeau would object. Did he not foresee that all kinds of constitutional experts would object, that in English Canada there were people who have the stupid mentality of the Canadian Airlines Pilots Association, which they displayed in 1976 when they were objecting to French being used in the air? Did he not foresee that? Did he not foresee that governments might change? Did he not take care to make provision for those things to happen? No, he did not. In consequence, he blew it. He now blames Jean Chretien. Who was in command? Who was the Prime Minister? He also blames the 1982 Constitution. In this he picks up the vocabulary of the separatists. He says that the amending formula is terrible—for two years it is terrible; for one year it is terrible; and so say the separatists.

I would like to tell you a little secret. Those particular provisions of the Constitution were written by the "gang of eight" and signed by Mr. Levesque. He liked them. Of course, they never intended using them. In other words, Mr. Mulroney was done in by his allies, the separatists.

I would like to read you something. If you have your Constitutions, please bring them out, and you will see the resemblance, if you do not trust me.

● (0300)

This is a news release dated April 16, 1981.

> Ottawa—Premiers from eight Canadian provinces today signed a new and historic Canadian patriation plan—

This is what they wanted the patriation plan to be.

> —including an amending formula for the Constitution.
>
> Alberta, British Columbia, Manitoba, Newfoundland, Nova Scotia, Prince Edward Island, Quebec and Sas-

katchewan were signatories to the "Constitutional Accord: Canadian Patriation Plan."

It calls for patriation of the Constitution and, as part of the patriation plan, acceptance of an amending formula that would ensure all future amendments are made in Canada.

Before I continue with the reading of this, I would like to look at the logic of what happened in 1982, what happened at Meech Lake, and what is happening now. What was the problem? What is still the problem? The provinces, Quebec in particular, wanted a distribution of powers. Supposing you agreed with the distribution of powers. Before you could proceed you would have to have had the Constitution back here; otherwise it would involve running to the British and asking them to please do this and please do that, and we still had a bitter memory of Lord Haldane keeping a piece of Labrador because he had financial interests then. The Privy Council in Britain was not immune to such things.

So we had to patriate the Constitution. We had to have an amending formula that did not require unanimity because if you have unanimity, things being what they are, you are going to get into the bind of being blackmailed, and "I will not agree to this unless I am given that." Then, you would also have to have a provision allowing you to make changes affecting only one province, and this is special for Quebec. So Mr. Trudeau, who knew his business, did just that.

Once you have all these things, once you have the Constitution here, once you have an amending formula that is less than unanimous, you can negotiate a redistribution of powers and those steps are necessary. Now, what happens? Mr. Trudeau was proposing certain things. The Liberal Senate blocked one of his proposals when he wanted to change the Constitution without consulting the provinces. Of course, this is conveniently buried by the separatists and their Tory allies, and yet of all the things blocked by the Senate that was the most major. It was a Liberal majority in the Senate blocking the apple of the eye of the Liberal Prime Ministers' legislative program.

In June 1978 the Liberals in the Senate told Mr. Trudeau, "This will not pass," and being an intelligent man, tough but intelligent, he retreated. The negotiations started and there was the "gang of eight." Mr. Trudeau only had Bill Davis and the Hon. Richard Hatfield on his side. Everybody else was aligned against him and they prepared their own constitutional proposals. I will be delighted to read them to you. They said:

In the Constitutional Accord the signing provinces agree to:

—patriate rapidly the Constitution of Canada;

That is what Trudeau wanted to make.

—adopt a new amending formula for the Canadian Constitution;

—enter into intensive constitutional negotiations during a three-year period based on the new amending formula; and

—discontinue all court action on this matter.

They were suing Mr. Trudeau.

The Canadian patriation plan is conditional upon the Government of Canada withdrawing the proposed joint address on the Constitution.

Under the Canadian patriation plan the United Kingdom Parliament would end its trusteeship over the British North America Act without damaging its historically fine relationship with Canada.

This is the "gang of eight." And Mr. Lévesque and Claude Morin were architects and drafters of this principle. Then, they say:

The new amending formula combines flexibility and stability; this is a principal feature of the Accord.

Under the formula, all amendments to the Constitution must have approval of the Canadian Parliament, except those related to the internal constitution of a province.

If you read the 1982 Constitution, you will find that that is exactly what it is. All amendments to the Consitution must have apaproval of the Canadian Parliament, except those related to the internal constitution of a province.

Most amendments would require legislative approval of two-thirds of the provinces.

That is what the 1982 Constitution has. What I am about to prove is that Mr. Trudeau was so accommodating that he accepted the proposals. These are the Lévesque proposals that he accepted, "the betrayal" that Mr. Mulroney talks about.

Most amendments would require legislative approval of two-thirds of the provinces (seven) representing at least 50 per cent of the population of the ten provinces.

Exactly what the new Constitution says.

This establishes legal equality amongst all provinces.

This establishes legal equality among all the provinces, and Mr. Lévesque was asked why had he abandoned special status distinct society, and he said it is best that we consider all of us equal.

When an amendment diminishes a province's rights, privileges or powers, an individual province may choose to retain these rights, privileges and powers by obtaining the approval of a majority vote of the total number of members of its legislature; and such a province would then receive adequate financial compensation.

This was restricted by Trudeau, and he gave such full compensation to Quebec on cultural and language matters only.

For a limited number of important matters including those relating to the Crown, parliamentary representation, language—

That is Article 23, Canada clause, formulated by Lévesque. Trudeau took it from Lévesque. He used Lévesque's clause in the language.

—and the composition of the Supreme Court, the consent of all provincial legislatures would be required.

This is exactly what the 1982 Constitution says.

This amending formula is demonstrably preferable for all Canadians to that proposed by the federal government because it:

—recognizes the equality of provinces within Canada.

This is drafted by Claude Morin and Réné Lévesque.

—avoids the need for a referendum—

This is a key provision, avoids the need for a referendum.

—to choose an amending formula or as a method of amending the Constitution.

Mr. Trudeau wanted that very much and the provincial premiers did not, because it meant that the provincial premiers might be disavowed by this population referendum. After all, it happened in Quebec and it could have happened in Manitoba, and Sterling Lyon could have had egg on his face. It could have happened in Saskatchewan. It could have happened anywhere.

The amending formula:

removes the absolute veto power that the federal government proposes to give the Senate over constitutional reform, including Senate reform.

The Constitution removes our absolute veto power. We are restricted to six months. Mr. Trudeau put that in the Constitution, as the "gang of eight" wanted.

The premiers agreed that together with the federal government an agenda for constitutional change could be immediately drawn up.

● (0310)

The eight premiers pointed out that their agreement on the Canadian Constitution shows clearly and positively that significant constitutional progress is possible when all parties approach the issue with sincerity and goodwill.

The premiers are prepared to go forward with this plan . . .

By working together, federal and provincial governments now had an opportunity to make a modern, made-in-Canada Constitution.

Details of the accord and the amending formula are sent simultaneously to the Prime Minister and the premiers of Ontario and New Brunswick for their active consideration.

I am sure that the then Premier Hatfield received them.

The eight premiers are now waiting for the Prime Minister to call a constitutional conference.

That is the press release. Now we have a constitutional accord, a Canadian patriation plan. This is the actual text which they were describing in their press release, and I would ask honourable senator to be patient with me because of all the whereas's.

WHEREAS Canada is a mature and independent country with a federal system of government,

AND WHEREAS the Parliament of the United Kingdom has retained, at the request of the Parliament of Canada and with the approval of the Provinces, residual power to amend certain parts of the British North America Acts upon receiving a proper request from Canada,

AND WHEREAS it is fitting and proper for the Constitution of Canada to be amendable in all respects by action taken wholly within Canada,

AND WHEREAS the full exercise of the sovereignty of Canada requires a Canadian amending procedure in keeping with the federal nature of Canada,

NOW THEREFORE, the Governments subscribing to this Accord agree as follows:

1.To patriate the Constitution of Canada by taking the necessary steps through the Parliament of Canada and the Legislatures of the Provinces;

2.To accept, as part of patriation, the amending formula attached to this Accord as the formula for making all future amendments to the Constitution of Canada;

3.To embark upon an intensive three-year period of constitutional renewal based on the new amending formula and without delay to determine an agenda following acceptance of the Accord; and

4.To discontinue court proceedings now pending in Canada relative to the proposed Joint Address on the Constitution now before Parliament.

The Canadian Patriation Plan is conditional upon the Government of Canada withdrawing the proposed Joint Address on the Constitution now before Parliament and subscribing to this Accord.

The Provinces of New Brunswick and Ontario are invited to sign this Accord.

Dated at Ottawa this 16th day of April, 1981.

It was signed by Peter Lougheed, Premier of Alberta; William R. Bennett, Premier of British Columbia; Sterling R. Lyon, Premier of Manitoba Brian A. Peckford, Premier of Newfoundland; John M. Buchanan, Premier of Nova Scotia; J. Angus MacLean, Premier of Prince Edward Island; René Lévesque, Premier of Quebec, and Allan E. Blakeney, Premier of Saskatchewan. It was signed on behalf of the Government of New Brunswick by Richard Hatfield, and the Government of Ontario by William Davis. There was also room to indicate acceptance by Pierre E. Trudeau, Prime Minister, on behalf of the Government of Canada.

Here is the text of the amending formula written by the "gang of eight," and therefore with the full agreement of Mr. Lévesque.

It is an historic document because all the blame that is being put on Mr. Trudeau for his "betrayal" of 1982 is being put on a constitutional Accord written, in effect, by Mr. Lévesque. But naturally, his government, which is rewriting history all the time, and the separatists, who are rewriting history all the time, do not believe in telling the truth.

Senator Hébert: May I ask a question of the honourable senator?

[*Translation*]

As a matter of fact, I was aware of this document but this is the first time I have heard the text, and I wonder if, during this whole debate about the Meech Lake Accord, it was alluded to even once in Quebec. I do not remenber ever having heard the great promoters and supporters of the Meech Lake Accord, among whom Senator Castonguay, who is in this Chamber tonight, refer to this document to tell us that the official version of the Pequists is not the real truth.

Senator Gigantès: I think Senator Castonguay could provide the answer to this question, but I am quite sure that the Quebec media did not want these facts to be known, because I provided them with this information and they did not want to publish it.

Senator Hébert: You mean *La Presse*, *Le Devoir* . . .

Senator Gigantès: Yes, *La Presse*, *Le Devoir* and others.

Senator Corbin: When?

Senator Gigantès: During the Meech Lake debate. Of course, since Mr. Mulroney had been taken hostage by the Separatists in his caucus, he could only talk of the betrayal of 1982, when everything points to the fact that it was not at all a betrayal, it was a document signed by Mr. Lévesque that became the Constitution of Canada. Where is the betrayal? About Mr. Lévesque, it is clear that only one of two things can be said: either he wanted to sign this text, and he wanted it to be approved but his party prevented him from doing so, or it was part of his tactics to fight Mr. Trudeau. I will come to the "night of the long knives", because it is also very interesting.

This document bears on that, as you will soon see, if you have some patience. So, this text of the "gang of eight", as they called themselves . . .

[*English*]

> The amending formula which is part of the Canadian patriation plan agreed to by eight governments in Ottawa on April 16, 1981, is the result of intensive discussions among the governments of Alberta, British Columbia, Manitoba, Newfoundland, Nova Scotia, Prince Edward Island, Quebec and Saskatchewan.
>
> In developing the formula, several important principles were recognized.
>
> 1. All amendments to the Constitution of Canada, except those related to the internal constitution of the provinces, require the agreement of the Parliament of Canada.
>
> 2. Any formula must recognize the constitutional equality of provinces as equal partners in Confederation.

Mr. Lévesque was recognized in that Quebec was "une province comme les autres." He signed this document and then the Péquistes blamed others for not recognizing Quebec as une province comme les autres, when the founder of the PQ movement signed this.

> 3. Any amending formula must protect the diversity of Canada.
>
> 4. Any constitutional amendment taking away an existing provincial area of jurisdiction or proprietary right should not be imposed on any province not desiring it.

That is related to the Constitution.

> 5. Any amending formula must strike a balance between stability and flexibility.
>
> 6. Some amendments are of such fundamental importance to the country that all eleven governments must agree.
>
> During discussions, it was recognized that more than one method of amending the Constitution would be necessary. Accordingly, this formula contains different methods depending on the nature of the amendment.
>
> The eleven sections described as "Part A—Amending Formula for the Constitution of Canada" are designed to contain a full and complete procedure for the future amendment of the Constitution of Canada in all respects.

• (0320)

> The provisions contained in Part A would replace both the limited amending formulas now contained in subsections 91(1) and 92(1) of the B.N.A. Act as well as the United Kingdom Parliament's residual responsibility for amending certain aspects of the Canadian Constitution.
>
> This amending formula would apply not only to the B.N.A. Act, 1867 and to amendments made to it since that date, but also to the other parts of the Constitution of Canada, including the constitutional statutes and Orders-in-Council which relate to the entry into Canada of particular provinces, for example, The Manitoba Act, 1870, the Terms of Union admitting British Columbia in 1871, Prince Edward Island in 1873, The Alberta Act, 1905, the Saskatchewan Act, 1905, and the Terms of Union with Newfoundland, 1949.
>
> This amending formula is clearly preferable to the one proposed by the federal government for a number of reasons:
>
> (1) it recognizes the constitutional equality of each of Canada's provinces;

This is a document signed by René Lévesque.

> (2) it gives the Senate only a suspensive, rather than an absolute, veto over constitutional amendment.
>
> (3) it omits the referendum provision—

[*Translation*]

Mr. Castonguay, please pay attention to this sentence.

[*English*]

> (3) it omits the referendum provision opposed by many as being inappropriate to the Canadian federal system.

[*Translation*]

Which means that the "gang of eight" absolutely did not want any referendum, according to the document that they signed and that Mr. Lévesque signed. As you will see, this explains the "night of the long knives".

[*English*]

Let me refer now to the Constitution Act, 1867 to 1982, Department of Justice, consolidated as of January 1, 1986. You will see that what the "gang of eight" proposed, with the participation and the signature of Mr. Lévesque, was taken by Mr. Trudeau and put in the Constitution. That is the betrayal of 1982.

> (1) Amendments to the Constitution of Canada may be made by proclamation issued by the Governor General under the Great Seal of Canada where so authorized by:
>
> (a) resolutions of the Senate and House of Commons; and
>
> (b) resolutions of the Legislative Assemblies of at least two-thirds of the provinces that have in the aggregate, according to the latest decennial census, at least fifty per cent of the population of all of the provinces.

It is in the Constitution, 1982.

> (2) Any amendment made under subsection (1) derogating from the legislative powers, the proprietary rights or any other rights or privileges of the Legislature or government of a province shall require a resolution supported by a vote of a majority of the Members of each of the Senate, of the House of Commons and of the requisite number of Legislative Assemblies.

It is in the Constitution, 1982.

> (3) Any amendment made under subsection (1) derogating from the legislative powers, the proprietary rights, or any other rights or privileges of the Legislature or government of a Province shall not have effect in any province whose Legislative Assembly has expressed its dissent thereto by resolution supported by a majority of the Members prior to the issue of the proclamation, provided, however, that Legislative Assembly, by resolution supported by a majority of the Members, may subsequently withdraw its dissent and approve an amendment. This is in the Constitution. Please note that a legislative assembly, according to the proposal made by Mr. Lévesque and the "gang of eight," had the right to change its mind. Mr. Lévesque put it in there for his own use, of course.
>
> (1) No proclamation shall issue under section 1 before the expiry of one year from the date of the passage of the resolution initiating the amendment procedure unless the legislative assembly of every province has previously adopted a resolution of assent or dissent.

That is in the 1982 Constitution.

> (2) No proclamation shall issue under section 1 after the expiry of three years from the date of the passage of the resolution initiating the amendment procedure.

This is what Mr. Lévesque wanted. This was put in the Constitution, and this is what the Péquistes and the federal Prime Minister call the 1982 betrayal. I repeat:

> No proclamation shall issue under section 1 after the expiry of three years . . .

[Senator Gigantès.]

The three-year limit that was so much bitched about during the Meech Lake debatee was put in there by René Lévesque and signed by him.

> (3) Subject to this section, the Government of Canada shall advise the Governor General to issue a proclamation forthwith upon the passage of the requisite resolutions. In the event that the province dissents from an amendment conferring legislative jurisdiction on Parliament, the Government of Canada shall provide reasonable compensation.

That is in the Constitution only in respect of language and cultural matters for Quebec; not for other provinces and not for all matters.

A change affecting the powers of a particular province cannot be made without that province's agreement, according to this document. That is in the Constitution, too.

According to the 1982 Constitution, which followed the proposal by the "gang of eight" almost word for word, the federal government cannot grab away the powers of a province.

> Amendments to the Constitution of Canada in relation to any provision that applies to one or more, but not all, of the provinces, including any alteration to boundaries between provinces or the use of the English or the French language within that province may be made only by proclamation issued by the Governor General under the Great Seal of Canada when so authorized by resolutions of the Senate and House of Commons and the Legislative Assembly of every province to which the amendment applies.

That is in the Constitution.

Mr. Trudeau's betrayal of 1982 was written by René Lévesque. Of course, that is a piece of history that has to be brushed under the carpet for the electoral purposes of Brian Mulroney during the process of destroying the country.

> An amendment may be made without a resolution of the Senate authorizing the issue of the proclamation if, within one hundred and eighty days after the passage by the House of Commons of a resolution authorizing its issue, the Senate has not passed such a resolution and if, after the expiration of those one hundred and eighty days, the House of Commons again passed the resolution . . . .

That is in the 1982 Constitution.

The 1982 betrayal of Quebec by Trudeau was written by René Lévesque. Mr. Mulroney knew it, because he had commented on Mr. Trudeau's admirable flexibility in accepting the suggestion of the provincial premiers. Unless he is suffering from Alzheimer's disease, he has no excuse for later calling what he found so flexible and so good a betrayal, just to retain the support of the separatists in his province.

> (1) The procedures for amendment may be initiated by the Senate, by the House of Commons, or by the Legislative Assembly of a province.

That is in the Constitution, word for word. This is the 1982 Constitution written by René Lévesque.

(2) A resolution authorizing an amendment may be revoked at any time before the issue of a proclamation.

The withdrawal of a resolution by some other provinces caused great indignation in Quebec. Quebec put that clause in there so that René Lévesque could sign it and then go back and retract it if he had to, for political reasons.

● (0330)

(3) A resolution of dissent may be revoked at any time before or after the issue of a proclamation.

Subject to sections 9 and 10, Parliament may exclusively make laws amending the Constitution of Canada in relation to the executive government of Canada or the Senate and House of Commons.

That is in the Constitution.

Subject to section 9, the Legislature of each province may exclusively make laws amending the constitution of the province.

Amendments to the Constitution of Canada in relation to the following matters may be made only by proclamation issued by the Governor General under the Great Seal of Canada when authorized by resolutions of the Senate and House of Commons and of the Legislative Assemblies of all of the provinces:

(a) the office of the Queen, of the Governor General or of the Lieutenant Governor;

(b) the right of a province to a number of members in the House of Commons not less than the number of Senators representing the province at the time this provision comes into force;

That is in the 1982 Constitution.

(c) the use of the English or French language except with respect to section 4;

(d) the composition of the Supreme Court of Canada;

(e) an amendment to any of the provisions of this Part.

Amendments to the Constitution of Canada in relation to the following matters shall be made in accordance with the provisions of section 1 (1) of this Part and sections 1 (2) and 1 (3) shall not apply:

(a) the principle of proportionate representation of the provinces in the House of Commons;

That is in the Constitution of 1982.

(b) the powers of the Senate and the method of selection of members thereto;

(c) the number of members by which a province is entitled to be represented in the Senate and the residence qualifications of Senators;

(d) the Supreme Court of Canada, except with respect to clause (d) of section 9.

(e) the extension of existing provinces into the Territories;

(f) notwithstanding any other law or practice, the establishment of new provinces;

(g) an amendment to any of the provisions of Part B.

A constitutional conference composed of the Prime Minister of Canada—

So every one of the provisions of the Constitution of Canada of 1982 that Mr. Mulroney is bitching about, was suggested by René Levesque in a document signed by René Levesque and seven other premiers, one of whom now sits in this chamber.

Mr. Mulroney said that he approved of Mr. Trudeau's flexibility in accepting what the premiers were proposing and in accepting proposals that he, Mr. Trudeau, did not particularly like.

Mr. Mulroney, when it suited him in the process of cheap electioneering, which is now destroying the country, called this document, the Constitution of Canada, a betrayal of Quebec, adopting therefore, the very false vocabulary of the separatists in Quebec, because it is false on their part to say that the 1982 Constitution was a betrayal of Quebec, when it was written by René Levesque.

Those who argued during the Meech Lake debate, and did not bring this out, were sweeping history under the rug. I do not think they have the right to do that. You can not play with the fate of a country this way.

I will have this photostated and send a copy to Senator Castonguay so he can read it.

Senator Corbin: Would you make a copy available for the *Hansard* reporters?

Senator Gigantès: I will also make a copy available for the reporters. This is an historic document and it is necessary to consider it. Did you have a question to ask?

Senator Corbin: No, I was just a little worried about the document.

Senator Gigantès: Don't worry, I won't lose it.

Senator Stewart: May I ask the honourable senator, what is the provenance of this document? Is this a public document?

Senator Gigantès: Yes, it is a public document. I got it from the Library of Parliament.

Senator Stewart: Would you be prepared to lay it upon the table of this house?

Senator Gigantès: Yes, certainly. Unfortunately, it has been scribbled upon by me. But I will lay it on the table.

Senator Corbin: If you are going to be speaking tomorrow and next week, you could get another copy and table it then.

Senator Gigantès: I would like a Page please to copy this document for me.

Senator Corbin: Will Senator Cogger do?

Senator Gigantès: No, he won't. He doesn't wear the right uniform and he is not young enough.

Senator Corbin: Senator Cogger is calling René Levesque's document dirty words. Well, I have heard it all. Shame on him.

Senator Gigantès: We were saying earlier when I was rudely interrupted—

Senator Cogger: By Senator Stewart.

Senator Gigantès: No, Senator Stewart is never rude to a fellow Liberal. I know he drags on my sleeve because he is afraid of what I might do next, but he is a serious man and I am not. I have never taken myself seriously.

Senator Stewart: Perhaps I should rise on a point of privilege?

Senator Gigantès: I did not say you take yourself seriously, sir. I said you are a serious man. You are. You are a great authority, admirable, with a sense of fun.

Now, we were talking about all the—

[*Translation*]

Senator Castonguay: Senator Gigantès, you referred to democracy, to freedom of speech and to the need to maintain some decorum in this chamber.

Senator Gigantès: Did I say that?

Senator Castonguay: I have often heard you talk about democracy and of respecting institutions. Do you not think that having food in a chamber such as this is a complete lack of decorum?

Senator Hébert: This is very serious.

Senator Castonguay: Yes, it is serious.

Senator Hébert: It's much more serious than flouting the rules, like your Speaker. You are ridiculous. Sit down. What you are doing is ridiculous.

Senator Castonguay: Don't you think that going to to such length to claim that the Speaker flouted the rules is not more serious?

Senator Hébert: What you say is absolutely not true. You stand up with your regal air to complain that someone who has been speaking for hours is eating a small slice of orange to freshen his lips. Senator, you are ridiculous!

Senator Castonguay: I would rather have regal airs that look like a buffoon.

Senator Hébert: He would rather have regal airs. You can keep them, I would rather look like a buffoon, at least it makes people laugh.

Senator Gigantès: Senator Castonguay, why don't you stand up in indignation when one of your colleagues listens to rock music on the radio? He has a walkman . . .

Senator Hébert: Are we allowed to listen to the radio, here?

Senator Castonguay: He does not disturb anyone and you do not know what he is listening to. He may be using an amplifier better to hear the words of the senator.

Senator Gigantès: And my tangerine distrubs you?

Senator Castonguay: It does not disturb me, it flouts the decorum of this house.

[Senator Corbin.]

Senator Gigantès: My God, people who flout decorum? Did I do that because I put a slice of tangerine in my mouth? Food is a sacred trust! Have you turned into a brahman when you became President of a corporation? Brahmans have these terrible rules about food, by which you can only eat somethings with the third finger of the left hand while not using the second finger of the right hand. I seem to have offended brahman Castonguay with my slice of tangerine! I am going to toast one of those slices and send it to you. If you want the whole tangerine, I can also give it to you, I won't be offended. Why would drinking water, which is also putting something in one's mouth, be appropriate but not eating a slice of tangerine? Should we use our mouth only to speak? Are we not allowed to put anything in it, even water? Is that what you are saying? Are we allowed to breathe?

Senator Lavoie-Roux: Senator Gigantès . . .

Senator Gigantès: I did not address you, senator. You want to have a go at me, go ahead, but you may not come out unscathed? I have a temper and I do not respect those who do not respect me. I do not take myself seriously but I am a fighter. Do you want to fight me? Go ahead!

Senator Lavoie-Roux: I respect people who deserve it!

Senator Corbin: Could I add something on Senator Castonguay's question of privilege? I believe that he has nothing to win, and that nobody has anything to win, in this kind of debate. There is no need for him or for anybody else from that side of the House to remind us of the rules of decorum.

I have seen some very unusual things these past few days. I could mention them to you. I could name names of men and women from that side of the Senate who violated the rules of decorum. If you want to play this game, you will not play alone. I think we would be better off listening to Senator Gigantès. If you do not want to listen to him, it's your business. You can continue drafting your letters, your memorandums and everything else.

It happens very often that people eat sweets, as I am doing now. People do this here every day. The other day, one of your colleagues even tried to give us some pink pills, God knows why. By God, we do not have anything to learn from you! If you want to carry one, I am to give names of people from your side who did all manner of things.

Senator Hébert: Is it proper to read a newspaper?

Senator Corbin: It is also a lack of decorum but nobody mentions it. We have a Speaker of the Senate who reads the *Quorum* everyday in the chair. I have seen him do it. From where I sit, I can see everything he does up there. He does that everyday, from the first papge to the last. This is the kind of Speaker we have and nothing should astonish us. However, nobody has anything to win in playing this kind of game. Senator Gigantès, I fully recognize your right to put into your mouth . . .

Senator Haidasz: Senator Lavoie-Roux is eating something!

Senator Corbin: I said what I had to say.

Senator Haidasz: She is hiding her mouth.

Senator Corbin: Salivating is forbidden is forbidden. Go ahead, Senator Gigantès.

Senator Gigantès: What do you want me to do? Shall we carry on? Am I allowed to drink a drop of water, your Grace? You know, when one is always referred to as an institution . . . A reporter called me and asked me: "Do you disagree with Senator Castonguay?" I answered: "Unfortunately, yes, I disagree with Senator Castonguay". Then, and that is strange coming from a reporter, he told me: "But he is an institution!" So, I told him: "Listen, he is not dead yet, do not refer to him as an institution. He is a living person, nice and everything, but not an institution". Now, we know that he is also "your Grace", he is not an institution!

If I ask your authorization everytime I want to drink a drop of water, will that satisfy him?

• (0340)

[*English*]

There are several other elements in the burden of VAT administration which have not yet been described in this paper. The first of these are errors, queries and disputes. As a general rule, in a small firm only the proprietor and the bookkeeper will understand the GST, but on occasion they may get things wrong, as will customers and other employees.

> Failure to specify that a price quotation to an exempt trader does not include [GST] will result in a query and possibly the loss of a sale when an invoice is issued. Incorrect rates may be applied—this is very common under multiple rate systems—and in some cases the distinctions between manufactured and non-manufactured foods, repairs and new construction, new and used goods and other borderline cases will require arcane knowledge of the regulations. (For example, frozen yoghurt and a hot sandwich may be subject to [GST]; fresh yoghurt and a cold sandwich may not be subject to [GST].

He is speaking of the British example. Here we have the yoghurt and caviar and hot popcorn that is taxed; and the cold popcorn that is not taxed. I wonder who thought of that one. Can you imagine?

[*Translation*]

Could you imagine someone having this strange idea to tax popcorn when it is but not when it gets cold.

Senator Corbin: Probably a civil servant committee meeting during the weekend in a hotel room at Montebello.

Senator Gigantès: I wonder if they were eating small pieces of tangerine?

Senator Corbin: Not this kind of bureaucrats, Sir. They probably decided it during a cocktail party.

Senator Gigantès: Do you think they were respectable?

Senator Corbin: I don't know, I was not there.

Senator Gigantès: You were not? Don't you think we could ask the government leader in the Senate to inform us about this crazy idea? Don't you think he should explain to us why they passed such strange measures, leading Canadians to violate the law without knowing it?

Senator Hébert: No. Instead, we should return the bill to the Banking, Trade and Commerce Committee so we could ask this kind of question.

Senator Gigantès: We already asked those questions.

Senator Corbin: And you didn'tget any answer?

Senator Gigantès: Not at all.

Senator Corbin: Unbelievable.

[*English*]

Senator Gigantès:

> Other instances which create difficulties include the distinction between the purchase of a good or service when acting as a principal or as an agent (VAT will be liable in the former but not in the latter case), the supply of a service from overseas by telephone or other electronic means and its supply in person, trading between exempt and non-exempt organizations under common ownership and the special [GST] documentation requirement for exports and imports.

In Germany, the GST is applied to sales to East Germany that in other respects would be treated as exports.

> Secondly, dealing with the audits themselves is another element in the [GST] burden.

For small firms, an audit would be relatively infrequent; perhaps once every few years.

> An audit will inevitably take up some of the proprietor's or bookkeeper's time, and, to the innocent and guilty alike, will create some anxiety. [The GST] is a self-assessed tax where the rules are so complex that in many cases the GST inspector will need to seek higher authority for his interpretations, but where the small firm will pay a penalty, even if only in underpaid tax, if it gets it wrong.

[*Translation*]

May I put some Lipsyl on my lips without flouting decorum?

[*English*]

Senator Forrestall: Get off it, will you? You are being childish.

Senator Gigantès: Oh. So, it was not childish to talk about my little piece of tangerine, but it is childish to—

Senator Forrestall: You be your own judge with respect to decorum and order.

Senator Gigantès: What are you eating right now, sir? There should be some attempt at decorum. Senator Forrestall is eating. This is terrible. Senator Castonguay, I appeal to you. I appeal to you to tell Senator Forrestall to stop eating.

[*Translation*]

Senator Lavoie-Roux, please. One of your colleagues, Senator Forrestall, is flouting decorum. Do something about it! This is not respectable!

[*English*]

I was not quite able to understand everything Senator Forrestall was saying because his mouth was full. Speech becomes indistinct when one speaks with one's mouth full.

Anxiety about such matters is part of the psychic cost of GST which is not measurable but is nonetheless real. Studies have pointed out that income tax officials are normally happy and indeed prefer to deal with the taxpayer's accountant. With the GST, the professional adviser cannot stand between the tax authorities and his client in the same way; although he may, of course, be present at audits where advance warning is given. There is also an obvious difference between the position of a senior employee in a large firm dealing with GST authorities and the proprietor of a small business whose personal pocket is at stake.

● (0350)

Another area of difficulty for some traders is partial exemption. Firms, some of whose output is exempt and some of whose output is taxable, including zero-rated items, are not allowed to claim tax back on all their inputs, only on those that contributed to taxable outputs. Tax experts all agree that apportionment of input tax between taxable and exempt outputs is the worst aspect of GST administration, leading to many disputes between traders and authorities. Other areas of difficulty exist, too. Sale or returned items may be treated in a special way. Bad debts need to be written off if permitted.

Finally, there is the whole question of GST policy for the proprietors of small firms and, for that matter, the finance directors of large firms, to worry about. In all firms, completion of GST returns is not necessarily a simple matter of routine; it requires the attention of a senior person, and in a small firm this is normally the proprietor. Since the date of the return is fixed and penalties for late returns significant, the proprietor needs to ensure that he has the necessary cash available on the appropriate date. As we have shown, however, the maximization of the cash flow benefit, or the minimization of the disbenefit, requires conscious management decision.

[*Translation*]

I must interrupt my speech because I forgot to make the connection between "the gang of eight" and "the night of the long knives". I sent a copy of the document to Senator Castonguay and he will see that repeatedly, the eight Premiers insisted there should not be a referendum. For them, it was all important not to have a referendum. I believe Premier Hatfield too was against the referendum because, what does a referendum do? It takes the decision power away from the provincial Premier and in a referendum in which the federal government takes charge, the provincial Premier is in danger of being overwhelmed.

It is not a risk the Premiers wanted to run and it is also a matter of principle. Mr. Lyon was very keen on that and for him an elected government is an elected government, we have parliamentary democracy, not a referendum or judicial democracy, so a referendum was out of place.

[Senator Gigantès.]

It was essential for the other members of "the gang of eight" not to have a referendum. Now, in the morning preceding "the night of the long knives", Mr. Trudeau said at a certain point: "If we can't agree on all this, let's have a referendum". Mr. Lévesque replied: "Ok, let's have a referendum". Then Mr. Trudeau adjourned the meeting to get everything prepared. So, Mr. Lévesque betrayed his collegues. He was the first one to stab his collegues in the back and betray them because he accepted what they absolutely did not want him to accept and what he had promised with his signature not to accept.

"Éviter d'avoir recours à un référendum pour choisir la formule d'amendement." He signed he did not want a referendum, then he stabbed his colleagues in the back and accused them afterwards of stabbing him. He was the one who started it.

Senator Kinsella: Senator Gigantès, what is the connection between our debate on Bill C-62 and the last bit of information you provided us with? I am trying to follow that.

Senator Gigantès: The connection I established right at the beginning is that the GST is part of—I would not call it a conspiracy, because it does not have to be a formal conspiracy—a general and regular Tory revolution in most countries, and we are having one right now, which tries to chip away at the progression of the privileges of the less rich and make the lot of the rich easier.

Various senators get up, Senator Cogger for instance, and Senator MacDonald, and say that Mr. Chrétien is incredible. I pointed out that after six years of government by Mr. Mulroney there is no doubt no one can believe any politician any longer. I pointed out one of the many lies of Mr. Mulroney—I pointed to others, too—which was that he approved Mr. Trudeau's flexibility in 1982 in taking the proposals of the "gang of eight," you remember that is what they called themselves—and putting them in the Constitution. He said what a wonderful thing Mr. Trudeau did and what a great Constitution it was and he was all for it.

Now, for cheap, sleazy electoral purposes he calls it a betrayal. He uses the vocabulary of the separatists. For six years he has used the vocabulary of the separatists. So that separatists in Quebec can say: "You see, even the federal Prime Minister is in agreement with us."

I am saying that he has destroyed the country. He no longer has any credibility in English Canada because English Canadians know he is a prisoner of the separatists in his caucus.

What I am worried about is not the next election, because I am not sure we will have the time for an election. What I am worried about is what happens in the next three years. Who speaks for Canada in the next three years? I do not think Mr. Mulroney is credible as a voice for Canada after his silence for six years. Nobody trusts him any more.

We are going to have Quebec making a decision in which the debate is governed by the Quebec media who have adopted, for example, this vocabulary of betrayal. I demonstrated that by putting this document on the record, signed by Mr.

Lévesque, signed by seven of the "gang of eight" premiers, that the Constitution of 1982, which has always been called a betrayal by the French media, was in effect something proposed by Mr. Lévesque himself. Mr. Mulroney knew that and congratulated Mr. Trudeau on his flexibility but later, for electoral purposes, changed his tune and called it a betrayal.

I was answering some of your colleagues who got up and expressed their views on issues of the credibility of political leaders and so on. I was explaining why this lack of credibility exists, which, of course, is mostly, if not all, due to Mr. Mulroney. Senator Murray takes a fair share of that blame, too, but I prefer to put it all on Mr. Mulroney on the grounds of what I learned in the British Navy, that it is the captain who is at fault if anything goes wrong. Or, to use an expression of Greek fishermen, the fish starts to rot from the head.

If you want me to continue on this subject some more, I will be much obliged. It is one of my favourite subjects.

Like all other economists, I find tax literature dreadfully dull, but it is a tax bill we are dealing with and I have to explain why I think it is bad and why I am trying to kill it.

It should be added, say the authors of this document, that what we have been describing here are the ongoing costs of the GST administration. When a small trader first registers for GST, and the vast majority of the new registrations are small firms, he will have to invest a considerable amount of time in understanding the GST system. Then, in training his staff, if appropriate, to maintain the new records and apply the tax, as a start he will need to read the various books the government produces. Incidentally, one of the complaints of people is that these various books which have been produced are always being changed. At this moment the government says it is going to apply the GST on January 1, yet it is already starting to send amendments to the poor traders. There is reference to "document XYZ, amendment number 1." A week later there is amendment number two, three, four, or whatever. You are driving these people crazy. There are a considerable number of official GST leaflets and publications. I do not know how many there are, but certainly there are a lot, and, into the bargain, a regular publication you are sending out all the time. These publications are, to say the least, not easily understood. Some questions will probably have to be put to the GST office, which means costs.

• (0400)

All registered traders will bear the compliance costs of the GST though not all will enjoy the cash flow benefits. Only the big companies will. As far as compliance costs are concerned, these may be expected to decline in relation to turnover. The larger the firm, the greater the scope for the use of specialist staff whose costs can be spread over a large volume of sales. In a small firm, the proprietor has to do much of the work and the cost of his time is normally greater than for specialist staff. The larger the firm, the greater the scope for computers, programmed point of sale registers, etc. The number of invoices to be dealt with will not rise in proportion to size. Large firms are likely to buy in bulk and often to sell in larger quantities than small firms. The survey that we talked about earlier found in fact that compliance costs fell sharply with the size of the firm. In fact, compliance costs are 40 times higher as a proportion of turnover for the smallest category of firms as for the largest. A firm of the size of Mr. Castonguay's has compliance costs that are 40 times smaller in terms of turnover than they would be for a small firm which, of course, is another explanation why this particular form of consumption tax was chosen. Not only does it shift the actual burden of the tax from manufacturers, that is its principal supporters, the B.C.I. guys, supporters of the Mulroney government, but the compliance costs, the actual administration costs are much cheaper for the big firms than for the small firms. Even there the small people are penalized and the big supporters of the Mulroney government are given advantages.

This is one of the main reasons I have for opposing the GST. Just one of the main reasons! It is administered for the owners, it is inefficient, it hits the wrong people, it is regressive and it benefits the large firms and the very rich. But they have so many other benefits, do they also have to have this one?

I remember the story about Lord Thompson, the father of the present Lord Thompson of Fleet, and his great joy every time he found a penny on the pavement. Despite his considerable bulk, he would bend down and pick it up, and this made his day. This made his day.

Senator Corbin: And he put it in his pocket.

Senator Gigantès: And he put it in his pocket.

Senator Corbin: He did not give it to a beggar.

Senator Gigantès: No, he did not give it to a beggar, and you do not get rich unless you understand the value of every penny, and I feel, Senator Hébert, that you never understood the value of every penny.

Senator Hébert: No, I am poor for the rest of my life.

Senator Gigantès: I bought a piece of land from a very rich man to build my house, and I offered $3,000 less than he was asking for it through a real estate agent, and he called me personally. He said, "It is my price or nothing. I know that you do not have money. I am very rich. I do not have to bargain." I said, "Just to make me look good in the eyes of my wife, would you reduce your price by $500?" He said, "Would you, if you were me?" I said, "Yes." He said, "That is why you are poor; that is why I am rich. My price or nothing." I paid his price.

Senator Corbin: You did?

Senator Gigantès: It was a good piece of land and I wanted it.

They have these dreams that they will collect a lot of extra tax, not from their friends, but from everybody else, so the GST is a good method of fighting against tax evasion. There have been important studies done on this, by the International Monetary Fund, for instance. Senator Cogger will say, why do I read things during my speech. I think it is because, probably, he prefers the things I say about his friend, the Prime Minister, to what the tax people say, but I cannot speak about the Prime Minister all the time. That, too, gets tedious to me.

The International Monetary Fund looked into the GST, the Value Added Tax, and so on about enforcement and the capacity to catch tax evaders, and the book is called, *Value Added Tax, International Practice and Problems* by Alan A. Tait of the International Monetary Fund, published in 1988 in Washington, a pretty recent publication, and Alan Tait is Deputy Director of the Fiscal Affairs Department of the International Monetary Fund, and it is a pretty serious organization. It has enough clout to make countries change their policies, even important countries. He has published widely on tax policy and works on the possibilities and problems of Value Added Taxes in over a dozen countries. In Europe, America and Asia, 46 countries now use the VAT, and at least five are considering introducing it now. This is another of their arguments, that because many countries use it so should we. It reminds me of classrooms without walls. Many years ago when I first arrived in Canada, the Americans were using classrooms without walls. So we should use classrooms without walls! And there was an epidemic of schools with classrooms without walls where you mixed first-graders with sixth-graders and whatever, and we got into that epidemic about eight years after the Americans had abandoned the system because it did not work. Everybody, we are told, has adopted the value-added tax, so we should adopt it, too. It is a very good tax. One of the things it does is catch tax evaders.

• (0410)

Here is what the International Monetary Fund has found out, and this was published in 1988. In a previous chapter, the discussion is about frustration and annoyance with the compliance costs. I was reading about those things earlier.

> Frustration, including annoyance with the compliance costs, may tempt a trader to evade the [GST]. Straightforward greed may also tempt him.

I use the masculine pronoun, which is considered sexist. It is not my fault; that is the way the book which I am citing is written. I am rather glad that crooks are referred to in the masculine gender and not the feminine.

> All commentators describe the theoretical self-checking mechanism of [GST] and all go on to elaborate how this does not work . . . Only Korea has tried formally to cross-match sales and purchase invoices.

Of course, their compliance is a little better.

> The Korean study shows that for the two years 1980 and 1981, the largest penalties were associated with invoices for [GST] liability or credit and that delayed submissions of invoices were twice as costly as nonissuance and non-submission. These results suggest that better collection and enforcement to trace deliberate fake invoices were important. It is also interesting to note that nonregistration continued to be a major problem in Korea four years into the [GST].

We are talking now about a country whose police don't joke. That applies to tax authorities, too. You register or they kneecap you.

[Senator Gigantès.]

> Like other taxes, the [GST] is evaded;

We have been told that this is a tax that is not evaded. Here is the International Monetary Fund, studying all of these countries and saying that yes, the GST is evaded.

> like other taxes that are basically self-assessment systems, the [GST] requires a firm enforcement system with known and applied penalties, cumulating in (although rarely used), criminal prosecution. Deterrents should exist that increase the risk of underreporting commensurate with the degree of flagrancy and revenue involved.

What is described here is really the building up of a considerable tax police force in order to make sure that this tax is not evaded.

> A taxable person who underreports is, in effect, stealing. He is misusing funds that have been paid by his customers and that belong to the government. For a penalty to improve tax compliance, it must reflect the gravity of the offence and not merely increase the risk for underreporting by more than the cost of borrowing funds (such as interest).

In the previous document I was reading, it was pointed out that the computer might give you some hint that there may be fraud, because a particular trader seems to be selling less or more than he has reported buying. So something might be going wrong. However, a court case cannot be made out of a suspicion. One is going to have to discover evidence, tangible evidence, to bring to court. What we are talking about is a serious effort if you want to avoid tax evasion.

Moreover, if you want a tax not to be evaded,

> all taxpayers must be seen to be treated equally. If an enforcement program is consistently directed only at a particular group or class of taxpayer, usually one producing a high yield per audit, that group will eventually lose faith in the fairness of the system and its levels of compliance will be vitiated. Other classes or groups to which little investigation has been devoted will tend to comply less since the risk of detection will be seen to be small.
>
> Some countries have tried to co-opt the taxpayer's own interests to declare his [GST] liability. In Turkey and Bolivia, the trader's [GST] liability is allowed as an offset against a gross income tax. In the Turkish case, the amount allowed to be offset diminishes as income increases so that the concession can be considered progressive but, nevertheless, is still expensive in revenue forgone.
>
> Of course, public attitudes towards taxation in general, and [GST] in particular, are important. A United Kingdom survey showed that 70 per cent of the sample did not consider it "morally wrong" to pay a trader in cash who volunteered not to charge [GST], and 65 per cent appeared to consider it acceptable behaviour to take cash for work performed to evade [GST] or income tax.

I think I had better repeat this.

> A United Kingdom survey showed that 70 per cent of the sample did not consider it "morally wrong" to pay a trader in cash who volunteered not to charge [GST], and 65 per cent appeared to consider it acceptable behaviour to take cash for work performed to evade [GST] or income tax.

Senator Stewart: Would the honourable senator permit a question?

Senator Gigantès: Certainly.

Senator Stewart: The quotation he just read reminds me of a passage in *The Wealth of a Nation.* Adam Smith, advocating free trade, both domestic free trade and international free trade, said that the intervention of the government to impose customs duties almost inevitably prompts people who believe in the natural system—that was the term Mr. Smith used to describe a free market—to undertake to evade that tax. Indeed, they felt that evasion of the tax, which was an intervention by the government into the free market economy, was not only economically advantageous to them but was their duty. They were in a sense liberating the providential order of the free market from the intrusion of government. Indeed, I think it fair to say it was the attitude of so-called free traders who felt customs duties were an improper intrusion into the marketplace that led Mr. Smith to develop the economic theory set forth in *The Wealth of Nations.* He was dealing, it is true, specifically with customs duties.

● (0420)

I wonder, senator, if the same kind of result may take place regarding the GST. In other words, it may well be that people who believe in a free market will say that this kind of tax is an improper intrusion into the providential order of the free market and consequently may decide that not only may they morally evade the tax, but, indeed, since this kind of tax is quite improper as being in contravention of the natural system of the market, it is their duty to evade it.

I wonder if that kind of thinking is likely to be persuasive, common or perhaps really quite extraordinary. Have you read anything in the literature that would bear upon this point?

Senator Gigantès: Thank you for your question, Senator Steward. It does seem that evasion of the GST-type tax around the world is quite prevalent. I just read to you this passage which says: "Seventy per cent of the sample did not consider it morally wrong to pay a trader in cash who volunteered not to charge GST, and 65 per cent appeared to consider it acceptable behaviour to take cash for work performed to evade GST or income tax." This is a survey in Britain which has a form of GST most like the one being proposed here.

Senator Kinsella: How large was the sample and which value-added tax system were the respondents to that questionnaire or survey living under, senator?

Senator Gigantès: This is a U.K. survey that he is quoting. The footnote says it is a survey by *The Times* of London, on October 28, 1985. How good the survey was, how well chosen the sample, it does not say, but generally *The Times* does serious work on such things. It hires reputable houses.

You were asking, Senator Stewart, whether people consider that tax is an intrusion on their right to make money. I wonder if you would distinguish between reluctance, annoyance, at having some of their money taken away by the system, or are you talking of such a theoretical addiction to the free market system that they think breaking the law is justified? I am not sure which of the two you are asking.

Senator Stewart: Well, Senator Gigantès, as I recall, smuggling was very common in Scotland in the early part of the 18th century. As a result of the union of the kingdoms in 1707, Scotland came under the English trade laws. That in itself was enough to make many good people break those laws.

If I recall correctly, Sir Walter Scott, in one of his novels, has an elder of the church, the Presbyterian Church whose vocation was to be a smuggler. That man believed that he was doing God's work by smuggling, not only because he was breaking an English law but because he was defending God's providential order, which was the natural economic order.

Undoubtedly, cynics will say that he just wanted to make a lot of money, but I do not think we can dismiss this kind of attitude by that kind of cynical reaction. I believe there are many people, and in my own part of the world I could name some very good people, who take the view that if they want to enter a barter arrangement or a contractual arrangement, without any documentation, of course, with their neighbours for the sale of pulpwood or firewood or lobsters, any such commodity, and avoid the intrusive hand of big government, it is not only economically advantageous but indeed it is almost their duty to do so because they feel they are allowing the market to operate without the distortion of governmental intrusion.

I think we have here a kind of mix of both. There undoubtedly is the kind of motivation which you tend to emphasize, namely the desire to make money, but I think we have to accept the fact that there are many people who engage in relatively simple commercial transactions who feel that once you start imposing taxes on phases of these commercial transactions you are distorting the relationship and that this is immoral.

Therefore, I am protesting somewhat about the quickness with which you dismiss the viewpoint which underlies a great deal of Adam Smith's economic doctrine as simply related to making money. There is an assumption of a providential order here upon which governments ought not to intervene. Of course, the worst intervention Adam Smith mentions, and I ask you to tell us about this, was mercantile legislation which was always, he insisted, prompted by the merchant class who influenced the politicians to set up some sort of protective arrangement for their own narrow benefit rather than allowing the free market to operate so that people could make the best deals and thus achieve natural prices for their commodities.

I ask you to apply that kind of thinking. Is that kind of thinking likely to operate in the late 20th century or have we

become so accustomed to the intrusive arm of government that belief in a natural market is no longer operative?

● (0430)

Senator Gigantès: Far be it from me to discount at all the great Scottish ability to find electoral justification for breaking the law.

Also, there is something about invaders and foreign occupiers involved there, and Scotland did not view the English with great friendship at all times. The English did things which justified the Scots during their occupation.

I come from a country that had similar experiences. We were occupied by the Turks for a very long time. The Turks did not believe that being a public servant was a noble enough occupation. They believed that they should be farmers or soldiers.

Senator De Bané: They probably brought in the GST.

Senator Gigantès: No, they had a head tax, where they literally cut off your head if you didn't pay.

The public service of the Turkish Empire was almost entirely Greek. Sometimes, when I find Greek public servants behaving in a manner that makes ours appear models of sweetness and light and co-operativeness, I say, "Please, the Turkish occupation is over. You no longer have to sabotage the state as you did under the Turks. Couldn't you please be reasonable?"

The habit persisted in Greece. There was a village on the island of Cephalonia, which I come from, called Delenata. The Greek gendarmerie stopped trying to force the inhabitants of this village to pay tax on cigarette paper. The village did not want to pay tax on cigarettes. They rolled their own. The government got fed up with that and put a tax on cigarette paper, which the people felt was unfair. But the village of Delenata went further and systematically killed every revenuer who stepped into the village.

I believe there were some similar acts committed in Scotland.

I am not too sure where I can draw the line—and maybe it is a fault of my perception—between finding an intellectual justification for disobeying a bad law and disobeying a bad law in order to make money. The Greek fighters against the Turks called themselves the *kleftes* which means "thieves". They stole from the Turks, and it was considered a noble act. It was intellectualized as being a proper thing to do because they were fighting a horrid foreign occupier who, moreover, had a different religion from theirs.

My great grandfather was the last in the family to be a pirate. All those before him were pirates. They intellectualized their activities in that they went to sea and raided Turkish merchant vessels, so it was an act of national liberation. They collected money.

I am quite prepared to accept, since it is Adam Smith who says it, that the Scots have a particular perspective on things. They do, generally, don't they?

[Senator Stewart.]

You are trying to draw me into admitting that the good Presbyterian cleric was breaking the law and smuggling in order to teach a moral lesson or to fight for a moral cause, not to increase the wealth of his family. Maybe he was; maybe he wasn't. I don't know.

Senator Stewart: Perhaps, Senator Gigantès, it is a case of two horses teamed up and moving in the same direction. Why do you assume that a man who is trying to make some money to maintain his family is not doing the Lord's work?

If we go back to the history of the doctrine of free trade, which is very different, of course, from mere "free enterprise" which often means "free monopoly" the assumption is that if you allow natural market forces to operate unimpeded it will not only be advantageous to the individuals involved, but will also be collectively advantageous. I believe that is the assumption that underlies the GATT.

I do not know how we can say that the only motivation or, indeed, the leading motivation for a move toward a more efficient economic order is the desire of people to make money. It may well be that the motivation is highly charitable. It may well be that, if we improve the international economic order, it will have highly beneficial effects for people living in Third World countries. Of course, we would have to take it seriously and inflict upon ourselves the consequences of the removal of protectionist barriers. Nevertheless, the result would be beneficial to people in Third World countries who are able to produce commodities of comparable quality at cheaper prices.

I do not know that we have to say that, simply because something is economically advantageous, it has nothing whatsoever to do with more charitable motives.

Let me bring you back to the point of my original question.

The government is proposing to impose a tax on goods and services in Canada. I raised the question of people seeking to avoid customs duties because they believe that those customs duties are contrary to the free market philosophy. The question I ask you is this: Is it conceivable that there will be people in considerable numbers who, by reason of the nature of their enterprises, will have a possibility of avoiding the tax and who will feel that it is morally proper—almost their moral duty—to do so because this is an improper invasion by the government into the natural economic order? That is the question I ask.

Senator Gigantès: It is a very interesting point. We have had such movements in North America, general anti-tax movements. Whether they will do it out of intellectual conviction or whether they will dress up the tax evasion in intellectual clothes is something I do not know. I humbly submit that you do not, either.

Perhaps the survey which is cited in this book should have asked: What are your motives for thinking so? But it did not.

● (0440)

Besides, most surveys that deal with motives, turn out to be very difficult to set up. The question is always in some way a leading question, depending on who the person is. I mean a particular question may not be a leading question for one individual but may be a leading question for another individu-

al. Serious surveys try to avoid motivational questions. So what we have here is a survey that indicates 70 per cent thought it was not morally wrong to pay a tradesman in cash, or to volunteer not to charge GST. Sixty-five per cent appear to consider it acceptable to take cash for work to evade GST or income tax.

Are they doing this because they want the free market system? If they are, how far are they going to carry it out? Are they going to pay no tax?

Even Adam Smith said something—

Senator Stewart: —certain public works.

Senator Gigantès: Certain public works. And you cannot do those without tax.

So, who decides how much must be done through tax?

Senator Stewart: While we are talking of Adam Smith, may I ask you this question: Of course it is true, as you say Senator Gigantès, that Adam Smith says there are certain functions which ought to be provided by the government. He then raises the question of how revenue is to be obtained by the government so as to be able to pay for these services.

In his discussion of taxes, if I recall correctly, Smith emphatically condemns taxes on "the necessities of life." His argument, if I recall correctly, is that a tax on the necessities of life always has one of two effects and perhaps both.

First, it depresses the living conditions of the honest, the industrious labouring poor. Alternatively, it has the effect of increasing the price of the commodity produced, which will have a deleterious effect upon consumption within the kingdom and on the export of goods and products from the kingdom to foreign markets.

Consequently, he argues in favour of a consumption tax, but it is to be a heavy tax on luxury goods. As I recall—

Senator Gigantès: Caviar.

Senator Stewart: He does not specify caviar, but I was speculating the other evening that Mr. Smith would know how to vote on the amendment to impose a heavy tax on the big cars, which burn up so much gasoline, and which take so much space on our streets, and so on. He would have known very well, because that amendment was perfectly consistent with his economic theory and his desire to suppress conspicuous consumption, which of course flies in the face of sound economic thought.

I ask you this question: Assuming that, as you say, there has to be revenue for the state to provide certain services, should we not take a sound a laissez-faire attitude towards these matters? Should we not begin by imposing a very heavy tax so that those who use these luxuries, who drive around in these vast automobiles, will have the advantage of advertising to all and sundry how very wealthy they are, because everybody will know that the vehicle cost not $50,000, but perhaps $120,000? The modern example is Singapore, where you have to pay several thousand dollars simply to get a licence to put an automobile on the road. Consequently, owning an automobile has become a status symbol so that people compete avidly in order to drive around in an automobile.

If we have to have a tax on consumption goods and services, ought not that tax, following Adam Smith's line of thought, to start on luxury consumption goods at a very, very high level, and is it not in fact a damaging intervention, as Mr. Smith argues, to impose that tax upon the necessities of life? As I said, a tax on necessities depresses the conditions of the industrious labouring poor, or alternatively, by raising labour costs raises the price of commodities, which must have an effect on the balance of trade.

Senator Gigantès: I do not think that anybody has sufficiently studied what impact a heavy tax on luxuries would have in this country. I think that is one of the things that Mr. Chrétien's committee on taxation should study. Certainly those who can afford to pay $100,000 for a car can pay $200,000 for a car. Generally you do not even consider a $100,000 car unless you are very rich or very foolish. Those who are foolish enough to buy a car they cannot afford, well they should learn a lesson; the bank will teach them the lesson after a time. But those who have a lot of money, like some of our colleagues who drive Jaguars, they can pay twice the price for one of those Jaguars and not even know it.

Senator Stewart: It is even better. It is a more conspicuous consumption.

Senator Gigantès: Well, it depends which generation they are. If they are first generation rich like Mr. Mulroney, they want to go ahead and do conspicuous consumption. If they are third generation rich, then they have learned to be a little more discreet about it, and they go around with battered hats on Sundays, and scuffed shoes.

Senator Stewart: What you say, senator, reminds me of an experience I once had. I will ask you if you have ever had an experience like this?

I was at a party in White Plains, New York. Mr. Rockefeller was one of the other guests. We were looking at his automobile, which was a rather shaggy old Cadillac. Someone said, "I would have thought that Mr. Rockefeller would have had a better car". The chauffeur leaned back in great dignity and said, "Mr. Rockefeller does not need to have a flashy car." I wonder if you have ever had an experience like that?

Senator Gigantès: This is common in Britain. It is almost a joke. The British upper class on Sundays does not shave and wears tweed jackets with holes in the elbows.

Senator Corbin: Like some Canadian senators I know. I do not consider myself upper class, but I dress like that on Sundays to feel comfortable.

Senator Gigantès: You dress like that on Sundays? Well now that I am moved to the country, I am forced to do that.

I think a study on the revenue production of consumption of luxury items would not be a bad idea. It deserves to be looked at. But that is not the philosophy of this government. The philosophy of this government is to tax the necessities and to exempt luxury items. Caviar is exempt. You know, a four-

ounce can of yogurt is not, but caviar is exempt. Yet, when we asked in an amendment that you raise the taxes on expensive cars and other luxury items, you turned down the amendment.

• (0450)

Senator Corbin: Think of the poor fisherman who catches the sturgeon to extract the caviar. He is not rich. There is caviar produced in New Brunswick from the lower stretches of the Saint John River. Perhaps you did not know that. It is of excellent quality.

Senator Gigantès: Really?

Senator Corbin: Yes.

Senator Gigantès: Where can one get some?

Senator Corbin: Well, I do not have the address currently but I know of friends in Montreal who get their supply from New Brunswick every year.

Senator Gigantès: Well, if you could obtain the address, you would be performing a service for me. I learned to like caviar in prison camp in Korea. I was a prisoner for thirty-three months.

One day we saw in the outdoor privy a piece of newspaper which showed a chin and a piece of very characteristic moustache with a piece of black border around the picture. We said, "Stalin's dead!" We had been eating boiled millet and wearing rags. Three weeks later, a colonel arrived with one of those four imperial gallon gasoline tins full of caviar. That is when we knew we were to be liberated. They fattened us up. It was not a bad idea to start us on caviar because we were starved and caviar is full of protein and very easy to digest. I acquired a terrific taste for caviar then but I cannot afford to satisfy it now. You tell me that the caviar from New Brunswick is pretty good, and I assume it is less expensive than Iranian caviar.

Senator Corbin: It does not come cheaply but it is of excellent quality.

Senator Gigantès: Maybe I can afford a small jar every three months or so.

Senator Corbin: I am talking about a big jar. I will get you the address.

Senator Gigantès: Get me the address. Maybe you could convince a rich Tory from New Brunswick to give me a jar.

Senator Corbin: Oh, no, I do not think they even know it exists in New Brunswick. You would have to be from Montreal to know that you can get a supply of caviar from New Brunswick.

Senator Gigantès: We Quebecers know a good thing when we see it. We have not been able to get very much beyond this survey that shows 70 per cent of the sample did not consider it morally wrong to pay a trader in cash or volunteer not to charge GST and sixty-five per cent appeared to consider it acceptable behaviour to take cash for work performed to evade GST or income tax.

[Senator Gigantès.]

> In another survey of those who tried to evade tax, on a scale of one (never) to ten (always), the Irish scored 3.35, compared with a European average of 2.64; moreover, the sample indicated that the younger the person the more likely he is to take a casual view of tax evasion (the index for the 18-24 age group was 4.05, compared with 2.11 for those over 75).

Those over 75 are more afraid of tangling with the authorities than are the young.

> Although prevention of tax evasion within the EC remains primarily the responsibility of the national authorities, the Community has issued two Council Directives, one for mutual assistance in the exchange of information and the other for mutual assistance in the recovery of VAT. Increasing rates for VAT make the tax conspicuous and make successful evasion all the more valuable to trader and public alike.

By the way, in other parts of this book it is said that nowhere was the tax introduced and not later increased. The money machine is too tempting.

Forms of evasion. Now, before anybody shouts that I am trying to teach people how to evade the tax, let me say that this book is widely available and I am quoting.

> Traders who are liable to [GST] but do not register.

That is one of the most prevalent forms of evasion.

> Traders have an obligation to assess their trading turnover (or whatever other criteria used to establish the [GST] threshold . . .) and if they qualify, they must register for [GST]. If traders initially are not within the [GST] limits, most legislation requires traders to notify the authorities either ex post when sales exceed the limit, and even, in some cases, when there are reasonable grounds to believe that sales in the coming 12 months will exceed the annual threshold. The problem of evasion is created when traders who should register do not.
>
> This means that although they pay [GST] on their purchases, their sales are not liable. Their value added, therefore, escapes [GST] and they are in a better competitive position than those who pay tax. The government loses revenue.
>
> On the whole, this is a minor problem because, principally, only small traders will fail to register (although not only small, that is, "special" traders in Korea, as the penalties show in Table 14-1) and relatively little revenue is at risk. Another, perhaps larger problem, is those traders who are outside the approved legal structure, such as bookmakers, operators of sauna parlors, and call girls. As one government's internal document put it, "These individuals also could be liable but probably will not register."

I wonder if we are going to have legislation introduced to have call girls and bookmakers registered.

Exaggerating the refund claims; that is another form of fraud.

> One of the simplest ways to evade that [GST] is to inflate the claims to deduct [GST] paid at earlier stages. In the Netherlands it has been estimated that 44 per cent of all [GST] fraud involved fake claims for prior-stage tax. The simplest method is to fabricate fake invoices for purchases never made. Indeed, businesses have been established solely to invent and print false invoices for sale to those wishing to defraud the revenue. Clearly, there is a limit to the scope for this as too many fake invoices would squeeze the taxable values to the point where the authorities would become suspicious and, in any case, audit would identify the fraudulent invoice.
>
> A more complicated but more remunerative (and riskier), device to claim fake refunds is when a new business is started, because then the authorities could expect [GST] deductions to exceed [GST] liability since there would be large purchases of capital equipment and raw materials. Most authorities will pay refunds quickly to avoid squeezing business liquidity; this can mean that before the time comes around for an audit the firm goes out of business and disappears. For this reason, among others, some countries will not make large refunds—especially to newly established traders—without first checking the complex authenticity of the claims.

Here is another instance where if they want to avoid evasion, the authorities in Canada are going to have considerable compliance and surveillance costs.

> Unrecorded Cash Purchases
>
> Small traders (and sometimes large ones) will buy goods from a primary (unregistered) supplier, such as a farmer, and because the transaction is not recorded, the purchaser will be able to sell the goods without charging [GST] and no record will exist. In general, this is not a serious problem because most purchasers will want to record the sale to claim the [GST] as credit. But if the production chain is short, which it frequently is . . . then this can become a major form of evasion.
>
> Credit claimed for invoices from unregistered suppliers.
>
> Credit for [GST] paid on inputs can only be claimed when the purchase is made from a registered supplier. An unregistered supplier could be an exempt or a small trader, perhaps already enjoying a special treatment for [GST], or it could simply be a private person. The input purchases may be perfectly valid and it may be that the purchase does actually involve paying a price inclusive of [GST] that is impossible to claim because the supplier is unregistered. That is just too bad. If the trader who has purchased from the unregistered supplier pretends that the purchase invoice has a [GST] number, or creates an imaginary [GST] number, the authorities are defrauded.

● (0500)

> The sums involved are unlikely to be great, since less suppliers will be registered. Nevertheless the practice is illegal.

And so on.

> Credit notes on purchases including GST are not shown on the returns.

That is another way.

> Credit Claims for Taxable Supplies Used in Exempt Activities: If a business is wholly exempt, no credit can be claimed. The problem arises when a trader is selling both taxable and exempt goods and services. It may prove quite easy to divert purchased inputs on which VAT credit is claimed against taxed sales to help produce and sell exempt items. The problem is that some such decisions can be, in all good faith, extremely uncertain. The VAT content on the capital purchase of a shop and its equipment should be split between the sales that are exempt (say on processed food) and the rest that are taxable; in this case, the VAT authorities may simply allow the credit in direct proportion to the split between taxable and exempt sales. It is much more difficult when the same raw materials may be inputs to exempt and taxable outputs, and some traders may deliberately offset more credit against VAT than was actually involved.
>
> Credit Claimed for Purchases That Are Not Creditable: The best-known example of this type of fraud is the credit claimed for an automobile for business purposes when, in fact, it is used for nonbusiness purposes and should be classified as nondeductible.

[*Translation*]

Senator De Bané: Would my colleague allow me to ask a question?

Senator Gigantès: Yes, please do.

Senator De Bané: These excerpts and other papers written by specialists lead us to think that the administration of this law is going to be extremely complex. The fact that a large number of people have been hired to implement the system, that all provincial governments but one refuse to get involved in collecting this tax, and the fact that it is completely different from those that exist in other countries, lead many people to conclude that it will be extremely difficult to have an open system where taxpayers, businessmen and businesses will be able to figure out what is expected of them.

I know that you, sir, have studied the matter in depth and notwithstanding the hundreds of millions of dollars that are being spent to put this administrative apparatus in place, in light of the provisions of the law itself and of the procedures that will have to apply, in light of the fact that provincial governments refuse to participate, and of the fact that the system has many exemptions, some of which you have mentioned, that seem to depend on irrational criteria, do you think that the government, who think that the GST is going to solve all of their problems, are going to be able to raise all of the tax revenue they expect to raise with this tax?

Senator Gigantès: There is another aspect to be considered. If the government manages to derive those benefits immediately, in a recession, that will make the situation worse. The recession will cause a decrease in its tax revenue, and will be tempted, as have many other countries have been, to increase

the tax rate to make up its losses and fill its coffers. This increased revenue will again make the economic situation worse. That is one of the negative aspects of a consumption tax, coupled with a progressive income tax, if you will: it is sensitive to the economic situation but not to unavoidable necessary expenses.

If my income decreases, I pay less tax, and that fact allows me to survive, if not to prosper; but if I am forced to pay tax on necessities, on things which I cannot avoid, such as the dentist when I have a raging toothache, and if at the same time my income is in a decline because of the recession, I will have less money to invest in my business and get it back on its feet. In that sense it is a regressive tax and it hurts the economy. All consumption taxes hurt the economy in that way, and they hit hardest when things are not going well, so it is when things are in a downturn that we must avoid imposing that kind of tax. That is one of the reasons why I supported Senator Waters' amendment to postpone the tax for a year; economists, even those of the Milton Freidman's school, will tell you that you do not introduce a new tax, especially not a consumption tax, when the economy is in a downturn.

So will the government recover its costs? The answer depends on the economy and how it evolves, and on whether they really keep the rate at the current proposed level. What has happened in other countries is that governments have increased the rate. They could have brought in other kinds of consumption taxes that would have been cheaper to collect. The tax introduced by New Zealand has not changed things from that perspective. The example that they always give is that of the New Zealand business man who says at the end of the quarter: I had $100,000 in sales, so I owe $7,000 tax, but I bought $90,000 worth of taxable materials, and you owe me a $6,300 refund for the tax I paid on them. So I owe you $700. There is no new accounting involved, and the government has no additional monitoring to do. The process is the same as before the tax was introduced.

They can use their computers to see whether someone is defrauding them systematically and carry out ordinary inspections. They can even do cross-checking, by comparing a businessman's income tax return and his turnover. We could have used that simple model. But no, we had to go and get all the most complicated, difficult and convoluted aspects of the British system.

Now, there are a lot of things in Great Britain that I am very fond of, but they do have a way of making things complicated: for instance, finding an address in London, if you do not already know where you are going, is maddening! Cumberland Square, Cumberland Close, Cumberland Street, Cumberland Avenue, Cumberland whatever, and then you have number 17 following number 1, after which you have number 32 and then number 2. You really have to have been there before to be able to find a place, and their consumption tax system also seems to be caracterized by this amazing British complexity.

[Senator Gigantès.]

• (0510)

[*English*]

We will come back to the study on value-added tax conducted by the International Monetary Fund. Credit for the GST paid on input can only be paid on purchases made by a registered supplier. Apparently, there are people who buy from an unregistered supplier who invent a GST number in the hopes that they will not be caught, and most of them are not.

Credit notes on purchases including GST not shown on returns is another way—

Senator Phillips: Could the honourable senator speak somewhat louder, please? We are having difficulty hearing him over here.

Senator Gigantès: Is the Honourable Senator Phillips wearing a hearing aid? I think he should take the trouble to wear one. If his does not work, I can send mine over. It works very well.

I must preserve my voice. There is nothing in the rules that says I have to speak more loudly than I wish to speak.

Senator Phillips: I am sorry I asked.

Senator Gigantès: Thank you. That is what is so nice about Senator Phillips. He really is a friendly and splendid fellow to have around. He does not get into any unnecessary quarrels with any of us. After a while I am sure that his colleagues will learn how very well liked he is by all of us because of his habits.

Senator Phillips, where is Senator Simard, now that I need him?

Senator Phillips: He will be arriving at 7 o'clock.

Senator Gigantès: There is no problem after that.

Senator Phillips: He will hold your hand all day.

[*Translation*]

Hon. Pierre De Bané: You said that the imposition of this tax while a full-blown recession is under way was of very grave concern. Allow me to play devil's advocate for a moment to tell you what Pierre Fortin, the economist, said recently, and I quote:

[*English*]

> . . . there is general agreement that the economy will adjust to the introduction of the 7-per cent GST through a temporary mini-stagflation: inflation and unemployment will be higher for a while. There will be a one-time effect of about 1.5 per cent on the general price level as measured, say, by the Consumer Price Index. Based on past experience, most analysts believe that both the elimination of the MST and the imposition of the GST will be fully passed through to the consumer. They also think that the wage response to the CPI increase, if any, will be small, and that the Bank of Canada will, accordingly, let the price shock go through without any further monetary tightening. My own view is strongly supportive of this consensus, which amounts to saying that on the inflation front the GST justifies caution, but not pessimism. There

is more uncertainty about the 1991-92 impact of the GST on production. The assessment here depends on the assumed timing of the negative impact on consumption compared to that of the positive impact on net exports and investment. But the consensus provides for a slight increase of real GDP and a slight increase in the aggregate unemployment rate over 1991-92.

[*Translation*]

And what strikes me is that he says that in his opinion:

[*English*]

> . . . the proposed GST package is solidly progressive: it redistributes income from upper-middle and upper income families to lower-middle and lower income families. There are two fundamental reasons for this outcome. First, the Sales Tax Credit (STC) brings about a substantial reduction of the tax burden on lower-middle and low income families. Second, the shift from the MST, which is a tax on goods, to the GST, which is a tax on both goods and services, increases the relative tax burden of upper-middle and upper income families, because the rich spend proportionately more on services and less on goods than the poor. One negative aspect is that the progressivity of the GST package is least pronounced among two-adult families with children. I want to point out in passing that the decision of not taxing basic groceries makes the GST less, not more, progressive. If basic groceries were taxed, the incomes of poor families would be unaffected because they would get an offsetting increase in their STC. But the incomes of rich families would fall by the full amount of the tax. Hence, taxing basic food would have made the system more, not less, progressive. On reflection . . .

[*Translation*]

But then, after having explained why he is in favour of that measure, he wonders why everyone is against it. He of course blames the government's communication strategy, saying that it was very poor. He then says that all countries share a peculiarity, which is that whenever a tax reform is discussed people talk about costs rather than benefits. He thinks that the government has probably misjudged the situation but feels that this is a progressive tax, whereas you have clearly shown that it is a regressive tax, in spite of the credits that will be paid to individuals of modest means.

Of course, someone who makes a $2,000 purchase has already spent a $140 simply for the privilege of making that purchase. Thus, it is quite clear that the credits which low-income persons will receive from governments will not compensate for the additional burden they will have to bear. As several people have demonstrated, everything depends on the situations chosen as benchmarks by the Department of Finance.

If they had taken the case of a couple earning $15,000 a year who in one year had to buy a refrigerator, a stove, a washing machine and a dryer, aside from everything else, it would become quite obvious that the credit they would receive from the government would not offset all of the taxes they would have had to pay.

But of course, if they supposed that the couple would not make any major purchases during the year, it became much easier to claim that the credit they will receive will be quite adequate to offset their additional tax burden. But, be that as it may, I would be very interested in hearing my colleague's comments on the matter.

Senator Gigantès: Firstly, let me say that I believe Professor Fortin wrote this paper when the government was still expecting what is known as a "soft landing", that is to say a much milder recession than the one we seem to be heading into. Now, because of the severe recession that seems to be hitting the United States, we are going to have more serious problems.

It is all well and good to say that this will improve our exports, while even with an 86-cent dollar, our export situation was dismal. We cannot look at these things in isolation. Someone asked me earlier what I would have propose. I would have suggested that we set interest rates at the same level as the United States, which would have meant a lower dollar, which would in turn have helped our exports much more than the GST ever will. That is the first argument.

My second argument is that Professor Fortin, like most of those who support the GST, has not taken the administrative costs of small businesses into account. I have read studies to you that show that these costs will reach 9.3% of their turnover, an expense for which these small businesses will receive no compensation. They are not going to absorb that 9.3%; they will pass it on to their customers. So the customers may be receiving a 7% refund, but they are going to have to pay an additional 9.3% to offset the additional administrative costs imposed on the convenience store, for instance, or on various other stores.

And then, consider the case of a student who has a $7,000 annual income. He has been advised that he will be receiving a $67 tax refund cheque every quarter. So, that would be $268 more per year. But take 7% of his $7,000, and you will put things in perspective. He spends everything. This student will buy taxable foods such as a sandwich and a small container of yogourt. This type of thing is taxable, as you know. So on his $7,000, he will pay $490 in tax, while his refund will only amount to $268.

The figures speak for themselves. The GST is supposed to solve all of those problems, but it does not. I see a new group of collegues has come in. I will give them a more general presentation, rather than going into details, and get into specifics later.

Senator De Bané: I would like to ask a single question; may I?

Senator Gigantès: Please go ahead, my friend.

Senator De Bané: His proposals make Mr. Fortin a strong advocate of the consumption tax concept. As I have the floor, perhaps my collegue could sit down.

Senator Gigantès: Thank you.

Senator De Bané: In fact, referring to one of Maurice Halley's ideas—Mr. Halley was awarded the Nobel Prize for Economics—involving the taxing of capital and monetary reform in 1977, he advocates the following idea: the abolition of personal income taxes and of taxes on corporate profits.

So what he is proposing, really, is the following idea: the complete abolition of personal and corporate income tax, which would be replaced by a much higher GST on all consumer products and durable goods. He says:

● (0520)

[*English*]

> This would mean replacing the current taxation of wealth-generating activities such as work, production and saving by the taxation of wealth-consuming activities.

[*Translation*]

So, he suggests that we abolish personal and corporate income tax and introduce a 25% GST. He states:

[*English*]

> Progressivity of the tax system could then be retained through the provision of a universal tax credit (say, of $20,000 to $30,000) reflecting basic family needs. A simple, low, flat, fair, and globally competitive tax system would emerge.

[*Translation*]

Of course, he says:

[*English*]

> This is only one possibility, but one that I consider highly attractive and feasible. We may have a number of steps to go before we can get there. But what we need, and right now, is a long-term integrated vision of what we want our tax system to attain in a globally competitive world environment. The most important problem with the current episode of tax reform may precisely be that we were not offered any such vision in which to interpret the various elements put forward.

[*Translation*]

I do not know what my honourable colleague thinks of these ideas, which are at the very least thought provoking.

Senator Gigantès: Well, I think economists, and Milton Friedman heads the list, have always been attracted to simple solutions. And Mr. Fortin's proposals are simple: we provide tax credits and by the same token ensure a guaranteed minimum income. The whole thing is quite simple.

As Mr. Parizeau expressed it, there is a threshold above which people pay taxes, and below which they receive subsidies from the government. But what is included? Do you include old age pensions, unemployment insurance and and workmen's compensation?

I looked into that. I asked the Library of Parliament's Economic Research Branch to examine the issue. What they found is that we would not have a simple system. If it were simple, the system would also be very unfair. That is the way things are. If you start from the premise that we want to contain the costs of our social safety net at current levels, and if it takes the form of a universal guaranteed minimum income system, old age pensioners would suddenly find themselves with a reduced income. There would be cuts in that area.

The unemployed would also see their benefits cut, even though they might have contributed for many years and never been out of work before suddenly finding themselves in that position. And their benefits would be cut! The only ones to benefit from the system would be those who are receiving welfare payments. It would not help the working poor very much at all.

So the young economists of the Milton Friedman school were forced to conclude that the complex system we now have may be inevitable and that complexity is not always necessarily a bad thing. And what Mr. Fortin is proposing is intellectually pleasing, orderly, neat, and is in fact quite similar to what Calder proposed a few years ago and to the ideas of Milton Friedman. Simple methods cost less to administer.

But in this study I had carried out, which you may obtain from the Library of Parliament's Research Branch, what became apparent was that administrative costs would not be reduced because there would be so many exceptions.

Your only other option is to decide to implement an unfair system. You would have to say to the elderly: "We are very sorry, pensioners, but we are going to cut your old age pension so that everyone below a certain threshold has the same income". If that does not appeal to you, for heaven's sake why choose the elderly as a target group? Would you rather say to someone who has contributed to the unemployment insurance fund for 25 years and suddenly finds himself out of work: "No, you are not going to receive the maximum benefits you are entitled to, you are going to receive less"?

That person could go to court and say: "Listen, I was promised a certain protection and that promise is being broken. And yet, I kept my end of the bargain, I paid into the fund." So, what Professor Fortin is proposing is very difficult to implement. It would be nice if we could do it, but unfortunately we can't.

Then there is another objection. If we set up a system that abolished income tax and taxed consumption only, in my opinion, we would be depriving ourselves of one of the tools to fight inflation which I have referred to here before. That is not my idea; it has been put forward by several economists, most recently by Robert R. Growner and Lester Perrault in a book they have written.

According to them, the way to fight inflation is not to increase interest rates but, in periods which the Bank of Canada or the Federal Bank in the United States consider truly inflationist, the bank may declare any increase in income of more than five per cent from one year to the next, which it can assess from your tax return, to be irregular. Anything above five per cent would be taken from you in its entirety. That is one way of doing things, although some people will certainly say: This is unfair, why are you doing this? But as an inflation fighting strategy, it is actually less destructive than high interest rates. High interest rates hit the construction

industry hard, and have a negative effect on all businesses that operate with borrowed working capital.

They go to the bank . . . someone who is building a house for me borrows money from the bank for a few days in order to pay sub-contractors and purchase materials. I pay him at the end of the month, but in the meantime he operates with a loan. If you increase interest rates, you may bankrupt him. This is one of the reasons we are seeing so many bankruptcies these days. Combine that with a recession and you have a catastrophe.

As I see that a new group of people have come in opposite, I see that I will have to go over all of this again, and I will give each new group I see the same benefit. Fortunately Senator Castonguay is staying on, in deep concentration like a good little boy doing his assignment in grade school.

• (0530)

[*English*]

Let me tell the newcomers that there is a scheme to this presentation, which will last a long time—not the newcomers in the sense of the new senators, but in the sense of the new shift. This is a general presentation which will deal with the faults of Tory policy in general. I will be reading later from a book entitled: *Conservative Illusion.* Of course, it is a very old illusion.

I will begin with what is wrong with the GST, in particular, and point out that it is impossibly complicated. The costs of the administration falling on the traders, approximately 9.3 per cent, will fall ultimately on the consumers. They will also be an inflationary influence overlooked by most economists cited by the government.

It could be a simpler consumption tax. It is possible to design a comsumption tax to replace the manufacturers' sales tax without penalizing exporters and without making it so complicated that it is going to drive people nuts. I have given you some examples of the complications.

I will give you a synopsis of the GST, and then I will go back to specifics.

In the June 1987 white paper on sales tax reform, the government criticized the existing manufacturers' sales tax for its narrow base, widely different effects on prices and complexity, among other problems. The government's white paper also proposed that a multi-stage sales tax be substituted for the existing federal sales tax. However, it recognized that compliance costs under the multi-stage tax depend critically on two factors: the breadth of the tax base and the structure of tax rates. Complexity would increase if the base were selective or if different rates were applied to different products.

On the question of fairness, the government's white paper stated that one dimension was the treatment of sectors and firms so that the tax would not confer any unfair competitive advantage or disadvantage. Fair tax treatment of different products and low compliance costs were among the government's intended goals in designing a multi-stage sales tax. It would be useful to compare the results of this sales tax reform with the government's stated goals. I did not state the goals of the government; the government stated them.

Under the GST, basic groceries, prescription drugs and medical devices are among the supplies designated as tax-free. This creates differential taxation of similar products and leads to tax inequities among competing products. For instance, the government's August 1989 technical paper acknowledged:

> No matter how the lines are drawn, the great variety of food products makes it virtually impossible to remove every possible anomaly.

If I had been wording that, I would have been worried about having "possible" appear twice. Euphonically it is bad, but what can one do? This is a government.

• (0540)

The truth of this statement was borne out in the testimony received by the third banking committee. The committee heard that yogurt would be taxable when purchased in single servings. This is one of those aberrations. However, it will be tax free when packaged for sale in multiples of single servings. So, if you buy a pair, it is not taxed; if you buy one, it is. According to the National Dairy Council most yogurt is purchased by Canadians in single servings, not multiple servings. It is difficult to understand why basic foods, such as yogurt, should be taxable. Ice cream, ice milk, sherbert, frozen yogurt or frozen puddings would also be taxable when sold in single servings, but not in packages of multiple servings.

The other example involves cookies and other sweetened baked goods, which are taxable when sold in packages of less than six items, but are non-taxable when sold in packages of more than five items.

Listen to the following sentence. It is from the government regulations:

> Cookies and other sweetened baked goods are taxable when sold in packages of less than six items, but non-taxable when sold in packages of more than five items. At the same time, chocolate confectionaries, such as chocolate bars, would be taxable under the GST, regardless of the number of items in the package. As we heard in the textimony, differential taxation of cookies and confectionaries is unfair, given that these products compete directly, and that their ingredients and nutritional content is similar.

The Canadian Soft Drink Association brought another inequity to the attention of the committee members. They noted that carbonated beverages would be taxable under the GST, but that ice tea, flavoured mineral water, and coffee, would not be taxable. Can somebody please explain why? The Canadian Soft Drink Association believes that taxing similar competing products differently is discriminatory. And it is.

Also, food sold by take-out establishments would be taxable. That means food that is consumed by most university and CEGEP students. Yet grocery stores sell prepared foods which are in every respect the same except that these require heating. For example, frozen pizza purchased in a grocery store would be tax free, but when delivered by Pizza Pizza, it would be

taxable. It must have something to do with temperature. Popcorn is taxed when it is hot, it is not taxed when it is cold. Pizza is taxed when it is hot, it is not taxed when it is cold. There must be some kind of preference for cold. It is strange.

How is it fair that caviar sold in an upscale delicatessen would be GST free, yet a hamburger—

Senator Corbin: Caviar.

Senator Gigantès: Caviar comes from virgin sturgeon. Virgin sturgeon is a very fine fish.

If you buy a hamburger at McDonald's, you pay 7 per cent.

Furthermore, businesses classified as "eating establishments" would be taxable on the sale of all food and drink except for food sold in a form not suitable for immediate consumption; or, the sweetened baked goods contained in a package of more than five items.

The Quaker Oats Company takes issue with the taxation of granola products. As proposed, the GST would not apply to granola products that are sold primarily as breakfast cereals. The tax would apply to granola bars, even when these were sold in a package of more than five items. Can anybody explain this to me? The government witnesses could not. We asked them. They did not know.

It would seem logical that if cookies are not taxable in packages of more than five items, granola bars should be afforded the same treatment. After all, it could be argued that the contents of a granola bar meets the nutritional description of basic groceries more closely than do cookies. Yet granola bars in packages of five or more are taxed. Cookies in packages of five or more are not taxed.

Furthermore, granola bars compete directly with cookies, which would not be taxable when sold in multiples of more than five items.

In various snack foods; the GST would apply to sales of salted nuts or seeds, but not to unsalted nuts or seeds sold for human consumption. Is it to try to discourage the consumption of salt? I asked that question. I was told that they did not know why they did it like that. When sold for other than human consumption, (i.e., birdseed) these items would be taxable. It is not specified in the regulations whether if you give salted nuts to birds, those are taxable too.

To further complicate the system, snack mixtures that contain cereals, nuts, seeds, dried fruit, or any other edible products, would be taxable, except when sold as a breakfast cereal.

The lack of logic in this situation is the bad feature. A tax law should not be so absurd that the people do not understand why it is so. It should not be written so that one may break it by inadvertence.

The GST would unfairly discriminate against some types of health care services and against certain kinds of health care providers. For instance, long-term care facilities are treated differently, according to their ownership or funding. Public sector facilities such as chronic care hospitals and municipal homes for the aged would be exempt from the GST and would be eligible for a rebate of 83 per cent of the tax paid on purchases. Other non-profit nursing homes would be exempt from the GST, but would receive only a 50 per cent rebate of the tax paid as services. Nursing homes operating for profit would also not be taxable for their supplies, but would not receive any rebate of the tax paid on their purchases.

Can any of the senators opposite explain this? Perhaps I can give you the paper and maybe someone who has recently been a public servant, and has had contact with the strange birds that inhabit Finance, could explain. Senator Kinsella, would you volunteer for such a thing? To explain Finance to me?

• (0550)

Health care services offered by one of the practitioners recognized in Bill C-62 would be exempt from the GST. The list of the recognized health care practitioner services include physician services, nursing services, dental services, optometric services, chiropractic services, physiotherapy services, chiropodic services, paediatric services, osteopathic services, audiological services, speech therapy services, occupational therapy services, psychological services and dental hygienist services.

However, the Senate Banking Committee heard that the services of a number of other health care practitioners would be taxable under the GST. This list includes psychoanalytical psychotherapists for children. Why should a therapist for children be taxed and an audiologist giving his service to a child not be taxed?

Senator Frith: Senator Gigantès, could I ask if you would be able to distinguish, while listing these taxable and non-taxable services, the difference between what they call an input tax and a tax to the client or the patient or the customer. I think during the hearings it is a distinction that many found a little difficult to understand. Because of the study that Senator Gigantès has done, he might very well be in a position to help clarify that point by illustration of individual examples.

I am speaking now of services rather than of products. I understand that input is taxable on some services. For example, services that a physician receives that are part of his operating costs are subject to tax, but that tax is not passed onto the patient. In other words, the service itself is not taxable. I may be wrong about this; that is why I am asking. It may be that Senator Gigantès does not have an answer to this.

As I understand it, there are services provided to the physician—distinguishing "to the physician" and "by the physician"—that are taxable. Therefore, his cost of doing business in almost every item is taxable. The actual bill that he passes onto the patient will have no tax appearing on that bill.

That does not mean, of course, that the customer does not end up paying the tax. A doctor has to adjust his fees accordingly, in order to take into account his increased cost of doing business.

I wonder if that distinction is relevant, at this time, to the information that Senator Gigantès is giving us.

Senator Gigantès: Thank you, honourable senator. It is relevant in the sense that if your input is taxable but your output is not; you cannot claim a tax refund. As you pointed

out, of course, the fee will have to go up to cover that. In effect, the practitioner or anyone giving a service who does not impose the 7 per cent tax, but who has been taxed on all the equipment and materials he uses, will not be able to recover the tax. Supposing he spends $10,000 on materials such as the little sticks for depressing the tongues, paper towels or whatever; with tax at 7 per cent, that would be an additional $700. He cannot recover that $700 so he will put it on the fee.

This means that "non-taxable" is a myth. You cannot expect the practitioner to absorb this cost. He will pass it on by increasing the price of the fee. Instead of recovering the input tax from the government, he will recover it from his customer.

These non-taxable services are a myth. Or to use a word that colleagues opposite have used with regard to my french text, a fraud. Does that satisfy you?

Senator Frith: That is very helpful. Thank you.

Senator Gigantès: Thank you. Do not take your shoes off because it is difficult to put them back on later.

Senator Frith: No. I am just tying up my laces.

Senator Gigantès: We have a question of fair taxation of health care products. Under the GST, prescription drugs are tax free, while drugs obtained over the counter are taxable. Some drugs such as acetylsalicylic acid, which is aspirin, can be obtained either over the counter or by prescription. Despite the GST, drugs obtained over the counter should be lower in price because there is no dispensing fee. However, since prescription drugs are often subsidized by a private or public drug insurance plan, the application of GST to drugs purchased over the counter will increase the incentive to obtain drugs by prescription.

We complain that people use medical services when there is no need. Therefore, the cost of medicare goes up. Here we have a measure that is going to encourage more people to use medicare. Somebody suffering from a mild form of arthritis who, up until now, has been buying aspirin over the counter, will suddenly be told that if you obtain a doctor's prescription, it is not taxed.

You could drive me nuts with those bells; is it an alarm clock or is it your cellular phone, senator?

Senator Corbin: My alarm clock. I thought I could sleep tonight but you kept me awake.

Senator Gigantès: With this tax, we will encourage greater use of physicians' services. Therefore, it will increase the cost of medicare. It might be arguable that it will increase the cost of medicare more than the government derives from taxing these health care products. Therefore, the government loses.

The uneven application of the GST will also send different price signals to the market, depending on the means used for birth control. Under Bill C-62, birth control pills are zero-rated, which is tax free. Since these are obtained by prescription, abortions and vasectomies are exempt. This means they could still bear a degree of tax, because there will be no input tax credits. The price will be passed on to the customer, so to speak, as you said earlier.

Condoms will be fully taxable. At a time when we have a national scare about AIDS, we have advertisements for condom use, and children are being taught by personalities in schools about condom use, could someone explain why we tax them? We want people to use them, but we tax them. Is it that we prefer vasectomies to condoms? A vasectomy does not help in preventing AIDS.

Fair Taxation of Education: Bill C-62 would exempt credit courses towards a diploma, a degree or course in English or French, or occupational training. It would tax other non-credit courses. Thus, tuition fees for training in other languages besides English or French would be taxable. We live in an open economy. We want to trade with the world and to be able to be competitive abroad. We want to send Canadians to other countries to work for Canadian companies which promote Canadian products elsewhere. We are going to tax training in those other languages.

• (0600)

It would seem to me that we should at least exempt Japanese, German and Spanish, and Russian—some of the east European languages. These are new, great markets that are opening up. But the government is going to make the learning of languages that would help us penetrate those markets taxable.

Representatives from several groups told the committee that the taxation of non-credit courses was unacceptable. The Alberta Association for Continuing Education noted that non-credit learning courses are no longer offered purely as hobbies, but are intended to satisfy objectives related to employment and career plans for personal, family and community development. The Canadian Federation of Students stated that education is inherently beneficial to society regardless of whether the courses have credit or non-credit designation.

Another item is the compliance costs which I talked about earlier. Compliance costs to the Value Added Taxes, the GST: suppliers of exempt and non-exempt goods and services must apportion their inputs in order to claim input tax credits on purchases used to produce taxable supplies. If you sold birth-control pills and a condom from the same cash register, you bought this cash register, you are entitled to a credit on the tax because it is an input. But you are entitled to a credit only on the tax for only those items that are taxable, that go through your cash. You must not demand an input, a tax rebate, for all the money that is going through your cash register on condoms, but you can on health pills. Think of the bookkeeping you have to do. Every single item has to be recorded. That is why the compliance cost for small businesses is 9.3 per cent of turnover. It seems aberrant to do it that way, but that is what the tax does, and this is not just in the drugstore. There would be similar problems for suppliers such as financial institutions, educational institutions, charities and non-profit organizations. Suppose you have an educational institution that teaches French and English but also Italian. Italian, that is taxable, and the institution can claim an input credit or a part of the input tax it has paid for Italian courses, but not for French and English courses. So it goes on. Insanity.

Charities have the same problem. Landlords. The New Zealand system of few exemptions should appeal particularly to small businesses because of the relatively low compliance costs. British studies, as I told you earlier, found that the compliance costs of the GST are about 40 times larger for a small business, as a percentage of sales, than for large firms. One of the themes that I was stressing earlier is that this is a tax that makes it easier for big business and harder for everybody else.

In a forthcoming book, Professor John Quailey and Deborah Fretts state that although the GST itself can hardly be called a radical proposal, since many other countries have already adopted credit invoice, value added taxes, the particular form of GST that Canada proposes to introduce is, by international standards, surprisingly complex.

Why do we have to choose something that is surprisingly complex? There are simpler systems yet we take the hardest one to repair. It also has a relatively narrow base, and if European experience is anything to go by, further complications may yet develop including increases in the tax rate and multiple rates. The title of the book is: *The Economics of the GST*, and it is being produced by the Canadian Tax Foundation.

The proposal originally favoured by the government was a business transfer tax, or BTT, imposed as a single rate on a comprehensive tax base. If the government wanted to have such a consumption tax, they should have had the courage of their convictions and gone with the BTT. Simple. One rate, one everything, one report. No problems. A firm's tax liability under the BTT can be calculated by subtracting aggregate purchases from aggregate sales and applying the BTT right to the result. As they keep a record of their aggregate purchases and their aggregate sales, no extra administration costs would be incurred by business. The same books could be used. John Bulloch of the Canadian Federation of Independent Business says the BTT would be workable with the two-tier federal/provincial tax system because there cannot be any exemptions and the tax calculation is based on existing books of record rather than invoices. Mr. Bulloch told the Senate Banking Committee, "If you want exemptions and disability, you can have it with one tax such as England has. You can have it in Canada if the taxes are harmonized. You cannot have what they now propose as a two-tier tax. You cannot harmonize the system. You will have to start from scratch. It will not work. The country will be in chaos."

Senator Kinsella, this is another reason why I went back to one of my favourite topics. This Prime Minister is the one who was saying that all he had to do was to be elected, and an era of total and over-sickening federal/provincial harmony would be upon us, covering us like a thick blanket of fog, a gooey fog. Everybody would be kissy, smoochy, and there would be no difficult premiers anywhere. Total harmony. No problems. And he cannot even convince them to harmonize the tax system.

That was another thing that launched me on to the Prime Minister's disastrous effects on this country.

[Senator Gigantès.]

• (0610)

Senator Kenny: Would Senator Gigantès permit a question?

Senator Gigantès: Certainly.

Senator Kenny: He was talking about harmonizing the tax systems between one province and another. While he is at it, I wonder if he would comment on the pressure that has been placed on provincial governments, forcing them either to raise taxes, cut services or return larger deficits.

> The GST proposal represents an attempt by the federal government to push its deficit problem onto the provincial governments. Every provincial Premier has publicly opposed the GST. A conference Board of Canada study commissioned by the provincial governments indicated that during the first three years of operation the GST would reduce provincial tax revenues by up to $6.9 billion. Provinces would be faced with three alternatives: by recovering those lost revenues through additional tax increases of their own; or reducing services to the public; or running larger deficits (or smaller surpluses).

If they were lucky enough to have a surplus.

> Canadians could face the double burden of higher provincial taxes on top of the federal GST. A report prepared by the provinces on the fiscal effects of the GST summarized the impact it could have on the provinces.

Here I will quote briefly from a report by the provincial governments on the fiscal impacts of the GST.

> In addition to needlessly threatening the economic situation in the short term, the federal GST would seriously jeopardize the provinces' financial position, already made difficult because of the federal government's policy of progressive financial withdrawal from health care, post-secondary education and regional economic development. The economic impact of the GST could thus be worse if provincial governments had to adopt measures to restore their own fiscal situations.
>
> If the GST takes effect in 1991—we hope it does not, but if it does—consumers face combined federal-provincial rates of sales tax ranging from 7 per cent in Alberta, where there is presently no provincial sales tax, to 19 per cent in Newfoundland, where consumers would pay the 12 per cent retail sales tax on top of the 7 per cent federal GST.
>
> Worse yet, consumers face the prospect of even higher sales taxes if provincial governments are forced to raise their tax rates to recover lost revenues. In fact, provincial governments have already indicated that the GST would leave them with no choice but to raise provincial taxes.

Senator Gigantès: I would ask Senator Kenny whether there is a passage in that interesting document, from which he is reading, which explains why the GST will reduce provincial revenue? Is there such a passage?

Senator Kenny: I can look for one. What I was coming to, senator, is a statement by Hon. Huber Kitchen, the Finance Minister of Newfoundland. He said that they will probably

have to raise their provincial sales tax from 12 per cent to 15 per cent or more if the GST is not withdrawn. Either that, or they will have to increase their provincial income tax rate, which is now 62 per cent of the federal rate, to 75 or 80 per cent.

Understanding that provincial co-operation is critical to any successful reform of the sales tax system, Finance committee members were shocked to learn that the federal government never actually put any specific sales tax proposal on the negotiating table with the provinces. Provincial governments were never asked whether they would join a unified sales tax system before the federal government broke off negotiations in April 1989.

John Bulloch recently stated:

> We were told, and we accepted the government's word, that they were negotiating for two years. We have only uncovered from travelling across Canada and talking to people who were in those hearings that there was nothing on the table; that most of the meetings had been technical in scope while federal officials learned about implementing retail sales taxes. There were no negotiations.

It goes on to state that the government's haste to meet its self-imposed deadline, to have the GST in place by 1991, has led to major flaws in the GST proposal. Mr. Bullock makes the point that if the federal government were really serious about a unified system, it would not have made all of the stupid mistakes it has made.

> The failure of the federal government to obtain provincial cooperation has doomed the GST to failure. The losers will be all Canadians.

I really wanted to draw these problems to the attention of Senator Gigantès, problems which seem to be related to what he was talking about. I would ask him if he could comment on them further. I do not really have the answer to the question he asked of me, at least not in the report before me.

Senator Gigantès: I have one disagreement with Mr. John Bulloch. He stated that if the government were really serious, it would not make all of these stupid mistakes. I think he underestimates this government. I think this government is quite capable of being utterly serious and making even more stupid mistakes, as it has done all along.

Yes, honourable senators, I have discussed many of these points. I cited some learned documents about all of the defects of the GST, as it has been constructed. I agree with Mr. Bullock that it is a crazy tax. I remember reading that, despite the kissy-smoochy atmosphere that Mr. Mulroney was supposed to have generated with his molasses voice, he did not, in effect, consult with the provinces on a very important thing; the invasion of a field of taxation considered to be the provinces' own.

This great democratic leader who was going to bring peace and harmony to our land has been a kind of Attila the Hun, trampling everybody underfoot and doing it stupidly.

Senator Davey: I have listened with interest to Senator Kenny's comments about the Prime Minister. I was not here when he had a discussion with Senator Kinsella in that regard and I do not think he would have seen this morning's *Globe and Mail*. However, I would like to draw to his attention something written on this subject. I would be interested in his observations thereon. It is taken from Jeffrey Simpson's column in this morning's *Globe and Mail*. The heading is: "Canada needs clarity and conviction, and Mr. Mulroney offers neither." There was apparently an article in this month's *Atlantic* magazine on Mario Cuomo, in which Cuomo states that political leadership is defined as a combination of plumbing and poetry. If senators would allow me, I would like to read a line or two of the Simpson column. I think it is relevant.

Senator Gigantès: I would be grateful if Senator Davey would read the column in its entirety.

Senator Davey: I will read half of it, because it is relevant. It states:

> Earlier this week, Brian Mulroney launched another of his barroom attacks on Liberal Leader Jean Chrétien. Why was Mr. Chrétien hiding under his pool table during the Meech Lake debate, Mr. Mulroney demanded to know.
>
> Apart from the silly inaccuracy—Mr. Chrétien does not have a pool table—the remarks, and others of an equally partisan nature, gave an insight into the essential character of the Prime Minister as above all else, and perhaps nothing more than, a parish pump politician.

• (0620)

> Mr. Mulroney has this thing about Mr. Chrétien, and he has had it for a long time. It is as though Mr. Chrétien, like former prime minister Pierre Trudeau, had somehow got under Mr. Mulroney's skin. His presence itches so badly that the Prime Minister cannot resist the temptation to itch.
>
> When Mr. Mulroney reaches for poetry, it usually has been prepared by others. When he reaches for his own thoughts, they are frequently the stuff of barroom discourse. This creates the widespread impression that whenever the Prime Minister reaches for poetry, he is not revealing his innermost convictions and, therefore, should not be believed. His is the poetry of artifice, of fancy words rather than conviction.
>
> His interview with *The Globe and Mail* last summer about the Meech Lake process was justly celebrated for his "roll the dice" remark. But far more revealing, and ultimately more damaging, were his other descriptions of events, past and then present, expressed in language more appropriate to some brandy-and-cigars affair than a national audience.
>
> A great deal of political discourse is prefabricated, written by legions of speechwriters whose work is then vetted by committees and reviewed by those with a sharp eye for the 10-second television clip. That is why we, as citizens, must cherish and learn from such glimmers of genuine thought and emotion as political leaders offer.

From them, we learn whether the convictions and clarity of poetry exist in our leaders.

That is Jeffrey Simpson, who some of us on this side and on that side regard as a fairly senior and respected journalist. I am wondering if those comments dovetail with the things you were saying about the Prime Minister when I was not here. Would you think this is a fairly effective description?

Senator Gigantès: I think it is a very polite description of the Prime Minister. I think I have an answer for Mr. Simpson about what it is that Trudeau and Chrétien have done to Mulroney. In fact they have not done anything to him. He has done something terrible to them. Like a wife beater, he feels angry at the person he has beaten. The betrayer feels anger towards those he has betrayed. I was illustrating that earlier by reading a document which I tabled for the Senate. Perhaps, to spare the good people opposite who have heard it already, I will come back to it when the shift changes.

I must say that Senator Hatfield shows forbearance and generosity, because he comes out smelling like a rose in what I am about to say. He is not one of the guilty parties. However, due to his operations recently, I would not say exactly that Senator Castonguay comes out smelling like a rose in what will come out later.

By the way, Senator Fairbairn, I understand that when you were speaking you had the temerity, the effrontery, the lack of decorum to absorb pieces of tangerine. Did you dare do that in the presence of Senator Castonguay?

Senator Fairbairn: Yes.

Senator Gigantès: He said it was a terrible lack of decorum on my part to put something between my lips while addressing the Senate. There were other senators on that side stuffing their faces and that was perfectly all right. However, I put a piece of tangerine in my mouth in the presence of—

Senator Davey: They were playing bridge in the corner.

Senator Gigantès: Yes, and they got up and asked me to be respectable. Senator Forrestall was chewing something over here.

Senator Fairbairn: Senator Gigantès, I should explain that during my brief remarks yesterday and the day before, I plead a certain degree of weakness. During that period of time, whenever I had the opportunity to take questions from colleagues and took my seat for a few minutes, I may have consumed no more than six sections of a tangerine.

Senator Gigantès: Perhaps that is why he is angry. I have consumed seven so far. I apologize, Senator Castonguay, I should have kept my consumption lower.

Senator Fairbairn: I will be prepared to get you more.

Senator Gigantès: Thank you, but I have a good supply.

We were talking about the alternatives to the GST and I will deal with that on Tuesday morning, as I promised my good friend, Senator MacDonald.

Here I have things which were said to us by witnesses who appeared before the Standing Senate Committee on Banking, Trade and Commerce concerning the GST. I think we should refresh the memories of senators opposite, especially those in the last batch of appointments who did not participate in those hearings, and who do not know exactly what the witnesses were saying.

[Senator Davey.]

Ms. Edith Johnston, Secretary of the National Pensioners and Senior Citizens Federation, described her federation as a national umbrella organization with which seniors across Canada, particularly those in provincial groups, are affiliated. With her that morning was Alex Mansfield, the President of the United Senior Citizens of Ontario, which is the largest provincial affiliate of the national organization. Their briefs were very similar as both organizations work out of the same office. Naturally, because they are affiliated with the same organization, they have the same goals in life.

Mr. Mansfield said he was one of at least 300,000 senior citizens in Ontario who have wished that the proposed general sales tax would go away. That is how many members his organization has, 300,000. That is five times the population of Whitehorse. That is an awful lot of wishful Canadians.

There were a number of reasons they wanted to see the general sales tax go away. Perhaps the biggest reason was that they feel it adds to the injustice already done towards many Canadians. That is, to non-wealthy Canadians, and most senior citizens fall in that category.

I would say to honourable senators of the Liberal persuasion who have come in here recently that in the documents I was reading from, there was evidence that compliance costs are 40 times lower for large corporations than they are for small businesses, referring of course to the GST. For small businesses compliance costs are on average, 9.3 per cent on turnover. They will be passed along.

The evidence I was reading from established that not only is this tax a transfer of a tax burden from the manufacturers to consumers, it is also discriminatory and regressive in its administration. It hits the poor business much harder than it hits the rich business. Of course, here we have Mr. Mansfield saying that the tax will add to the injustice already done towards many Canadians, non-wealthy Canadians. This is a most important distinction, because most senior citizens fall in that category. Certainly his organization wants a change in the tax system, but they want true reform.

● (0630)

Ostensibly, this is what Mr. Chrétien is saying, and the Tories dump on him. I pointed out to them that, if he came out with a tax reform, springing like a female fully-armed from the head of Zeus, they would be dumping on him for producing a tax reform not knowing what the situation would be like in two years' time. A redistribution of taxation in this country—who taxes what and when—coupled with the Free Trade Agreement with the United States, coupled with a free trade agreement with Mexico, coupled with the problems of the GATT, will probably create an economic situation very different from the one we now have. The foreign investment picture may look different, because things are changing in Europe.

It would be highly irresponsible for a Liberal leader at this stage to invent a taxation system to please Senator Macdonald or Senator Cogger or, I suppose, Senator Simard.

We see the United Senior Citizens of Ontario wanting true reform. The Liberals will give them true reform, not a reform which benefits the rich only. We want a tax system, says Mr. Alex Banfield, that is based on the ability to pay. The GST represents a move in the opposite direction.

For the benefit of my francophone colleagues, I will shift to French.

[*Translation*]

The government said that the primary goods will not be taxed. But diapers and coffins will be. The government said that they will not oppose inflation. But, in an article dated 28 June issue of the *Mississauga News*, it was indicated that an increase of the rate per thousand for Mississauga will be directly attibutable to the costs due to the GST. Costs such as employee's time, change of the software, updating the ledgers, and that will not be the only sector where the hidden costs of the GST will be passed to the consumers.

Our capacity to pay whatever we have to pay will be decreased by inflation. Most senior citizens have a limited income from which they are quite ready to pay their fair share to the government. But we are not happy with paying the proposed tax. And you will find why in the document you have in front of you.

I will now give the floor to Edith Johnson, because our two briefs are more or less similar. Miss Johnson is now speaking, she is the National President for the National Pensioners and senior citizens Federation. I will hand this document over when I have done with it:

As we already said, Canadian seniors are opposed to an unfair Canadian tax system and proposed changes to this tax system will perpetuate and increase this unfairness. We are in favor of a tax system based on the capacity to pay and which, according to us, would eblable us to face properly the present commitments Canada has regarding social programs.

The National Federation is opposed to the proposed tax because it is a regressive tax. Under this proposed tax, the average Canadian will literally be taxed from the craddle to the grave. Diapers as well as coffins will be subject to a higher tax.

[*English*]

Senator Stollery: I have a question.

As I understand, these are witnesses who appeared before the committee. Did they in any way reflect upon or discuss the issue of clawbacks; clawbacks instituted when the bill was passed a few weeks ago under the provisional rules under which we have been operating in the chamber? Some of the witnesses who were representing senior citizens' groups may not have thought of the added, rather onerous, cost, the limit on their pensions nor the effect that it is going to have on their ability to pay the GST.

Perhaps some of those associations would have an even stronger opinion now. They would be much more concerned now than when they were talking to the members of the Banking, Trade and Commerce committee as it was travelling around the country.

The clawback means that the older citizens are going to be hit twice. They are going to be hit by the clawback, which will reduce their pensions and their ability to resist inflation. The compounding element of inflation will make their savings worth less and, at the same time, they will be hit with a new tax.

We all know that the older citizens of our country have worked very hard in their youth and in their middle years to accumulate their retirement benefits. We also know that the poorest sector of our society is the single female over 65. They are the ones who will now have the clawback provision applied and who will also be paying the GST.

Perhaps you could enlighten us as to whether some of the witnesses reflected on that.

Senator Gigantès: I do not have the documentation with me, but I do remember that the same groups of senior citizens appeared in respect of both of those bills. They drew the connection, as you have. They objected to the clawback because, in the way it is indexed, they will lose 3.0 per cent every year. It is not indexed for the first 3.0 per cent of inflation. So the limit at which the clawback starts, in effect, goes down every year.

They also objected to the fact that, under the clawback legislation, a couple in retirement, each with a $49,000 pension, is not subject to the clawback. However, a couple living with one pension of $51,000 will be subject to the clawback.

Senator Stollery: Perhaps I could put this into perspective.

The figures were announced on the weekend and, to my surprise, in Ontario the average family income is now $57,000 a year. It is difficult to keep up with the increasing incomes. Thirty years ago, annual family income was something like $50 a week.

The clawback takes a bit of time to affect pensioners, but actually that time is now. At any rate that time is not going to be very far away when we already have, as I say, in the province of Ontario, the average family income of $57,000. That does not take into account that it is probably higher in Metropolitan Toronto. I guess in Metropolitan Toronto we are looking at an average family income of well over $60,000 a year. I would like to know what effect that has on the situation?

● (0640)

Senator Gigantès: Senator Hatfield, were you noticing disorderly conduct of any kind that you were drawing our attention to? Or are you referring to what you are exchanging with your neighbour and former New Brunswick cabinet colleague? Maybe he thought you were interrupting his conversation with Senator Robertson, which, of course, might be disorderly on our part, after all.

The point is, the clawback and the GST were clearly linked in the minds of pensioners who appeared before us, senior citizens, and they felt the two together were going to damage them. Of course they will. There is no disputing that.

Senator Stollery: And more damaging to them than to other sectors of society because of the limits on their income.

Senator Gigantès: And we get a lot of tremolos in the voices of Tories about incomes of poor senior citizens on fixed incomes and how are they going to manage with inflation. What is the first thing they do? They try to de-index, and we have to have the little old lady come to the front steps and tell Mr. Mulroney that he was a liar, as everybody knows.Now, they have indexed again through the clawback.

Senator Stollery: I wonder what happened to the little old lady?

Senator Gigantès: I would hate to think. They probably have—

Senator Stollery: They have iced her?

Senator Gigantès: Who knows? Who knows?

Senator Stollery: I guess they have iced the little old lady. We will not be hearing from her any more.

[*Translation*]

Senator Gigantès: I will proceed with Ms. Johnston's submission.

> As we have said, the seniors of Canada are opposed to Canada's unfair tax system and the proposed amendments to that tax system which will perpetuate and accentuate unfairness. We support a tax system based on ability to pay and believe such a tax system would adequately provide for Canada's existing social programs.
>
> The "National" is opposed to this proposed tax because it is regressive. Under the proposed tax ordinary Canadians will be taxed literally from the cradle to the grave. Both diapers and coffins will be subject to more tax, which does not consider a consumer's ability to pay. For this reason we view the tax as regressive.
>
> The tax burden will be firmly hoisted upon the shoulders of those least able to afford it. Low- and middle-income families will pay a higher percentage of their income more than will the wealthy to compensate for the GST, because they must spend their income immediately on consumer goods and do not have extra money . . .
>
> The tax simply is not fair. Effectively, ordinary Canadians will be penalized for not being wealthy. Their ability to save will be further eroded by the GST, making it harder for them to become wealthy and to enjoy the benefits the system has created for upper-income Canadians.
>
> The Canadian tax system favours big business and wealthy Canadians. Between 1984 and 1988 the income tax bill for low-income Canadians went up 44 per cent. Middle-income families paid 20 per cent more while the wealthy paid 6 per cent less. Individuals account for 47 per cent of tax revenue, while the corporate share of tax revenue is about 10 per cent.
>
> In 1950 both groups paid roughly the same share of federal government income—about 28 per cent each. The richest 20 per cent of Canadians own about 70 per cent of Canadian wealth.
>
> The poorest 20 per cent of Canadians owe more than they own. Under the GST both will be taxed at the same rate.

[Senator Gigantès.]

This is straight from the mouth of the President of the National Pensioners and Senior Citizens Federation, and I see no pity opposite for those senior citizens. Since a number of our Tory colleagues on the other side are also senior citizens, I think they should identify to a certain extent with those senior citizens who are not as fortunate as they are, and who will oppose the GST. However, I don't hold out much hope for them.

> Seniors are willing to pay their fair of taxes, but that is only what they want to pay, only what is fair. Fair taxation could only be achieved through real tax reform.

[*English*]

I will say this in English, Senator MacDonald, because this concerns you. Seniors are willing to pay their fair share of taxes, but that is only what they want to pay, only what is fair. Fair taxation could only be achieved through real tax reform. By real reform we mean making big corporations pay. In 1987 the big corporations did not have to pay taxes on $27 billion of profit. The corporations also owe about $36 billion in deferred taxes. It is time to make big business pay its share.

● (0650)

Ms. Johnston, who is secretary of the National Pensioners and Senior Citizens Federation, said earlier in this text that:

> The Canadian tax system favours big business and wealthy Canadians. Between 1984 and 1988 the income tax bill for low-income Canadians went up 44 per cent. Middle-income families paid 20 per cent more while the wealthy paid 6 per cent less. Individuals account for 47 per cent of tax revenue, while the corporate share of tax revenue is about 10 per cent. In 1950 both groups paid roughly the same share of federal government income—about 28 per cent each.

Taxes on the profits of corporations have gone down systematically ever since Mr. Mulroney came to power.

> Basing taxes on the ability to pay, we say that the wealthy should pay a higher percentage of their income in taxes than poor people. The tax system has already built this principle into its system, but it could be done much more fairly. Until 1988, Canada had 10 income tax brackets with the poorest paying a rate of 9 per cent and the richest 34 per cent. Now, Canada has just three brackets: 17 per cent, 26 per cent and 29 per cent.

These are the three figures. There were ten brackets and the highest paid 54 per cent and the lowest paid 9 per cent. Now there are three brackets and the lowest pays 17 per cent and

the highest pays 29 per cent. These figures show that the poor now pay more than they used to; the rich now pay less than they used to. This is what the Tories did. This is not fairness. You are making the poor carry the burden of the rich.

Senator Nurgitz, were you looking puzzled because of remarks that were being made to you by the page or because of my bad accent while I read? Would you like me to read that again? No. Thank you, sir; you are so kind for saving my voice.

> It is essential that we get rid of tax loopholes for the wealthy. The tax system allows the wealthy many ways to avoid taxes. Special breaks like the business entertainment tax deduction should be eliminated. Inheritance, capital gains and landholdings could all be taxed.

We are asking for alternatives to the GST. Remember that article in *MacLean's* the other day about a one trillion dollar windfall about to come to the Yuppies through inheritance taxes? Why not have inheritance taxes? I won't leave very much to my children, but I think it should be taxed. Of course, if we have inheritance taxes, the wealth cannot multiply and the power cannot multiply as fast.

> The GST does not make sense in a progressive country. A dollar means something more to a person who has only $2 than it does to a person who has $1,000. For the most part seniors do not have that many dollars. It is unfair to hit them with a consumption tax that further restricts their buying power. Why should the extra dollars of the wealthy, those they use for investment and those they inherit from wealthy relatives, be protected from taxation while the entire population is being asked to give up 7 per cent of their spending dollars? It is backward.

In case you missed my reference, this is Ms. Edith Johnston, Secretary of the National Pensioners and Senior Citizens Federation who is saying this. We will recognize some of these things in one of the alternative taxations that I will present to you Tuesday morning, Senator MacDonald.

> The following is a request that we had on 50,000 petitions that were circulated by our members. We call on government to reject the current proposal for a goods and services tax; reform the taxation system so that there is an effective minimum tax on wealthy individuals and corporations; ensure that, if and when there is broad public consensus on a sales tax measure to replace the manufacturer's sales tax, that reform not be an opportunity for the government to impose a massive tax grab; and cause the government to cease with the proposal which will shift the tax burden on to ordinary Canadians through a regressive consumption tax instead of through real tax reform.

Senator Kenny: Senator Gigantès, I wonder if I could ask you a question?

Senator Gigantès: Certainly.

Senator Kenny: The GST proposal would shift the tax burden from corporations to consumers.

> Under the GST proposal, corporations would receive input tax credits for 100 per cent of the GST they pay on all of their purchases. In this way the GST would remove the sales tax burden completely from corporations and pass it along to the final consumer.
>
> At the beginning of tax reform the Finance Minister promised that corporations would pay a larger share of tax than they did previously and that individuals would pay less. However, Jim Frank, Chief Economist for the Conference Board of Canada, produced evidence that the GST would shift taxes from corporations to consumers in a significant way. He predicted that corporate profits would increase by $600 million in 1991 and by $4.9 billion in 1992, at a time when economic growth will be slowing, and while real disposable income of consumers is predicted to fall by $7.3 billion in 1991 and by $5.8 billion in 1992. These figures also suggest that the Manufacturers Sales Tax is currently being absorbed, at least partially, at the corporate level through reduced profits.
>
> The GST proposal would shift the tax burden from manufactured goods to services
>
> The GST would, for the first time, put a sales tax on services, the fastest growing segment of the Canadian economy. The Finance Committee heard from many labour-intensive service industries, such as tourism and food services, about the effects that the GST would have on their industries. As the service sector is the fastest growing part of the Canadian economy, the GST would put a new tax on that particular sector which is generating most of the new jobs in Canada. There has been no indication that the government understands the importance of this shift of the tax burden onto labour-intensive services or what this means for employment opportunities . . .

As we are heading into a recession, this tax seems to be attacking the very part of the economy that is growing fastest and strongest. I would be interested in your comments on this area.

Senator Gigantès: It is indeed small businesses that produce the majority of the jobs; and businesses such as tourism are labour intensive. There is a recession. On top of the recession and the loss of revenue that results from this recession, these businesses which produce jobs will now have to pay GST.

In remarks I was making during the previous shift, the compliance cost for GST for small businesses is 9.3 per cent of sales. The 9.3 per cent of sales is a huge percentage. To start with, wherever possible services which also incur this 9.3 per cent will pass it on to customers. These small businesses will not only have their own 9.3 per cent of sales in additional tax, but they will be getting it—

Senator Hastings: Relax, Senator Gigantès. Changing of the guard. Wait until the guard changes. Nobody is listening.

Senator Frith: It is time for an orange. Just relax and let them fill the hour. They are making lots of noise and this happens every day at 7:00 a.m.

• (0700)

Senator Davey: Honourable senators, while the guard is being changed, earlier I read you the column by Jeffrey Simpson in this morning's *Globe and Mail*. I read it into the record. I won't read it again.

Senator Hastings: Why not? I did not hear it.

Senator Davey: Well, in the spirit of asking Senator Gigantès who may wish to comment on it, and perhaps it will be something we can usefully do while the guard is being changed—and perhaps they can be a little more quiet—this is Jeffrey Simpson in the *Globe and Mail* this morning. It is entitled, "Canada needs clarity and conviction, and Mr. Mulroney offers neither" and I quoted in part. He says:

> Earlier this week, Brian Mulroney launched another of his barroom attacks on Liberal Leader Jean Chrétien. Why was Mr. Chrétien hiding under his pool table during the Meech Lake debate, Mr. Mulroney demanded to know.
>
> Apart from the silly inaccuracy—Mr. Chrétien does not have a pool table—the remarks, and others of an equally partisan nature, gave an insight into the essential character of the Prime Minister as above all else, and perhaps nothing more than, a parish pump politician.
>
> Mr. Mulroney has this thing about Mr. Chrétien, and he has had it for a long time. It is as though Mr. Chrétien, like former prime minister Pierre Trudeau, had somehow got under Mr. Mulroney's skin, where his presence itches so badly that the Prime Minister cannot resist the temptation to itch.
>
> When Mr. Mulroney reaches for poetry, it usually has been prepared by others. When he reaches for his own thoughts, they are frequently the stuff of barroom discourse. This creates the widespread impression that whenever the Prime Minister reaches for poetry, he is not revealing his innermost convictions and therefore should not be believed. His is the poetry of artifice, of fancy words rather than conviction.
>
> His interview with The Globe and Mail last summer about the Meech Lake process was justly celebrated for his "roll the dice" remark. But far more revealing, and ultimately more damaging, were his other descriptions of events, past and then-present, expressed in language more appropriate to some brandy-and-cigars affair than a national audience.

Now, if I could, Senator Gigantès, also draw to your attention an editorial which appeared on Wednesday, December 5th in the *Financial Post*. Perhaps I could read this and then you may wish to comment on it as well. This editorial is, "*Financial Post*, Wednesday, December 5." It is entitled "Mulroney must stop trying to fix blame." It says:

> Prime Minister Brian Mulroney is still looking for someone or something to blame for the failure of the Meech Lake Accord. First, it was Newfoundland Premier Clyde Wells. Later it was the amending formula. Now it's Liberal Leader Jean Chrétien. This week the Prime Minister lashed out at Chrétien for having killed Meech and, by extension, for the growing alienation of Quebec from Canada.
>
> Mulroney says Chrétien "hid under his pool table" when the accord was being negotiated in Ottawa last June—a studied neutrality which helped bury the constitutional deal. "As a result of his activities and theories, Meech Lake was indeed killed," Mulroney says. "And that gave rise to the Bélanger-Campeau commission which is now giving rise to serious threats to the unity of Canada."
>
> Mulroney is prone to exaggerate and he is now trying to rewrite history once again. In this case, he has the facts only half right.
>
> It's true Chrétien's position on Meech Lake was ambivalent. In January, 1990, shortly before he announced his intention to run for leadership, he gave a well-crafted, scholarly speech stating his objections to the accord. There was doubt at the time that Chrétien really believed the accord was that bad, but he was under pressure to oppose the deal from Pierre Trudeau and his acolytes and he needed their help to win the Liberal party's leadership. Throughout the campaign, in interviews and speeches, he sought changes to the deal to save it, changes which Quebec rejected.
>
> Last June, when the premiers gathered in Ottawa to save the deal, Chrétien went silent. In private, he and his assistants were trying to find a way for Clyde Wells and Gary Filmon to accept the deal. Although he refused to admit it in public—as he should have done—Chrétien now believed the country was better off with some variant of the accord than without it. Like other critics of the accord—such as Sharon Carstairs, who says Chrétien helped change her mind—he was worried about the consequences of failure.
>
> Because Chrétien retreated into silence until he won the leadership on June 23, the day after the accord died in Manitoba and Newfoundland, he offers his critics an easy target. In that, Mulroney had a point. If Chrétien had changed his mind on the Accord, he should have said so. But Mulroney will not give Chrétien any credit for his private efforts to save the accord.
>
> Mulroney does not stop there. He blames Chrétien for destroying the Accord. This is reminiscent of Mulroney's attacks last winter when he blamed Chrétien for Quebec's failure to sign the Constitution in 1981. That was not true then, nor is Chrétien to be blamed now. Again Mulroney is the principal of the school of revisionism.
>
> The Prime Minister deserves credit for bringing the provinces together to achieve the agreement on constitutional reform. But he also has to answer for Meech's secret process of negotiation, for agreeing to a weakening of federal power, for isolating Newfoundland in the latter stages of negotiation, and for boasting of "rolling the

dice" last June. Ironically, all of that also contributed to the demise of the accord he so vigorously championed.

Rather than scorning the past, Mulroney should look ahead. He should salute Chrétien's desire to appear before the Bélanger-Campeau commission on Quebec's constitutional future. He ought to do the same. His excuse that a Prime Minister should not appear before a provincial commission is pretty lame stuff; he appeared before the Newfoundland legislature in June to defend Meech. (He even spoke to the city council of Saint John recently on national unity.)

Federalism needs all the friends it can get in Quebec, and Jean Chrétien is one of them.

Here we have, Senator Gigantès, back to back in two Progressive Conservative newspapers: The *Globe and Mail* with Jeffrey Simpson and The *Financial Post*—these are Tory organs and here is what they are saying about the Prime Minister.

I bring this up because you spoke about this earlier and you said you might come back to it in the course of your remarks.

Senator Gigantès: The point that most interests me in the Simpson column is a question on which I can give an answer, that is what it is that Chrétien and Trudeau did to Mulroney that—I will leave aside the perfectly disgusting image of his being under Mr. Mulroney's skin. It is not mine; it is Jeffrey Simpson's and very tasteless. I do not think they did anything to him. He did something to them, and he did something despicable, treacherous and mendacious and he cannot forgive them. He cannot forgive them for having being the people to whom he did this terrible thing.

I have a document here which I have already tabled, but which I will read again, and I will set the stage for this. The request by provinces for a redistribution of powers within the constitution is quite all right. Mr. Trudeau reasons very cogently that some things had to happen before this redistribution could take place.

• (0710)

One of the things that had to happen was to patriate the Constitution. We could not be running to London all the time, asking for permission. We had already had a bad experience in the Labrador case, where the private interests of Lord Haldane kept part of Labrador out of the deal. We obviously had to have the Constitution patriated.

Before we could proceed to a redistribution of powers, we needed an amending formula other than unanimity. Unanimity would make any reasonable redistribution of powers impossible.

Finally, the fact that is often overlooked is that we needed some provisions that would allow for reform in the relationship between one province—most probably Quebec—and the rest, along with the federal government. This is what Mr. Trudeau wanted to do: to proceed logically to patriate the Constitution, have an amending formula and then discuss the redistribution of powers.

I would like to point out that he achieved the first three steps. If there was no redistribution of powers, which he is accused of not having done, it is because the government of Quebec refused to participate. Not only that, Mr. Ryan, having been defeated in a provincial election, was too traumatized by the prospect of being outflanked by the nationalists that he, too, adopted the nationalist stand and paralysed the process of reform.

The Constitution Act, 1982 was praised in 1982 by Mr. Mulroney. He was all for it. But when he started running for the 1984 election, Mr. Mulroney needed an organization in Quebec. There was one ready made, willing to serve him, and that was the PQ. In order to work with that organization, he adopted their phrases, one of which, of course, was "the betrayal of 1982". Mr. Mulroney used that phrase again the other day.

What is the betrayal of 1982? The betrayal of 1982 is the 1982 Constitution. I will get to the Night of the Long Knives in a moment, but the betrayal of 1982 was the adoption of a Constitution that Quebec did not want.

Honourable senators, I have before me a document which I have tabled. It is a news release plus other texts produced by the eight Canadian premiers who were known as the Gang of Eight. One of them was the Premier of Quebec, Mr. René Lévesque. This news release is dated April 16, 1981. If senators do not trust my reading of the copy, they can ask that the Library of Parliament provide one to them, as it did to me. It states:

NEWS RELEASE

April 16, 1981

Ottawa—Premiers from eight Canadian provinces today signed a new and historic Canadian patriation plan including an amending formula for the constitution.

Alberta, British Columbia, Manitoba, Newfoundland, Nova Scotia, Prince Edward Island, Quebec and Saskatchewan were signatories to the "Constitutional Accord: Canadian Patriation Plan."

We are talking of a document that Mr. Lévesque anticipated in writing and which he signed—a very good document, as senators will see.

It calls for patriation of the constitution and, as part of the patriation plan, acceptance of an amending formula that would ensure all future amendments are made in Canada.

In the constitutional accord the signing provinces agreed to:

patriate rapidly the Constitution of Canada;

adopt a new amending formula for the Canadian Constitution;

enter into intensive constitutional negotiations during a three-year period based on the new amending formula; and

discontinue all court action on this matter.

> The Canadian patriation plan is conditional upon the Government of Canada withdrawing the proposed joint address on the constitution.

As senators know, Mr. Trudeau was proposing constitutional change and the provinces were taking him to court, saying that he could not do so without negotiating with the provinces. I return to the text:

> Under the Canadian patriation plan the United Kingdom parliament would end its trusteeship over the British North America Act without damaging its historically fine relationship with Canada.
>
> The new amending formula combines flexibility and stability; this is a principal feature of the accord.
>
> Under the formula, all amendments to the constitution must have approval of the Canadian parliament, except those related to the internal constitution of a province.

This first paragraph about what the new Constitution should contain is part of the Constitution Act, 1982, which I hold in my right hand. If any senators want to check it, I will lend it to them. I will continue with the text:

> Most amendments would require legislative approval of two-thirds of the provinces (seven) representing at least 50 per cent of the population of the ten provinces. This establishes legal equality amongst all provinces.

The amending formula, "seven and fifty", is written into the Constitution in these very words. Mr. Lévesque signed that.

> When an amendment diminishes a province's rights, privileges, or powers, an individual province may choose to retain these rights, privileges and powers by obtaining the approval of a majority vote of the total number of members of its legislature; and such a province would then receive adequate financial compensation.

This is contained in the Constitution but the financial compensation is limited to language and cultural matters only.

> For a limited number of important matters including those relating to the Crown, parliamentary representation, language and the composition of the Supreme Court, the consent of all provincial legislatures would be required.

That is precisely what the Trudeau Constitution says.

> This amending formula is demonstrably preferable for all Canadians to that proposed by the federal government because it:
>
> recognizes the equality of provinces within Canada.

This comes up again in a document Mr. Lévesque signed, which, in effect, gives up special status or "distinct society". Provinces are all equal, and that is stated in a document that Mr. Lévesque helped draft and sign.

The next item is extremely important because it pertains to the so-called "Night of the Long Knives". The amending formula:

> avoids the need for a referendum to choose an amending formula or as a method of amending the constitution.

[Senator Gigantès.]

• (0720)

Provincial premiers did not like the idea of a referendum which Mr. Trudeau liked. Here they are solemnly saying that what they are proposing does away with the need for a referendum, either for approving an amending formula or for amending the Constitution. This is a document that Mr. Levesque helped draft and then signed. The formula:

> removes the absolute veto power that the federal government proposes to give the Senate over constitutional reform, including Senate reform.

Absolute veto power of the Senate is replaced by a suspensive veto of 180 days in the Constitution of Mr. Trudeau. The news release continues:

> The premiers agreed that together with the federal government an agenda for constitutional change could be immediately drawn up. This would include all the subjects that were discussed . . .
>
> The eight premiers pointed out that their agreement on the Canadian constitution shows clearly and positively that significant constitutional progress is possible when all parties approach the issue with sincerity and goodwill.

The next document is the Constitutional Accord Canadian Patriation Plan. This is the text that Mr. Lévesque helped draft and which he signed:

> WHEREAS Canada is a mature and independent country with a federal system of government,
>
> AND WHEREAS the Parliament of the United Kingdom has retained, at the request of the Parliament of Canada and with the approval of the Provinces, residual power to amend certain parts of the British North America Act upon receiving a proper request from Canada,
>
> AND WHEREAS it is fitting and proper for the Constitution of Canada to be amendable in all respects by action taken wholly within Canada,
>
> AND WHEREAS the full exercise of the sovereignty of Canada requires a Canadian amending procedure in keeping with the federal nature of Canada,
>
> NOW THEREFORE, the Governments subscribing to this Accord agree as follows:
>
> 1. To patriate the Constitution of Canada by taking the necessary steps through the Parliament of Canada and the Legislatures of the provinces;
>
> 2. To accept, as part of patriation, the amending formula attached to this Accord as the formula for making all future amendments to the Constitution of Canada;
>
> 3. To embark upon an intensive three-year period of constitutional renewal based on the new amending formula and without delay to determine an agenda following acceptance of this Accord; and
>
> 4. To discontinue court proceedings now pending in Canada relative to the proposed Joint Address on the Constitution now before Parliament.
>
> The Canadian Patriation Plan is conditional upon the Government of Canada withdrawing the proposed Joint

Address on the Constitution now before Parliament and subscribing to this Accord.

The Provinces of New Brunswick and Ontario are invited to sign this Accord.

Dated at Ottawa this 16th day of April, 1981.

Then there is space for all the signatures. On the original, which I do not have, there is the signature of Mr. Lévesque. The library has proof of that.

Here is the amending formula:

1. All amendments to the Constitution of Canada, except those related to the internal constitution of the provinces require the agreement of the Parliament of Canada.

2. Any formula must recognize the constitutional equality of provinces as equal partners in Confederation.

René Lévesque drafted and signed and commented upon this. No special status, said René Lévesque. No distinct society. He wrote a document in which all provinces were to be proclaimed equal. To continue:

3. Any amending formula must protect the diversity of Canada.

4. Any constitutional amendment taking away an existing provincial area of jurisdiction or proprietary right should not be imposed on any province not desiring it.

That is in the Constitution of Canada. To continue:

5. Any amending formula must strike a balance between stability and flexibility.

6. Some amendments are of such fundamental importance to the country that all eleven governments must agree.

During discussions, it was recognized that more than one method of amending the Constitution would be necessary. Accordingly, this formula contains different methods depending on the nature of the amendment.

The eleven sections described as "Part A-Amending Formula for the Constitution of Canada" are designed to contain a full and complete procedure—

[*Translation*]

Senator Rizzuto: Senator Gigantès, may I ask you a couple of questions about the inflexibility of the Liberals in 1981-1982? Were there amendments made to the Constitution Act, 1982, over what the government proposed in the House? As far as I know, there were.

Second, I think that we were not afforded the same flexibility by the Conservative government regarding the Meech Lake Accord, whether we liked it or not. We had proposed amendments, the minimum, although several of us were in favour of passing it unchanged. They were rejected. The same can be said about the GST today. I for one am convinced that, had the amendment concerning books, or even the amendment postponing the implementation of the tax until 1992, been passed with the support of government members, it would have given many Canadians and Canadian businesses the time to adjust.

Do you think that, if we had approved an amendment on books—we know that even Mr. Mulroney said it was conceivable—or putting off the implementation of the GST for a year, until January 1, 1992, many Liberal senators would have supported this bill? We could have praised the Conservative government for its flexibility at that occasion. It could have recognized that it does not have the monopoly of truth and shown the Canadian people its willingness to make a positive gesture by accepting one or two amendments.

In view of that, I think we are a far step from what the Conservatives criticized us for in 1981-1982. I remember clearly. I was here. However uncompromizing the Trudeaus, Lalondes and Chrétiens may have been said to be, and God knows they were given a rough ride, the truth of the matter is that there were amendments to the Constitution Act of 1982.

We were not afforded the same flexibility regarding the Meech Lake Accord and it did not go through. Heaven knows that the Liberals and Mr. Chrétien are blamed for that. Honourable senators, Senator Simard agrees, but he should also answer the following question: Why refuse to amend the Meech Lake Accord? What does it mean to be flexible? Why did you not accept a couple of amendments to the proposed GST from this side of the House?

Perhaps the GST would have been passed by now. Is that flexibility? We should take a good hard look at what the Conservative government did. Flexibility is making a proposal and, past a certain point, being able to accept criticism and some amendments where necessary. That is what it is. I suggest—you may not recognize it readily, Senator Simard, but we should give it some thought nonetheless—that the Conservative government is the one showing inflexibility.

That is why I wanted you to tell me, on the subject of flexibility, Senator Gigantès, if we could have avoided being here at 7 o'clock in the morning had our colleagues from the other side cooperated and agreed to adopt one or two amendments.

Could an amendment on books have been allowed? God knows that Canadians and all involved think so. There were indeed a number of senators opposite who said they might have wanted an amendment. That makes a lot of sense, but it was not done.

It would not have been the end of the world either to put off the tax for a year. In view of the economic situation, many Canadians are also suggesting postponing it for a year. No, we might as well be talking to a wall. But then the senators opposite criticize us for trying to delay the process to prevent the GST from going through.

Senator Simard: You are the ones delaying the process.

Senator Rizzuto: That is correct. That is what I said, Senator Simard. I am not in the habit of meaning one thing and saying another.

You probably know that. I was here before you, and I can tell you that I am not the type to talk for the sake of talking. I do maintain that, had there been amendments at this stage, we would not be here now, that is for sure.

• (0730)

[*English*]

Senator Simard: Why didn't your members and your chairman propose amendments instead of closing the book on September 24? You were not interested in amendments then. Your minds had been made up since June, July or August to axe the tax. That was your decision. You shot and you scored in your own goal. You were skating backward.

You have the nerve, Senator Rizzuto, to come here and say, "Why didn't you accept amendments?" You closed the door, led by Senator Frith, the enforcer, on that day. He was the one who controlled Senator Buckwold and his committee. He said: "No amendments. You have three hours to accept it, or not."

They changed the rules. There were rules in those days, apparently, but after that there were no more rules.

The facts contradict you completely, Senator Rizzuto. So it is too late to be seeking exemptions for everybody and his dog; it's too late.

I am sure we will hear from you and your colleagues between now and the end of December seeking an exemption for the Liberal Party of Canada. That is the only exemption you have not asked for.

Senator Hastings: I rise on a point of order that has been raised by Senator Simard. I remind Senator Simard that his own minister, the Minister of National Revenue, when he appeared before the committee in Toronto in July said there would be no amendments. He said that the passage of this bill was a fait accompli. Those words were echoed by the Minister of Finance who said there would be no amendments and that passage was a fait accompli.

How could one amend a bill that was so flawed that it was beyond amending? Remember that it was your own minister who said: "Don't amend; pass"—in July.

[*Translation*]

Senator Gigantès: I was trying to demonstrate the great flexibility shown by Prime Minister Trudeau and Mr. Chrétien in 1982, because I wanted a document which proved that the 1982 Constitution Act, as adopted by Mr. Trudeau, was the one written by Mr. Lévesque and the other members of the "Gang of eight; it was a document which Mr. Trudeau accepted. It was not what he wanted, but he gave a little and accepted it.

I will go on and demonstrate paragraph by paragraph.

[*English*]

This is on the so-called betrayal of 1982 which Mr. Mulroney uses. I have in one hand the Constitution Act, 1982, which I shall call the Trudeau Constitution, and in the other hand I have a document drafted and signed by the eight premiers who were colloquially known as the Gang of Eight. Mr. Lévesque was a member of this group, and he helped draft this document and signed it.

It states:

> The eleven sections described as "Part A - Amending Formula for the Constitution of Canada" are designed to contain a full and complete procedure for the future amendment of the Constitution of Canada in all respects. The provisions contained in Part A would replace both the limited amending formulas now contained in sections 91(1) and 92(1) of the B.N.A. Act as well as the United Kingdom Parliament's residual responsibility for amending certain aspects of the Canadian Constitution.
>
> This amending formula would apply not only to the B.N.A. Act, 1867, and amendments made to it since that date, but also to the other parts of the Constitution of Canada, including the constitutional statutes and Orders-in-Council which relate to the entry into Canada of particular provinces, for example, The Manitoba Act, 1870, the Terms of Union admitting British Columbia in 1871, and Prince Edward Island in 1873, The Alberta Act, 1905, The Saskatchewan Act, 1905, and the Terms of Union with Newfoundland, 1949.
>
> This amending formula is clearly preferable to the one proposed by the federal government—

As you will see, this amending formula was the one which the federal government accepted. Mr. Trudeau bent as much as he had to to get agreement—no arrogance, no gloating, no cheap shots. He bent.

It is better, they say, because:

> —it recognizes the constitutional equality of each of Canada's provinces;

Again, this is in a document drafted and signed by Mr. Lévesque. There is no mention of special status or distinct society; on the contrary, the constitutional equality of each of Canada's provinces.

> 2) it gives the Senate only a suspensive rather than an absolute veto over constitutional amendment;

• (0740)

> (3) Any amendments made under subsection (1) derogating—

That is in the Constitution of 1982.

Next:

> (3) Any amendment made under subsection (1) derogating from the legislative powers, the proprietary rights, or any other rights or privileges of the Legislature or government of a Province shall not have effect in any province whose Legislative Assembly has expressed its dissent thereto by resolution supported by a majority of the Members prior to the issue of the proclamation, provided, however, that Legislative Assembly, by resolution supported by a majority of the Members, may subsequently withdraw its dissent and approve the amendment.

That is in the Trudeau constitution.

"Amending Formula":

> (1) No proclamation shall issue under section 1 before the expiry of one year from the date of the passage of the resolution initiating the amendment procedure, unless the Legislative Assembly of every province has previously adopted a resolution of assent or dissent.

That is in the 1982 Constitution. What I am reading to you is a document that Mr. Lévesque helped draft and sign and which Mr. Trudeau accepted.

> (2) No proclamation shall issue under section 1 after the expiry of three years from the date of the passage of the resolution initiating the amendment procedure.

That is the 1982 Constitution. This is something that Mr. Lévesque and other premiers wanted, and there was a lot of bitching by the federal government after the failure of the Meech Lake Accord, because of this provision. It was a provision that Mr. Trudeau accepted to be flexible.

Next:

> (3) Subject to this section, the Government of Canada shall advise the Governor General to issue a proclamation forthwith upon the passage of the requisite resolutions under this Part.
>
> In the event that a province dissents from an amendment conferring legislative jurisdiction on Parliament, the Government of Canada shall provide reasonable compensation to the government of that province, taking into account the per capita costs to exercise that jurisdiction—

This is a Trudeau resolution, but limited to a certain field only.

Senator Tremblay: And that made a big difference.

Senator Gigantès: Hold on, we will get to it.

Senator Tremblay: —You reread it.

Senator Gigantès: Yes, yes. Think how much bending there is in all this, by Mr. Trudeau. Think of it. He accepted, as the Constitution of Canada, almost completely, a document written by Mr. Lévesque and signed by Mr. Lévesque and other premiers. Come on.

> Amendments to the Constitution of Canada in relation to any provision that applies to one or more, but not all, of the provinces, including any alteration to boundaries between provinces or the use of the English or the French language within that province may be made only by proclamation issued by the Governor General under the Great Seal of Canada when so authorized by resolutions of the Senate and House of Commons and the Legislative Assembly of every province to which the amendment applies.
>
> An amendment may be made without a resolution of the Senate—

That is in the Constitution, as are all the things that I am reading to you:

> —authorizing the issue of the proclamation if, within one hundred and eighty days after the passage by the House of Commons of a resolution authorizing its issue, the Senate has not passed such a resolution and if, after the expiration of those one hundred and eighty days, the House of Commons again passed the resolution, but any period when Parliament is dissolved shall not be counted in computing the one hundred and eighty days.

That is in the Trudeau constitution.

> (1) The procedures for amendment may be initiated by the Senate, by the House of Commons, or by the Legislative Assembly of a province.

That is in the Trudeau Constitution.

> (2) A resolution authorizing an amendment may be revoked at any time before the issue of a proclamation.

That is in the Trudeau Constitution. This is a document written and signed by René Lévesque along with the other seven premiers.

> (3) A resolution of—

[*Translation*]

Senator David: Senator Gigantès, I apologize for asking a question, but I was not in the chamber when you began your speech. I have been listening for three quarters of an hour and you keep talking about Mr. Trudeau and Mr. Lévesque. I doubt that they had anything much to say about the GST in the document you are referring to. I wonder where is the link between third reading of the bill now before us and your reading these papers on the constitution. It flows from your lengthy introduction, but could you sum it up for me in two minutes?

Senator Gigantès: Yes, I can sum it up for you. During the previous shift, two of your colleagues began talking about the GST and went on to upbraid Mr. Chrétien for his lack of firmness in connection with the constitutional issue. Naturally, this opened up the question of the constitution. This is why I repeat some of the things I said during the first shift because the matter of the current Prime Minister's credibility is of utmost importance. Anything to do with the GST and any action taken by this government depend on the credibility of the Prime Minister.

I am in the process of demonstrating that on such a crucial issue as the constitution he does not have that credibility.

I continue. This is the document written and signed by Mr. Lévesque.

[*English*]

> 7. Subject to sections 9 and 10, Parliament may exclusively make laws amending the Constitution of Canada in relation to the executive government of Canada or the Senate and House of Commons.

That is in the Trudeau Constitution.

> 8. Subject to section 9, the Legislature of each province may exclusively make laws amending the constitution of the province.

And that is in the Trudeau Constitution.

> 9. Amendments to the Constitution of Canada in relation to the following matters may be made only by proclamation issued by the Governor General under the Great Seal of Canada when authorized by resolutions of the Senate and House of Commons and of the Legislative Assemblies of all of the provinces:
>
> (a) the office of the Queen, of the Governor General or of the Lieutenant Governor;

(b) the right of a province to a number of members in the House of Commons not less than the number of Senators representing the province at the time this provision comes into force;

(c) the use of the English or French language except with respect to section 4;

And that is in the Constitution that Mr. Trudeau promulgated.

(d) the composition of the Supreme Court of Canada;

(e) an amendment to any of the provisions of this Part.

The amending formula continues:

Amendments to the Constitution of Canada in relation to the following matters shall be made in accordance with the provisions of section 1(1) of this Part and sections 1 (2) and 1 (3) shall not apply:

(a) the principle of proportionate representation of the provinces in the House of Commons;

(b) the powers of the Senate and the method of selection of members thereto;

(c) the number of members by which a province is entitled to be represented in the Senate and the residence qualifications of Senators;

(d) the Supreme Court of Canada, except with respect to clause (d) of section 9.

And that is in the Constitution that Mr. Trudeau promulgated. Yet it is a text that Mr. Lévesque wrote and signed.

I continue:

(e) the extension of existing provinces into the Territories;

This comes under the amendments that can only be done under section 1.1.

(e) the extension of existing provinces into the Territories;

(f) notwithstanding any other law or practice, the establishment of new provinces;

• (0750)

(g) an amendment to any of the provisions of Part B.

I continue with the Amending Formula as follows:

1. A constitutional conference composed of the Prime Minister of Canada and the First Ministers of the provinces shall be convened by the Prime Minister of Canada within fifteen years of the enactment of this Part to review the provisions for the amendment of the Constitution of Canada.

The first ministers also gave some explanatory notes which I think are interesting to hear.

Part B allows for the delegation of legislative authority from one order of government to the other, something which is not now provided for in the B.N.A. Act. Delegation of legislative authority would add considerable flexibility to Canada's constitutional arrangements and could reduce the duplication of administrative services.

[Senator Gigantès.]

This Part would permit the Parliament of Canada to consent to the making of a provincial law in an area of federal responsibility. Conversely, it would permit one or more provinces to consent to the making of a federal law in an area of provincial responsibility.

This is the premiers talking, and this is a point Mr. Trudeau not only accepted but for which he was always arguing.

There is also provision for the consents to relate to all laws in relation to a particular matter of jurisdiction, as distinct from a particular statute. In the event of delegation, financial compensation is payable to the governments exercising delegated power.

I would like to turn to Senator Tremblay as he was saying this is a very important issue. He is otherwise engaged so I will come back to him on that point.

Delegation could conceivably be used to test the effect of transferring responsibility for a certain jurisdictional area before proceeding in a more general way through the amending formula itself. Finally, a delegation of power may be revoked upon two years' notice.

1. Notwithstanding anything in the Constitution of Canada, Parliament may make laws—

We are coming back to the agreement of eight premiers.

—in relation to a matter coming within the legislative jurisdiction of a province, if prior to the enactment, the Legislature of at least one province has consented to the operation of such a statute in that province.

2. A statute passed pursuant to section 1 shall not have effect in any province unless the Legislature of that province has consented to its operation.

That is in the Trudeau Constitution. These are proposals by René Levesque that Trudeau accepted and put into the 1982 Constitution.

3. The Legislature of a province may make laws in the province in relation to a matter coming within the legislative jurisdiction of Parliament, if, prior to the enactment, Parliament has consented to the enactment of such a statute by the Legislature of that province.

4. A consent given under this Part may relate to a specific statute or to all laws in relation to a particular matter.

5. A consent given under this Part may be revoked upon giving two years' notice, and

(a) if the consent was given under section 1, any law made by Parliament to which the consent relates shall thereupon cease to have effect in the province revoking the consent, but the revocation of the consent does not affect the operation of that law in any other province;

(b) if the consent was given under section 3, any law made by the Legislature of a province to which the consent relates shall thereupon cease to have effect.

Senator Doody: Senator Gigantès, speak from your own place. Is that your place?

Senator Gigantès: Would you like me to move there? I can.

Senator Doody: That is what the rules say. You are a staunch enforcer of the rules.

Senator Muir: Nothing should be recorded from another seat.

Senator Gigantès: There we are.

> 6. In the event of a delegation of legislative authority from Parliament to the Legislature of a province, the Government of Canada shall provide reasonable compensation to the government of that province, taking into account the per capita costs to exercise that jurisdiction.

Senator Tremblay, may we come back to the point you raised where I said that Mr. Trudeau accepted the delegation only partially. I would like to draw your attention to Article 43 of the Constitution.

Senator Simard: Trudeau, Trudeau, Trudeau!

Senator Gigantès: I know. You are right.

Senator Simard: Trudeau, Trudeau, Trudeau, Trudeau!

Senator Gigantès: I continue as follows:

> 43. An amendment to the Constitution of Canada in relation to any provision that applies to one or more, but not all, provinces, including—

Senator Simard: Trudeau, Trudeau, Trudeau, Trudeau!

Senator Gigantès:

> (a) any alteration to boundaries between provinces, and
>
> (b) any amendment to any provision that relates to the use of the English or the French language within a province,—

Senator Simard: Trudeau, Trudeau, Trudeau, Trudeau!

Senator Gigantès:

> —may be made by proclamation issued by the Governor General—

Senator Simard: That is not a question, by the way.

Senator Gigantès:

> —under the Great Seal of Canada only where so authorized by resolutions of the Senate and House of Commons and of the legislative assembly of each province to which the amendment applies.

This amendment would have allowed the making of separate and specific delegation deals with a specific province and not necessarily with all of them. It was put in the Constitution so that special deals could be made with Quebec. There was no possibility of doing anything because Quebec refused to negotiate.

You give me another explanation for this. The provision for a special and distinct status is there. It happens to be in the Constitution and was put there by Mr. Trudeau.

Senator Tremblay: Look at Article 16.

Senator Gigantès: I will look at 16 in a moment.

Senator Stollery: Articles 16 to 20.

Senator Tremblay: Articles 16 to 20.

Senator Gigantès: These are the linguistic matters and they were accepted by Mr. Lévesque. It is in there. It is conceded.

Senator Tremblay: Section 43 was meant to apply sections 16 to 20.

Senator Gigantès: I know, but it also allowed special deals with a province. So what happens?

Senator Tremblay: That is construed on your part.

Senator Gigantès: The words are there; you do not have to construe them. The words are there. What we have is a document written by Mr. Lévesque and signed by Mr. Lévesque.

Senator Simard: Go back to your seat, go back to your seat.

Senator Stollery: It is OK; I prefer the company here.

Senator Gigantès: It was accepted by Mr. Trudeau. It is because my glasses of water are there, sir. It was accepted by Mr. Trudeau in a demonstration—

An Hon. Senator: Move them, move them.

Senator Stollery: Simard would have you in chains if he could. He would prefer leg irons.

Senator Gigantès: I did not know he was kinky. Are you kinky, Senator Simard? Would you like me in chains?

Senator Stollery: Yes, in chains, leg irons and handcuffs.

Senator Gigantès: So what happens? Let me continue a little. We have the example of considerable flexibility by Mr. Trudeau. He accepts practically the totality of what Mr. Lévesque was asking.

Senator Simard: That is why Turner left him; he is so flexible a man.

Senator Gigantès: Of course, Mr. Lévesque, as head of a separatist party, could not possibly accept a federalist Constitution. So he backed out from something he more or less had signed. What is worse, in backing out during the negotiations, he turned on his seven partners because, above all, those seven partners did not want a referendum.

It appears in this document, "avoids the need for a referendum to choose an amending formula or as a method of amending the Constitution." It is mentioned repeatedly. They did not want a referendum. Senator Hatfield was here earlier and said that was true. The premiers did not want a referendum. Mr. Trudeau wanted a referendum. There is a discussion during the day before the Night of the long knives, and there were difficulties negotiating the agreement. Mr. Trudeau says, why do we not have a referendum and let the people decide? Mr. Lévesque says right, let us have a referendum. Mr. Trudeau says OK and leaves the meeting.

Now, what did Mr. Lévesque do by that statement? He abandoned his seven colleagues on a point that was absolutely crucial to them. They totally lost their trust in him and consequently they hurried to make a deal. To soften the blow of this deal, Mr. Lévesque's own proposals formed the basis of that deal.

Hold on. So what is it Mulroney has done? Mulroney defended this in 1982. He said it was splendid. He wrote an article in *La Presse* saying so. Splendid. He sent congratulations to Mr. Trudeau. He praised this in speech after speech.

Senator Simard: Trudeau, Trudeau, Trudeau, Trudeau!

Senator Gigantès: Then, when he wanted to get elected in 1984, he needed a political machine in Quebec. There was one available and offering itself; it was that of the Party Quebecois, the separatist party. Mr. Mulroney adopted the key phrases of the vocabulary of the Péquiste. One of the key phrases of that vocabulary is "the 1982 betrayal". It is Mr. Mulroney who betrayed. He knifed the backs of the people he had supported.

He looks like one of those hydrostatic birds that you put in front of a glass and it dips its nose and it stands up. I do not know what his glass contains.

Having done the dirty on Trudeau and Jean Chrétien, Mr. Mulroney cannot forgive them. That is the explanation. I hope it answers your question, senator.

• (0800)

Senator Davey: I was interested in Senator Simard who was attempting to hector you by mumbling the name Trudeau, Trudeau, Trudeau over and over again, and I thought that was an inverted form of flattery. I thought he might be interested—I see he is leaving, but I hoped he might stay around long enough.

I have in hand a *Toronto Star*-CTV poll, November 26, "Who best represents your view of Canada?" It is rather interesting. Trudeau tops the list of seven leaders. Out of seven leaders—Senator Simard has left. Perhaps, when he returns I can complete this study—you won't be surprised, Senator Gigantès, that Pierre Trudeau is at 28 per cent. In the Atlantic provinces he is at 34 per cent. Mr. Mulroney is at nine per cent. I mentioned the Atlantic provinces for Senator Simard's benefit. In my province of Ontario, Trudeau is at 38 per cent and Prime Minister Mulroney is at six per cent. The point is that the things you have been saying about the former prime minister, apparently he is almost as popular today as he was when he was the leader.

Senator Stollery: Does Mr. Mulroney have relatives in Ontario? I was just wondering about the six per cent.

Senator Gigantès: Senator Davey, you should not be too hard on Senator Simard. He was reciting his mantra, Trudeau, Trudeau. He was reciting his mantra.

Senator Stollery: I have a question for you, Senator Gigantès. My curiosity was aroused when you mentioned this business of the provincial premiers and the referendum, and I have never understood why they are so opposed to the referendum. Why in Ontario is that? That is something that I don't understand.

Senator Gigantès: At the highest level of motivation, as I said earlier, there is the feeling that in the British-style parliamentary system, the legislature is elected and the legislature produces a government which has a prime minister, and

[Senator Gigantès.]

the legislature, through its prime minister, does not feel like being second-guessed. At the highest level of motivation, they feel that a referendum distorts the whole system which gets a run lasting three or four years.

Senator Stollery: May I point out to you, Senator Gigantès, that in the United Kingdom they do have referenda. They had one on the EEC and they are contemplating another one.

Senator Gigantès: The United Kingdom took that decision, but it has not been—it is a precedent—it has not been a practice in British democracy to have referenda whereas the Swiss have them constantly. To put it at a lower level of motivation, no premier likes running the risk of being repudiated by his people in a referendum on a major issue. They object to referenda.

Senator Stollery: Actually, the real issue is the possible repudiation. For example, I suppose the premier would not object to the referendum if he or she thought they were going to win it. The problem they have with it is, in fact, if they think they are going to lose it. Where they become nervous, I suppose, is when they are losing the confidence of the people that they claim to represent. It does seem a rather artificial claim; does it not?

Senator Gigantès: I am not prepared to tar all premiers and put the same sort of feathers on them. There may be some who theoretically and quite honestly believe that a referendum has no place in the British parliamentary system.

Senator Stollery: Even though they have them in Britain?

Senator Gigantès: Those are very new in Britain.

Senator Stollery: But they have them.

Senator Gigantès: They are very new. That is the point.

If I may resume, refreshing the minds of my fellow senators about testimony that we received in the Banking, Trade and Commerce Committee of the GST, this is testimony being given alternately by Ms. Edith Johnston, Secretary of the National Pensioners and Senior Citizens' Federation and Mr. Alex Mansfield who is President of the United Senior Citizens of Ontario. At this point, Ms. Johnston is still continuing her exposé:

> The National Pensioners and Senior Citizens' Federation worked with a number of community groups from across the country a little while ago to expose the GST. I will not read out the names of all the groups that participated. However, in summary, I will say that the National Pensioners has added its voice to those of a huge number of ordinary Canadians who are asking that Parliament reject the proposed GST and instead to look at instituting real tax reform based on ability to pay.
>
> Corporations should pay their share of the tax burden. The wealthy should pay a higher proportion of their income in taxes than poor people. Tax loopholes and income tax allowances that protect the wealthy from taxation should be eliminated. These measures would allow Canada to collect the revenue it needs to run our

existing social programs and to collect it in a way that is fair to all Canadians.

Thank you for listening to me. We would welcome some questions and some dialogue with you.

The Chairman: Would you outline your organization, the National Pensioners and Senior Citizens' Federation, and tell us how many members you have? I heard a figure of 300,000 for Ontario. What areas are represented by your organization? Is this a brief that has been developed by all your provincial affiliates? You did not tell us much about that.

A very pertinent question by the Chairman.

Ms. Johnston: I am sorry about that, Mr. Chairman. The National Pensioners and Senior Citizens' Federation represents .75 million to 1 million senior citizens from across Canada. Every province has a provincial organization, such as the United Senior Citizens of Ontario, that is affiliated with the National. We have affiliates from the grass roots and up.

• (0810)

I do not like that metaphor either, but it deals with the senior citizens.

The briefs that will be presented from across Canada will be very similar to ours. Our policy and our resolutions at our conventions are all the same.

The Chairman: You are an umbrella organization for senior citizen groups across the country?

Ms. Johnston: Yes. We are a non-profit organization. We do not have researchers and a lot of expert staff. We are quite unsophisticated but are willing to stand up for our rights and see what we can do to fight for them.

The Chairman: I might explain to our witnesses that the questioners are limited to five minutes. The chairman, on instruction, at the end of the five-minute period will stop the questioning.

Senator Marsden: Thank you, Mr. Chairman. I am very glad that we have both of you here this morning because almost every single group that we have heard from in the last two days has indicated that the cost of living for people on fixed incomes—mostly seniors—will go up. That will also be the case in the area of tourism and clothing. The Ontario March of Dimes came to us concerned about what will happen to people with disabilities. Rent, home ownership or building ownership and a whole range of professional occupations such as dietitians, massage therapists, occupational therapists, people whose services seniors especially might need, along with books, periodicals and reading materials will all be affected. Yesterday we heard that even for pets, companion animals that you might have, you will have to pay 7 per cent on their shots and so on. So we are really quite appalled at what is going to go on in your lives.

Our friends on the other side said yesterday that there is a certain proportion of seniors who have a lot of money. I suppose there are some. I would like to ask you how many in your organization will really have difficulty in two ways: first because they are on fixed incomes, and second because they will have difficulty getting the rebates which will be available to them because of their health, literacy or whatever else. How many people are really going to be most hard hit by this tax?

Ms. Johnston: The National Pensioners is a grass roots organization. Every single senior citizen, and more than our group represents, will be affected by the GST simply because it taxes the very basics of life. The two groups of people which will be hit the most are students who do not have incomes and seniors. Students will have to pay the 7 per cent tax, as will seniors, just the same as the wealthy. There is no graduated base here. Thus, every single thing from diapers to coffins will be taxed, except some food. There is some question as to what kinds of food will be taxed.

In remarks earlier I pointed out that students in universities eat prepared foods—things such as sandwiches. They have to eat at least two meals in the cafeteria and will buy a sandwich, perhaps, on the way home. Good students are hard working. They do not necessarily have the time to cook. That sort of food will be taxed.

I have also done a calculation which shows that a student with an income of approximately $7,000 will be taxed more than the rebate that such a student would receive. The tax would be approximately $490 and the rebate would be approximately $270. The student would be $220 worse off. For a student on an income of $7,000, to cover everything including tuition, a loss of $220 is a considerable one. But that, of course, would not worry a Tory.

Returning to the text, Mr. Mansfield stated:

> In the Province of Ontario we are looking at approximately 47 per cent who receive gains.

He means various extra bits of help for people who would otherwise be destitute.

Senator Marsden: So we are looking at at least 150,000 people in the Province of Ontario?

Ms. Johnston: We do not have the statistics with regard to the percentages, and I do not have them in my head. But we know that in today's society there are a great many low-income people. It is not only the low-income people who will be affected by this measure, it will be those who are just above the low-income people. It is the middle-income people who are still going to be taxed the same as the wealthy. This just is not fair.

[*Translation*]

I read in the newspaper last night that the cost of housing will go up by $10,000 simply because of what the GST will do to all the things that are involved in housing.

Something else I would like to mention is that at a time when we are wanting to restrain on some of these things

in order to implement the GST thousands of people will have to be employed.

Earlier this morning, I referred to the fact that administration costs represent 9.3 per cent of sales, which is quite a lot. These administration costs were measured in Europe. I read some excellent literature on the subject and also a study by the International Monetary Fund. I agree with these studies that the cost is around 9.3 per cent. So what does the businessman do about those 9.3 per cent administration costs he did not have before? He is going to pass them on to his customers. So we will have a 7 per cent tax plus 9.3 per cent administration costs that will be passed on to the customer. And that is something economists who support the GST have not given sufficient consideration.

This will certainly have a negative impact. There will be a recession. If you take the small businessman, his sales are already dropping because of the recession. His prices will go up because of the GST, and his administration costs will go up as well, which will cause prices to rise even more, and because of the recession, he is going to lose sales. He is going to be caught in a squeeze between rising prices and dropping sales.

And we will see even more bankruptcies that we have seen so far. In fact, it is happening already.

Here we have a question by Senator Poitras. He said:

> Mr. Chairman, thank you for the opportunity to comment on the questions of Senator Marsden. She always has good questions.
>
> Could you tell me, Madam, how much each of these senior citizens pays in federal sales tax right now?
>
> **Ms. Johnston:** I do not know.
>
> **Senator Poitras:** Do you agree that you now pay the federal sales tax and that it costs you something?
>
> **Ms. Johnston:** If I pay federal sales tax, is it not hidden? Is that not the 13.5 per cent tax?
>
> **Senator Poitras:** The manufacturers' sales tax, yes, call it any name you like. You are aware of that?
>
> **Ms. Johnston:** Yes.
>
> **Senator Poitras:** How much does it cost you and other senior citizens annually? Would you agree with the official figure of $800 per person?
>
> **Ms. Johnston:** I have no idea. I have never done that kind of research.
>
> **Senator Poitras:** I think it is important that you be aware of it.
>
> Second, do you agree that there will be a credit to seniors under the new tax? Thus, if you have these two figures how much more will the new tax cost you?
>
> **Ms. Johnston:** Are you talking about the tax back?
>
> **Senator Poitras:** The credit that people will receive every three months.
>
> **Ms. Johnston:** It is not going to do senior citizens very much good. Seniors who are at the low-income or middle-income level and who pay all the federal sales tax are not going to get back what they pay.
>
> **Senator Poitras:** Do you have any figures in that regard?
>
> **Ms. Johnston:** No, I do not.
>
> **Senator Poitras:** Could you get us figures?

Then we have a comment by Mr. Mansfield:

> May I mention the fact that 25 per cent of Canadians live in poverty. They will not be filing income tax returns. Thus they will not be getting any credits.
>
> **Senator Poitras:** Why?
>
> **Mr. Mansfield:** Why will they not do it? Because they do not have to.
>
> **Senator Poitras:** For a group like you it will involve a one-page form.
>
> **Mr. Mansfield:** Also, the fact is that a family of four earning $15,000 will pay $938 in GST but will receive only $508 in terms of a tax credit. They are losing out.

I have another argument I would like to add at this point. The government has finally come out of the closet.

[*English*]

He has come out of the closet and says "Yes, it is going to collect extra money in order to bring down the deficit." At the beginning that was not going to happen. It was going to be revenue neutral, no extra money, and therefore it was going to be a much better tax to replace that wicked, wicked killer of jobs, the manufacturers' sales tax. That of course harmed exports but nowhere near as much as exports are harmed by the high dollar produced by Mr. Wilson's manic infatuation with high rates of interest.

● (0820)

It seems simple. If there is going to be sufficiently more money taken out of the system in order to reduce the national debt, people are going to pay that money. It is not going to result from immaculate conception or spontaneous generation. It will come out of the pockets of ordinary people. They will be paying more tax than they were before, otherwise the government will not have the extra money it needs, it says, to reduce the deficit.

There is a basic fallacy at the heart of this tax, put there by the government's propaganda. The government never levels with the people and says it needs more money so it is going to take more money. No, no. It says, "We are going to change the tax because it is wicked, and we are going to have a sweet pussycat of a tax, a fair tax. It will make us more money, but you will not pay more money." That is roughly what the government has been trying to sell, and is still trying to sell. It would be nice if it could be done. It would be equivalent to the philosopher's stone which was supposed to transmute base metals into gold. However, no one has much succeeded in that.

I must say I was a little sympathetic with Mrs. Johnston. I happened to be present at that particular time when Senator Poitras, a very nice man, was pushing her to give him figures

which she did not have, and for a very good reason. There is no way of making any sense out of the government's figures. Senators opposite may not be aware of this, but traders are receiving continual alterations to the regulations already. The tax is already a nightmare.

[*Translation*]

Then Senator Poitras said that they will not pay the manufacturers' sales tax any longer, something which costs them $800 a year. Later on, we see that Senator Poitras is stuck, when all of a sudden we are talking of a family paying $800 in tax but getting nothing back. I am quoting you, senator, from Issue No. 59 relating to Bill C-62, when you questioned Mr. Mansfield on the subject.

Mr. Mansfield answered that a family of four earning $15,000 will pay $938 in GST but will receive only $508 in tax credits. They are losing out. That is when you mentioned they will not pay the $800 any longer. You know all that by heart. How can you reconcile bringing in additional revenue with the new tax to fight the deficit—right?—and not taking more money from the taxpayers?

Without dipping into the pockets of Canadians, you will never get the surplus you need to fight the deficit. How will you come up with these additional funds if the new tax does not bring in more than the existing manufacturers' sales tax? It has always been a mystery to me.

Senator Poitras: Honourable senators, you do not understand. Indeed, you do not understand that, in economics, it is not a matter of simply reducing the interest rates, and do this or that. We have a set of tax measures and this set enables us in the end to carry out our responsibilities and provide programs to the public. However, for the government as for anybody, there are only 100 cents in a dollar.

When the Liberals were forming the government, they did not understand that fact. That is why the country was in debt when we came to power. We have always lived beyond our means. I believe the time has come to stop living beyond our means. That is the foremost responsibility. It is the responsiblity of the elected and non-elected members of Parliament to be aware of that.

Senator Gigantès: I am very grateful to you to have at last explained that to me. So you will be collecting more money from this new tax than from the old one to meet your responsibilities and stop living beyond your means. Therefore the new tax will generate more revenue than the old one, will it not?

Senator Poitras: That is to allow for more productivity. With greater productivity, more revenue will be available to the government. There will not be as big a black market and fewer people will seek ways of avoiding tax on this or that. Everybody will pay equally. That is what a fair tax is all about.

Senator Gigantès: It will be one of those magical taxes. And you say the black market will not be as big. You see, there is the European experience. That tax was examined in Europe. The black market did not shrink, it grew. Pick the study you want: that of the International Monetary Fund that says there is a black market under this tax and that everybody cheats on the GST, or quite a large number of people; or a study made by the Canadian Federation of Independent Business, the National Federation of Independent Business, education and research foundation. I was telling this to your colleagues of the previous shift who were getting a little bit tired; not as obviously as you at this time of day, but I like it when you are peppy, Senator Poitras. That would break my heart to see you downcast, really!

Senator Poitras: I gave you a chance to rest.

Senator Gigantès: So you do not want to answer the question anymore?

Senator Poitras: No. That is all old stuff.

Senator Gigantès: All old stuff.

Senator Poitras: We have known for a long time what you are saying, and it has been better said by better qualified people.

Senator Gigantès: I say that you are going to take more money than ever before out of the taxpayer's pocket. You are telling us that in the middle of a recession, with our dollar at 86 cents, sky-high interest rates, 165,000 manufacturing jobs lost in 1989, bankruptcies on the upsurge, you are going to introduce the GST and bingo, the recession will disappear because you have reduced the purchasing power of the population. That is what you are saying.

Senator Poitras: That is not what I said.

Senator Gigantès: Explain to me how you can say it any other way! Go on, I sit down. You are going to explain that to us on Wednesday. Tuesday I will probably be speaking, because I promised Senator MacDonald I would give him some information on some other ways to collect that money. I told you the other day about ways to reduce your spending. If you had lowered interest rates to the American level and if you had the same tax rates as the United States have on corporate profits, the national debt would have been $85 billion lower as of December 31st, 1989.

You did not want to do that, because high interest rates are fine for people with money to lend, that is your friends. Then, let's stop talking about you and Mr. Mansfield. Here is what Mrs. Johnston was saying:

> We still feel that what we are saying in here is true.

● (0830)

Finally, Senator Haidasz, a man much more concerned about the plight of needy Golden agers who is not a big capitalist, a good family physician, who takes care of poor people and whose main concern is not to make money but to cure people. Senator Haidasz raised the folowing issue: I was speaking in French just before you, Senator Simard:

> First, I would like to say how much I appreciate your appearance here this morning before our committee.

Doctor David is a lot less fussy on the French issue than Senator Simard. He is more courteous. He is an extremely

polite gentleman. Senator Hébert still remembers how Senator David cured him of his angina pectoris. It was angina, was it not? Senator Hébert had told us that he had sought your advice about his problems in your area of expertise as a cardiologist. I know that because of your oath of secrecy, you cannot tell me what he was suffering from. We will have to ask Jacques Hébert personally. You do not know the difference because you are seeing phrenologists. Dr. David is a cardiologist.

Senator Stollery: Anyway, Dr. David is a very gracious man, a fine gentleman.

Senator Gigantès: Absolutely. That is the effect Senator Simard has on me when I see him. I become just a little more high spirited. I no longer feel any fatigue. It is as though I had just started instead of having started at midnight. What time is it now? Only 8.30 a.m. Only nine hours and thirty minutes to go.

Senator Stollery: I suppose that you are about to start your remarks, because so far, we have only heard the beginning.

Senator Gigantès: No. That was the kick off.

Senator Stollery: No not yet. It is only the beginning.

Senator Gigantès: I am only providing you with information, and when I am about to finish on Tuesday, I will conclude my demonstration. There has to be a general plan, doesn't there? I explained it to your predecessors. There is a Tory tendency. There are some good Tory people who believe that the world would be much better if nobody rocked the boat and allowed things to remain as they are because they personally feel good. They still believe in the good old days.

I told your predecessors that the Roman poet Lucretius, quoting his master Epicurus, had said that, in the good old days, people were all small, happy, stupid and cavern dwellers. There is this dream. I understand that you had an education, but not a classical education. Lucretus was a major philosopher. Once in a while, therefore, there is a Tory counterrevolution which tries to undo the progress which the other classes of society have achieved.

The GST, in your case—because you are part of this counter-revolution—usually chooses a parvenu. It does not choose someone whose wealth dates back to earlier generations. It chooses a parvenu who has just made a pile of money and who is very impressed by the luxury and wealth of the rich and who does their dirty work. He belittles whatever progress may have been made, he shifts the burden of taxes from the rich to the poor, and he does away with east-west links that keep this country together. Via Rail is an example of that.

It is in that context that the Mulroney government took a number of measures to restore the supremacy of conservatism, the way to rally conservative allies in this country, and the result is that the country is severely harmed.

One such thing is the GST. Since that is what we are talking about it is the theme of my speech. I am doing my best to remind you of certain facts which were mentioned before. I know you do not want to hear anything, Senator Poitras, but after all in a democratic society it is one's duty to explain the views of those who are opposed to the majority. A small digression concerning the GST. Why would they want to stop you, and why would Senator Simard get all excited and talk about the rights of the majority? Indeed, the minority has rights as well! I am speaking but I did not address my remarks to you. Can someone say that I was talking to him? I am not talking to him, I am talking about him, and that is different. A simple matter of preposition. You are using the wrong preposition. I am talking about—not to—you. I find him very sympathetic. I gain new strength every time I look at him.

An Hon. Senator: The golden calf.

Senator Gigantès: The golden calf or the golden word! Well, in any event, we in the opposition have a duty... He is surrounded by calves, but they are golden. Senator Simard is surrounded by golden calves and hoping some of it will rub off on him. The other day he had nothing but praise for monsignor Castonguay—

Senator Stollery: No, the monsignor does not like that, the monsignor over there. Fortunately he is not here.

Senator Gigantès: I can have a small slice of tangerine without upsetting Senator Castonguay, he who got carried away earlier. Why say I had no right to eat a tangerine? Other colleagues are or were nibbling. Others come here slightly under the weather but that does not offend him. There is the difference. My tangerine has not fermented and does not contain alcohol, so that is bad. But if one of his colleagues were drinking pure alcohol, that would be all right.

We have the duty to do what we are doing, Senator Poitras.

• (0840)

[*English*]

A situation in which the activity of politics is devalued is inimical to parliamentary democracy. Parliament, after all, is fundamentally about debate—"rhetoric" in the classical Greek sense—and the transacting of the people's business in public.

We do not have much of a public, but such as it is, welcome. Such as it is, welcome, oh public.

Parliament is also about the right to dissent. Genuine political opposition is a necessary attribute of democracy, tolerance, and trust in the ability of citizens to resolve differences by peaceful means.

The only person who has threatened the use of violence here, and we heard him, is the Leader of the Government.

Senator Stollery: He has withdrawn that. He withdrew—

Senator Gigantès: He withdrew the threat or he said he didn't say what he did say?

Senator Stollery: Like the Bishop of Crewe.

Senator Gigantès: Yes, all right.

The existence of an opposition, without which politics ceases and administration takes over, is indispensable to the functioning of parliamentary political systems. If these systems are perceived as not working well—as being "seriously overload-

ed", to quote a distinguished Canadian opposition leader, the Honourable Robert Stanfield—it may be the rights of political oppositions which are immediately and most visibly at stake, but ultimately the threat is to the democratic rights and freedoms generally.

The division between government and opposition is as old as political democracy itself.

I will just give you one little anecdote. Pericles, the great democratic statesman of ancient Athens—my mantra, my ancient Greek Trudeau—was walking home one night from the prytaneion, which was Government House in ancient Athens.

Senator Stollery: Senator Barootes would know all about this.

Senator Gigantès: And he was followed all the way home by a citizen who was pouring insults on him, a sort of ancient Athenian Simard. When Pericles arrived at his home, he called his servants, told them to take torches and light his fellow citizen home. The servant said, "For heaven's sake, boss, master, the fellow has been insulting you all the way from the prytaneion." Pericles said, "It is his right and his duty. This is a democracy." So, if Pericles could put up with that, I can put up with something and you should be able to put up with—I restrain myself. I almost said a name, but I did not.

So the division between government and opposition is as old as political democracy itself.

In Aristotle's Athenian polity, the essence of self-government was that the citizens were, in turn, both the rulers and the ruled. Government could alternate among different groups of citizens, and the minority could seek to persuade a majority of its point of view by political means rather than by violence.

In an age of mass politics, direct citizen democracy has been replaced, with rare exceptions by representative systems providing for periodic elections. In turn, these electoral contests are usually dominated by a small number of political parties which select their own candidates and leaders.

What has not changed, however, in our modern liberal-democratic society—and that is "liberal democratic society", with a small "small l" liberal, not to be confused, with the big "L" Liberal, which is us. However, on the other side—and I am digressing because of the excellent meeting of the Foreign Affairs committee that Senator Ottenheimer organized the other day for us to meet Mr. Georgi Arbatov, a powerful Soviet official, whom most of us had met before. Here he was complaining about the Conservatives. Whom did he mean by "Conservatives"? The Stalinists? The Brezhnevites. It was an accurate description, because what he was talking about was people who had a quiet vested interest and wanted no challenge from any change.

When Conservatives talk of "change", what they mean is the return to the good old days when they were on top. Totally. And nobody else had any other privileges. That is what they mean by "change".

Senator Simard: During the Liberal years. You are right. Crushing people.

Senator Hastings: Those were years of progress and prosperity.

• (0850)

Senator Gigantès: I beg your pardon.

Senator Hastings: They were years of progress and prosperity.

An Hon. Senator: We never had it so good.

Senator Barootes: What about price or wage controls?

Senator Hastings: That was you. That was your policy.

An Hon. Senator: No, it was your policy.

Senator Gigantès: Is this a point of order? You really are an impossible people. You mind when we adopt your policies and you mind when we do not. There is no way we can please you.

Senator Doody: Ours were the years when Canada was great. That should please you.

Senator Gigantès: I like this kind of participation, Senator Doody.

Senator Simard: 20 per cent interest rates.

Senator Barootes: Years of debt.

Senator Gigantès: Years of what?

Senator Barootes: Debt.

Senator Gigantès: Are you talking about private medicine?

Senator Hastings: Debt. You are the experts. Deficits, deficits and debt. Deficits and debt.

Senator Stollery: Senator Davey, would you like to remind us of the poll that you just read? Would you like to read your survey again?

Senator Frith: If I were to have a nice quiet chat, somehow I do not think I would have it in front of Senator Simard.

Senator Simard: Do you have a problem?

Senator Frith: No, but I think your colleagues might be having one.

Senator Gigantès: Senator Davey, could you read that poll, please?

Senator Davey: The leadership poll?

Senator Hastings: Senator Simard did not hear that poll.

Senator Gigantès: Senator Simard has to be reminded that the voice of the people is the voice of God.

Senator Davey: Senator Gigantès, this is a poll that appeared in the *Toronto Star* on Monday, November 26. It was entitled "Who best represents your view of Canada?"

Senator Frith: Start at the bottom.

Senator Davey: The numbers were: Pierre Trudeau, 28 per cent.

An Hon. Senator: We are not listening.

Senator Davey: Clyde Wells, 13 per cent; Audrey MacLaughlin, 10 per cent; Jean Chrétien, 9 per cent; Brian Mulroney, 9 per cent; Lucien Bouchard, 7 per cent; Preston Manning, 6 per cent.

There is a regional breakdown and I was anxious to refer to the Atlantic for the sake of Senator Simard who was so interested in it. Pierre Trudeau led with 34 per cent and Brian Mulroney was at 9 per cent.

Senator Hastings: Where was Senator Simard?

Senator Davey: In Ontario, which is my province, Pierre Trudeau led with 38 per cent; Brian Mulroney was at 6 per cent. This is a clear indication of the continuing popularity of the former Prime Minister. I think we should be grateful to Senator Simard for repeating his name over and over and over again.

Senator Barootes: Stalin remained popular for 20 years after he died.

Senator Frith: With you, perhaps.

Senator Hastings; You worshipped him.

Senator Simard: Are you predicting a Trudeau comeback? Senator Davey, are you wishing for a Trudeau comeback?

Senator Hastings: There are a lot of Canadians wishing for that.

Senator Davey: That would be too much to hope for.

Senator Kenny: Senator Davey, could you tell us the methodology for how that poll was taken, please.

Senator Doody: If he does, he will have spoken in the debate.

Senator Frith: You are right. You had better ask Senator Gigantès what he thinks of the methodology.

Senator Davey: I thought I had posed my question to Senator Gigantès.

Senator Hastings: You are asking a question.

Senator Davey: I thought he wanted to reflect on this particular poll in view of the comments, mumbling and jumbling from Senator Simard. I wondered how you squared that, Senator Gigantès. I am sure it was disturbing for you to listen to that and I thought you would find this Trudeau information helpful. Do you not find it helpful?

Senator Gigantès: I find it extremely helpful.

Senator Frith: Good.

Senator Gigantès: I also find it tragic.

Senator Frith: You are right again.

Senator Gigantès: As I said in an article I wrote, which was published in the Moncton Times-Transcript, "May my father's Liberal soul forgive me, but for the next two years I long for a credible Tory Prime Minister, because the dangerous period for this country is the next two years." Quebec is going to come up with proposals for a radical restructuring of the federation and who will be leading us? The apprentice sorcerer and his inept acolyte? They blew Meech Lake. With eight provinces on side, the two opposition parties backing them, they blew it. This is the gang of Keystone cops.

Senator Hastings: Dice throwers.

Senator Stollery: It is a good thing they blew it because—

Senator Gigantès: Just think of it. Who speaks for Canada?

Senator Stollery: Well, right now, nobody we know of. Except for Jean Chrétien.

Senator Gigantès: In the government, is it possible that English Canadians could at any time trust Brian Mulroney, who is a prisoner of his separatist caucus, as everybody knows. English Canadians are not stupid. That is why Trudeau is so much more popular. That is why Mr. Mulroney is down to 3 per cent—where was it was down to 3 per cent?

Senator Davey: Somewhere in New Brunswick, I think.

Senator Gigantès: In New Brunswick?

Senator Stollery: Senator Neiman, I think, has a question for you.

Senator Neiman: Senator Gigantès, I thought perhaps you would like to revert to a question concerning the GST for a moment.

Senator Simard: Good idea.

Senator Neiman: Perhaps too much conversation regarding Mr. Trudeau becomes a little troublesome for the other side, from time to time. Especially with some of the facts and figures that Senator Davey has been able to put on the record just now.

Senator Simard: Those do not scare us.

Senator Neiman: I am sure you have read this article in *The Gazette*.

Senator Frith: Ask him if he has, please.

Senator Neiman: Certainly. Have you read this article in *The Gazette* dated November 27? The title of it is, "Language is the latest snag in the proposed GST legislation." The smaller headline says, "Years of litigation could result, lawyer says". It is written by Craig Toomey of *The Gazette*.

> The French-language version of the federal government's proposed goods-and-services tax legislation differs significantly from the English text and could result in years of litigation, a senior Montreal tax lawyer said yesterday.

This is a quotation of which I think you should be aware:

> "As far as I'm concerned this will certainly give rise to disputes," Claude Desaulniers, senior tax partner at Stikeman Elliot, told reporters on the opening day of a major tax conference organized by the non-profit Canadian Tax Foundation.
>
> Desaulniers said that the French version of the 330-page Bill C-62 "is more of an adaptation" than a direct

translation of the original English text and is "quite different."

My interest is particularly piqued by this because our Legal and Constitutional Affairs committee is, at the moment, studying draft proposals regarding anomalies and anachronisms in various pieces of legislation. One of the things we have to deal with is the lack of concordance between English and French texts.

Senator Carney: Is this a speech or a question?

Senator Neiman: This is a question and I am coming to it. Just be patient.

Senator Gigantès: I want to be able to understand it.

Senator Neiman: I want to point out that there is a judicial convention insofar as criminal law is concerned that, if there is a lack of concordance between two texts, the interpretation which is most favourable to the accused will be adopted.

I wonder if you have heard of a similar type of convention employed by the Department of Revenue, because obviously this lack of concordance between the two texts is going to cause a great deal of litigation.

● (0900)

Senator Gigantès: It is an excellent question and it is very interesting.

Senator Teed: Yes or no?

Senator Gigantès: I have an answer to the question.

Senator Neiman: I would be happy to repeat it again if you would like me to.

Senator Gigantès: Please do. I was being interrupted. It was difficult to hear.

Senator Neiman: I might just read another paragraph because this might help you in your answer, Senator Gigantès. This article goes on to say that:

> Coupled with the fact that the GST bill also is very technical, parts of it are bound to be challenged by unhappy taxpayers in the next two or three years, he predicted. "A court will have to find out which version translates most correctly the intention of the legislation."

Senator Gigantès: Senator Neiman, it is a very interesting question. There is a question of estoppel. I was speaking about it the other day, and the revenue department is very hot on estoppel, a doctrine promulgated by a great jurist of Edward III of England; I thought Senator Beaudoin would find the name of that great jurist for me. He laid the foundations of the great system of common law and started codifying it to some extent. He enunciated the doctrine of estopal which says that if a servant of the Crown makes a mistake, the Crown is not bound by the mistake. The Revenue Department interprets that to mean that it is their duty to get the maximum amount of blood out of a stone, regardless of what errors were committed in the process of writing the law.

Senator Stollery: An old doctrine.

Senator Gigantès: It is a very old doctrine. Pay up first, we will discuss the legalities later.

There is another very interesting point you raise which might explain their theory for introducing it on January 1. Supposing they have two years of life as a government. There are all these Tory lawyers, all these Tory lawyers in Quebec and in other parts of Canada. They are going to have a field day arguing which is the most appropriate course and they will make a lot of money. I wonder if that is one of the reasons they are in so much of a hurry to get through by January 1. They have to give all these people who have been lying for them right, left and centre—distorting and rewriting history and all that—they have to give them some way of making money. You know some of them—well I won't mention any names. I don't want to be mean. I don't think Senator Simard should feel in any way attacked, because he is not a lawyer. He is only an accountant. I don't know if he was present the other day when I was describing the practice of accountancy as the world's oldest profession.

Senator Neiman: I am not sure.

Senator Gigantès: It was first practised by that caveman who said to the other caveman, "If you give me one arm of the baboon you have just killed, I will do you an audit. I will tell you how many arms are left. Except that today it takes an arm and a leg to get an audit.

I don't know if Senator Simard was here last time. I tried that out at a meeting of the Association of Accountants of Montreal and it went down like a lead balloon. Accountants do not have a sense of humour. How could they?

In any event, that is the most serious and difficult thing about what you have just said. Of course, a hard thing to put up with is that, in their hurry, not only are they changing the regulations all the time—which may be because of the lack of concordance between the two texts—but they rushed the thing so much that they did not even take the trouble to do something elementary in a bilingual country to achieve this concordance. I do not know how it is going to be straightened out.

Senator Neiman: Senator Gigantès, in defense of some chartered accountants, at least, are you aware that at least one chartered accountant—in fact, the senior partner of one of our most distinguished firms who wrote one of the so-called "little bibles" in trying to describe the GST and assist other accountants in interpreting the GST—has stated publicly that in spite of the fact that he in general agrees with the GST and is looking forward to all of the business that will be derived from interpreting it, he still feels that there is a serious injustice about to be perpetrated on the taxpayers because of the many, many sections in there that are simply unclear. And do you know that he recommended to our committee—unfortunately his recommendation came a little late, but he recommended that one of the amendments we should try to make to the GST would be to the effect that taxpayers should be saved from paying the penalties on certain of those sections until such time as the actual meaning is clarified by the Department of Revenue. He estimated that, conservatively, it will take from

three to five years to clarify many of the sections in the tax. That is why he suggested that this amendment should be put in, in order to help the taxpayers who want to pay their tax, but are simply confused by the language of the text.

Senator Gigantès: Senator Neiman, I hope you did not take my remarks about the orgin of accountancy and the fact that it has the honour of being the world's oldest profession in my reading of pre-history to mean that I lack respect for tax accountants. There are some accountants who lack a sense of humour as is evidenced here quite often, but there are others who do, and the one you cited—would you care to give the name?

Senator Neiman: It is Michener, David Michener.

Senator Gigantès: David Michener seems to be a man of great wisdom and with a great sense of equity and with due regard for the tribulations that ordinary taxpayers will suffer under this abominable, ill-conceived, badly prepared, stupidly constructed, wrongly translated, uncoordinated, over-complex, and generally "Mulroneyite" and "Lowell Murrayite" tax. It is the same sort of confused mindset represented if you like, metaphorically, by a haystack that has been hit by a tornado. They do not know what to do anymore. They do not know which way is up. They are incompetent and they have produced an incompetent tax. They could have adopted a simpler model.

As I was saying to the previous shift, we were told by this administration that they were going to come in and be kissy-smoochy with all the provinces. Oh, wow! I mean the thought was, wjem it wasn't being icky, it was being touchy, having all these touchyfeely sessions of first ministers meeting somewhere and drinking milk to excess and squeezing one another and all telling one another what wonderful people they were and that then they'd go back to the provincial provinces and Ottawa-bashing would be a thing of the past. Never a bad word would escape their lips with regard to the federal government. Poor, little, old Devine would be an utter pussycat with regard to the Rafferty Dam. He would say, "Yes, Sir, Yes, Sir, three bags full, Sir." Most of them would go around with no hair at the front of their heads, tugging at their forelock to dear old Brian.

All this friendship, and not only could they not get the Meech Lake legislation through, but they could not even organize the tax. Most of them stood to make more money if they had come on board.

• (0910)

We could have had a much simpler tax, like that of New Zealand, but no, this government had to find the most complex tax.

Senator Carney: New Zealand taxes food. Do you want to tax food?

Senator Gigantès: I beg your pardon? I will accept an intervention from Senator Carney if she is seated because I realize she has problems. If she will not repeat it, that is fine.

[Senator Neiman.]

Senator Lefebvre: Senator Carney said that New Zealand taxes food, and she had something to say about that.

Senator Gigantès: What I am saying is that they are moral cowards on the other side. If they wanted to have a consumption tax, with compensation to the less well off, they should have taken their courage in both hands and said that they would tax everything at exactly the same rate, with no exceptions, and that they would calculate what to give back to the less well off to take care of that. But no, they had to have different treatment for caviar and yoghurt. We now have this absurd situation, about which most of the people who appeared before the committee complained.

I will get back to the role of the Opposition, because I do not think our friends opposite, after having played that role for years, understand it. They should, but they do not.

It is not only the British-style Parliaments that have ongoing legitimate contestation for decision-making power. Every pluralistic democratic legislature contains both supporters and opponents of the executive. In all parts of the world, these legislatures are confronted with the problem of executive dominance—not all of them, I hope, by a Mulroney—in the face of modern demands for more and more government services.

By the way, if you wnted to read more on this issue, you might look at David Olson's *The Legislative Process: A Comparative Approach*, published by Harper & Row in 1980, especially Chapter l. The changing balance of forces in political society is the subject of numerous articles in the international comparative politics journal *Government and Opposition*. I am sure that senators will find it very instructive. Its Autumn 1988 issue contains an article by George Feaver, "Letter from Canada," which surveys the Canadian political developments since 1968. I think it illustrates that the Tories never did learn how to be an opposition and they never did learn how to be a government.

The complaint is often heard that because of pressures legislative politics is inefficient, ineffective, and in danger of becoming obsolete. Accordingly, we are going to look at some of the countervailing powers available to oppositions in legislatures which, through their heritage in the British Commonwealth, look to the Westminster model of parliamentary democracy for inspiration.

By the way, those who have sat in the gallery of the House of Commons know that on occasion it makes the Senate at its worst appear as an oasis of common civility. We did not get down to grunting like pigs—well, with the exception of the Leader of the Government when he was speaking to Senator Molgat. Other senators were banging desks, but I think some of the things that British parliamentarians have done are worse.

Although one speaks of the model of British parliamentary practice, it still rests entirely on convention. The emergence of a set pattern of government and opposition is of comparatively recent origin. There was a time when the subjects thought fit for parliamentary debate were severely limited. There was a

time when opposition to the government's handling of affairs of state could be considered to smack of treason—I think that is somewhat the attitude of our friends opposite—and was hence dangerous.

In the 16th and 17th centuries, the member of Parliament who went beyond presenting private, local and special grievances or bills, to oppose the Crown, or even to debate such national issues as the right of succession, foreign policy and religion, risked imprisonment and worse.

This brings to mind the words of Senator Simard when he thought we might return to those good old days, and have us terrified of doing anything except preent private local and special grievances or bills.

Of this period the historian Macaulay said that every man meddling in public affairs took his life in his own hands. Those must have been happy days, because now what has happened is that the life of the whole country—the existence of the country—has been taken into a set of incapable hands: four incapable hands, in effect, in the matter of federal-provincial relations, the two of Mr. Mulroney and the two of his apprentice.

"It was," says McCauley, "we seriously believe, as safe to be a highwayman as to be a distinguished leader of the opposition." I wonder whether Senator Frith ever feels that safe.

It was not until the 18th Century that it came to be constitutionally accepted that an opposition could be loyal across the whole spectrum of public policy. The concept of being loyal includes fighting very hard against the decisions of the government if one believes that that is for the good of the country. It is not being loyal to the government—it is being loyal to the people represented by the Sovereign in the British institution.

Nevertheless, one cannot refer to the existence of an opposition in the modern sense because throughout most of the 18th Century not only was there no disciplined, organized and ongoing political formation dedicated to opposing the government, but the very idea of a faction or party was disreputable—a very Conservative view.

Since the gradual formation of cohesive Whig and Tory party groups in the latter part of the 18th Century, the term "the Opposition" has been applied chiefly to the party or parties whose elected members do not support the ministry and who offer themselves to the voting public, not just as individual candidates, but as an organized and disciplined alternative government. The actual term "His Majesty's Opposition" was coined during a British debate in 1826 and has been in use ever since.

With the development of cabinet government and the rise of political parties, responsible government has come to rely on electoral strategies in addition to strictly parliamentary ones. The governing party is responsible to the Commons chiefly in that it can be turned out of office and replaced by another party at the next election. The government must continue to enjoy the confidence of the House between elections. I suspect that one of the problems is that Mr. Mulroney does not even have the confidence of his own caucus, but there is nothing much its members can do. They are damned if they do and damned if they don't.

Even in minority government situations, the government must continue to enjoy the confidence of the house between elections, but, even in minority government situations, the real test of confidence is not in the daily balance of forces between government and opposition in the chamber but in the anticipated or threatened electoral contest among the major parties.

As the distinguished parliamentarian Stanley Knowles put it:

> . . . the opposition should so conduct itself in Parliament as to persuade the people of the country that it could be an improvement on the government of the day. No one will deny that our system works best when there is a change of government at reasonable intervals.

• (0920)

The role of an opposition party, Mr. Knowles noted, is to check and prod, but ultimately to replace the government party. Bernard Crick has also described the British House of Commons as the place where a "continuous election campaign . . . . is fought." Well, don't be too surprised if we imitate our model.

In Canada in this century, as far as Mr. Knowles' criterion of "reasonable intervals" is concerned, has often been more the exception than the rule. This has led a number of observers to point out the potential dangers to parliamentary processes of long periods of one party control of the executive. We are going to make sure this does not happen in the case of the Tories.

Because electoral standing is a necessary but not a sufficient condition of government legitimacy, one must guard against devaluing the ongoing test of legitimacy which takes place through the intermediary of the legislature and the legislative opposition. Our existence lends what legitimacy you have on either side, because you have none according to the polls. It is the fact of the existence of this institution and of the House of Commons, with an opposition within it, which makes the process legitimate. It is not Mr. Mulroney, it is not his discredited government, it is the institution. Such an institution cannot exist without an opposition that is feisty and fights to defend its rights that are being trampled by your Speaker.

It is crucial to maintain the distinction between parliamentary representative democracy and the sort of direct plebiscitary appeal to the people which history shows can be made compatible with the most technocratic and authoritarian forms of government.

This should be interpreted to mean that the fact that you won an election, which in a sense is a plebiscite, does not mean that you are in the clear. What gives legitimacy to the system of government is the continuing existence of institutions such as the Senate and House of Commons, and their legitimacy

rests entirely on the fact that there is an opposition. Without an opposition the government is not legitimate.

A vigorous opposition in Parliament can be the chief bulwark against the temptation to *force majeure* and bureaucratic empire. Where are our ex-deputy ministers? They are all out of the chamber. I once was lecturing a group of deputy ministers and then we had a discussion and I told them that they remind me of nothing so much as members of the Politburo. They had such an autocratic idea of how things run and such a desire to control their ministers by controlling whatever information the ministers received. So what is the difference between them and the Kremlin?

The people speak through the loyal opposition as well as the government. I have been reading to you the sayings of some people, Ms. Johnston and Mr. Mansfield and others through our petitions. The people speak through us. People also speak through backbenchers as well as cabinet ministers. It is not only my friend Len Marchand who speaks for the people. I, a backbencher, three rows behind him, also speak for the people so long as they let me know what it is they want me to say.

There is simply no substitute for the checks and balances which are brought into play in the representative and watchdog functions performed by ordinary members of Parliament, and we are members of Parliament. There is a deplorable tradition, which Senator Olson never fails to correct, which says "members of Parliament and senators". It should say "members of the House of Commons and members of the Senate", or "members of the House of Commons and senators," because in both Houses we are members of Parliament.

You see, I am a nice fellow. There is my friend Senator Macquarrie listening, I am sure, to very tastefully chosen music. I don't mind. He is wearing an apparatus. He probably has a Walkman tucked away somewhere, hoping to get a better result. I don't object to that.

Senator Frith: It is all right to wear something like that as long as you don't eat it, I guess.

Senator Gigantès: Yes. There was "Monseigneur" Castonguay objecting to my having a piece of tangerine. Really!

Members of the upper house are expected to act as a chamber of sober second thought. By the way, I assure you that it is only drinking water in this glass. I have never been drunk in this place. I have been drunk only three times in my life, and I didn't find it agreeable. On another occasion I will tell you about the last occasion when this happened to me. It was in World War II.

Just as members of the upper house are expected to act as a chamber of sober second thought—and we observe this pretty well, although not always the sober part on your side—as well as a guarantor of minority rights and sectional interests, so, too, members of the opposition in the lower house, are called upon to act as a brake on government haste, to ensure that all legislation receives the due process of parliamentary deliberation, and to see that diverse and opposing points of view have a chance to be aired and defended.

The opposition's role in Canada. By the British North American Act of 1867, Canada inherited a Constitution similar in principle to that of the United Kingdom. Responsible cabinet government and the doctrine of the supremacy of Parliament were thereby entrenched in the Canadian political system. The role of the opposition in a parliamentary federation such as Canada's is obviously different from that of congressional representatives in a pluralist federation like the United States, where legislators exercise considerably more independence and need not take their cue from the executive branch. Opposition to government proposals in Congress is expressed through a fluid, often bipartisan, coalition. In Canada the parliamentary opposition is much more structured, and has a more formal status. But it also has to contend with a disciplined government party which may control the legislature for long periods of time—the carrot and stick.

If you want to know what true leadership is, think of Allan MacEachen having to exercise authority over the 50 of us on this side and he has no carrot and no stick. Royce Frith participates in this leadership, and both of them have done so very successfully. They have nothing to offer me as a favour for saying what I am saying now, except their friendship, I hope.

The party system as we know it is here to stay. We cannot go back to Sir John A. Macdonald's day when parties included a number of loose fish and when the government could be defeated by shifting coalitions of members in the Commons without resigning. Today the division between government and opposition, as noted, is highly structured and runs almost exclusively along party lines. This does not mean, however, that everything is a fait accompli, once the party lines are decided at election time.

• (0930)

Interestingly, the term "His (or Her) Majesty's Opposition" has been in use in Canada longer than the title "Prime Minister," an indication of the assured constitutional standing of the former. The role of the Leader of the Opposition and of opposition parties is to be as vigilant and diligent as the members of the government on the other side of the House.

This is how two of Canada's greatest parliamentarians have described the importance of the legislative opposition. First is Stanley Knowles, the one who, they say, has walked the corridors of this august institution with a Bible in one hand and a stiletto in the other. I am quoting Stanley Knowles:

> I submit, therefore, that you do not have full political democracy—

Let alone the economic as well as the political democracy for which his party stood.

> —unless you include along with the ingredients that are taken for granted, such as universal suffrage, the secret ballot and majority rule, a full and unquestioned recognition of the rights and functions of the opposition to the government of the day. Only in this way can you protect the rights of minorities; only in this way can you make sure that the force of public opinion will be brought to

> bear on the legislative process, and we are indeed fortunate in Canada to have inherited from the United Kingdom a parliamentary system of government, the genius of which is the responsibility of the government to a Parliament in which the rights of those who support the government and likewise the rights of those who oppose it are clearly recognized.

I wish Speaker Charbonneau were here to hear that.

Someone whom we all loved, even though we may have disagreed with him, who was in the fine, true tradition of Sir John A. Macdonald, was John George Diefenbaker. He addressed the Empire Club of Canada in Toronto on October 27, 1949, on "The role of the Opposition in Parliament." He had not yet taken power. He was at his very best at the time, at the full maturity of his talents as an oppositionist and, of course, he was a great leader and lawyer. He stated in his address:

> If Parliament is to be preserved as a living institution, His Majesty's Loyal Opposition must fearlessly perform its functions. When it properly discharges them, the preservation of our freedom is assured. The reading of history proves that freedom always dies when criticism ends. It upholds and maintains the rights of minorities against majorities.

That is why I was reading to you before from the words of the Canadian Union of Senior Citizens. The opposition upholds and maintains the rights of minorities against majorities. There is always that conflict. You can't have an amicable symbiosis if you don't have democracy. You have to have a fight. Parliament is the substitution of words for combat between two champions in an arena where the judgment of God, le jugement de Dieu, manifested itself by letting the champion of one side win. The loser generally lost his head or an arm or died by some puncture of his body. We eventually substituted a more civilized method of arguing with one another, even yelling at one another. But the discussion, the opposition, the fight is essential for the legitimacy of the institution.

A parliamentary institution of the British persuasion in which there is no dispute, in which there is "touchy-feely" agreement all the time, "smoothy-touchy" is a disservice to democracy and it is going to make the institution appear less legitimate. If the institution of Parliament, either of its chambers, loses its legitimacy by being too tame, then forget it. The government itself loses its legitimacy. This is something that senators opposite had better remember. It is something that Senator Flynn always understood, bless his heart. How I miss him. As I was saying to Senator Flynn on another day, there are some people here who now pretend to be hecklers. They are not fit to tie his shoe laces. I pointed out that I missed him dearly, that many might not but I did, and he said that only I would make a compliment with a sting in its tail, and we both laughed, and that's a good thing.

Mr. Diefenbaker went on to state:

> [The opposition] should supervise all expenditures and prevent over-expenditure by exposing to the light of public opinion wasteful expenditures or worse. It finds fault.

I try to do that all the time, and I must say that with this government it is very easy. I don't have to strain myself at all, honourable Minister of Federal-Provincial Relations. I can find fault in my sleep.

Speaking of the opposition, Mr. Diefenbaker said:

> It suggests amendments; it asks questions and elicits information; it arouses and educates.

Why am I reading all these texts? I was telling Senator Cogger this morning that I had to educate him, and he said, "Who says so?" I said, "John George Diefenbaker says I have to educate you." You, too, Senator Poitras. Your problem is that you think you know everything and you don't want to listen to anything.

I remember the other day you said, without having read my book or listening to it, that you didn't think it was good. I am prepared to accept that it is not good, but from people who read it. You say immediately, without having read it, that it isn't good. It is a defect, it is a block to your further education. You are not too old to learn more, Senator Poitras, and I beseech you to keep an open mind. You might hear something that you will find useful. I try to listen to my daughter, the separatist. I learn a lot of things from her.

So Mr. Diefenbaker said that the Opposition "arouses, educates and molds public opinion by voice and vote." One of our duties is to mold public opinion by voice and vote. What we are engaged in now is cultivating a public opinion that is adverse to this government. We are the opposition and we believe you are members of a party that runs a terribly bad government, and it is our duty, John George Diefenbaker has said, to cultivate this opposition to you, the public's opposition, the public's hostility, to you. It is our duty.

Mr. Diefenbaker said that the opposition "must scrutinize every action by the government and in doing so prevents the short-cuts to democratic procedure that governments like to make." We heard from Senator Stewart of the famous short-cut that started the battle between us when you tried to sneak by the borrowing bill, which you had no right to do. We, as Liberals, tried in the other house, and it made the level of indignation of Mr. Michael Wilson reach new heights. People even wondered whether it would affect the squash game he played with Marc Lalonde that evening. He whipped him, as usual, so we were all reassured that the future Minister of Finance was all right.

● (0940)

The Hon. Lester B. Pearson, Mr. Diefenbaker's successor as Prime Minister, a frequent victim of the latter's parliamentary skills, was moved to add a few choice words of his own about the adversarial nature of the House of Commons.

I hope members opposite will tell Senator Castonguay that what I am about to put into my mouth are two pills of Tylenol. I don't think there is anything in the rules of the Senate that

says a senator cannot give himself a headache by talking a long time and then taking a couple of pills to remedy it.

Senator Buckwold: How about the listeners?

Senator Gigantès: The listeners can walk out or they can do as Senator Beaudoin does and listen to good radio. Look at him.

Senator Beaudoin: What did you say?

Senator Chaput-Rolland: Nothing.

Senator Gigantès: I have to make a remark to Senator Tremblay, and I am waiting until he finishes consulting his physician.

John A. Macdonald and John George Diefenbaker have been quoted, and various other authorities, Senator Tremblay, saying that democracy, more or less, would be taken over by your successors as deputy ministers, unless they were in opposition; that the lack of a vigorous opposition creates bureaucratic, technocaratic, government. Sir John A. Macdonald, John George Diefenbaker and Stanley Knowles consider that as a fate worse than death for a state. Obviously they didn'ot know you personally too well, otherwise they would not have said things like that. They would have said, "With the exception, of course, of Arthur Tremblay." And if Bolduc were here, I would say, "With the exception, of course, of Mr. Bolduc." Do I see any other former deputy ministers that I must put in the exceptions so their feelings are not hurt? No.

This is what Mr. Pearson said. I can't imitate his accent, and I won't try.

> In national politics during the years when I was in the government, I watched the opposition perform their duty vigorously and industriously, with courage and determination.

Anyone who heard Senator Fairbairn the other day will recognize how apt these qualifications are: vigorous, industrious, courageous, determined.

> They rightly insisted on their right to oppose, attack and criticize—

Oppose, attack and criticize. I believe these characterize me fairly well, and the rest of us.

> —to engage in that cut and thrust of debate—

That is why I regret the departure of Senator Flynn. It was more fun when he was here. Senator Simard is in no way a substitute.

> —so often and so strongly recommended by those concerned with the vigour and health of Parliament and the health of democracy. I cannot forebear to add, however, that the application of this procedure has, in the past, been occasionally resented by those who are cut and thrust at.

Too bad. I even give myself a headache, so I can understand that some of you might not like it. As I said, you can do what the honourable Leader of the Government is doing and take a rest.

[Senator Gigantès.]

When one reads the above it is hard to conceive of the history of parliamentary control of the executive as a straightforward one of ossification and "decline," to cite what has become a common lament. One factor which may account for the prevalence of this pessimistic interpretation is that, overshadowed by the cabinet's immediate responsibility for "affairs of state," the work of backbenchers and opposition members does not always receive the credit it deserves. Yet as J.R. Mallory remarked a few years ago:

> . . . it would not be an exaggeration to say that practically every significant measure of reform in the last forty years has been introduced in Parliament by a private member, usually, but not invariably from the opposition.

At times it has been the opposition which has led, especially on social issues, and the government which has eventually followed. It would, therefore, be an exaggeration to claim that congressional systems are necessarily much more vigorous and aggressive in a legislative sense than our own.

Of course, you have been trying your best to turn this house into, at most, a squeaky rubber stamp. The more I reflect upon what has happened, and knowing that we may find ourselves on the government side and you on the opposition side or it might even be, who knows, some other party, I have reflected on the suspensive veto and I have concluded that a suspensive veto of a given duration will simply be taken into account by the government, which will move its planning operation's back, the critical amount of time sufficient to take care of that suspensive veto, and therefore a house such as the Senate, elected with a suspensive veto only would be nothing more than a rubber stamp that squeaks, and squeaks for a limited time. It stops squeaking after a while, by statute.

I am beginning to think that maybe the Australian system is not bad, that it is better than some of the things I had been proposing. I was hoping in one of these illusions that we might have a less partisan Senate. Then I run my eyes over some of you across the way and I wonder how I could ever feel non-partisan about you. That does not include Senator Doody, about whom I feel very non-partisan. It does not include Senator Roblin, about whom I feel very non-partisan. It does not include Senator Bélisle, about whom I feel very non-partisan. It does not include Senator MacQuarrie, who cannot hear me and about whom I feel very non-partisan, nor Senator Beaudoin, et cetera, et cetera. I like many of the new senators, too. Senator Oliver, I think you are a wonderful man and I could feel non-partisan about you, but there are some others I could not feel non-partisan about. I don't dare say anything nasty about Dr. David. Who knows what will happen during these many hours when I am talking? His professional conscience as a physician might force him across the floor to help me, or perhaps say whether I should be taken out feet first or head first.

Ralph Heintzman has pointed out:

> One of the most attractive features of Parliament, for example, is a powerful symbolic resonance.

You did not know we had symbolic resonance, did you? I can raise the volume of my voice. I will do so on Tuesday. As I am finishing I will give you the full benefit of my vocal cords.

> In addition to its practical value, the daily confrontation of government and "loyal" opposition in the House of Commons symbolizes the inner dialogue, the continual sequence of question and answer, which distinguishes the truly civilized mind and is reflected in the social and public life of a civil community. Just as a genuinely sound mind does not suppress either of its two fundamental impulses but listens instead to both, and tries unceasingly to achieve a synthesis in which their opposition will be reconciled, so too the good society recognizes that opposing tendencies or not each other's enemies but each other's partners instead, and their indispensable complement. They are linked by an educational contract which is at once the condition and the sign of civilization.

● (0950)

Unfortunately, as everyone knows, this ideal of civility does not always obtain in parliamentary practice. When debate degenerates into sterile reflex antagonism the process itself becomes discredited—by squeamish people. I think we should not be too squeamish. We should be sufficiently robust to take the cut and trust of vigorous debate for the benefit of the nation and for the sake of educating members opposite. You are educating us and we are educating you.

Senator Neiman, could you tell me what this is; have you any idea?

Senator Neiman: Let me see if I can help you.

An Hon. Senator: Don't you have enough material?

Senator Gigantès: It is probably more material against the GST. People are sending it by the bucketful. This is a good idea. Why not? I don't know how they found out I was here; maybe they are overhearing outside. Shocking!

But all MPs have the right to articulate the interests of their constituents, to scrutinize the actions of the government, and, if in opposition, to present alternative policies to the public.

Of course, Senator Poitras will not listen to alternative policies. It took me eight hours to give him a complete, concatenated, multi-dimensional economic policy that takes into account all aspects of the economy and of the role of government in Canada—all of it: education, regional development, defence, diplomacy, the whole bit. But you would not listen. You do not know if I was talking sense or not. All you know is that I was talking and you wished I would not. But it does not bother me one little bit. As I have said before, I was an editorial writer and I am used to the fact of having no more than two readers, the chief editorial reader and my wife, who would not get coffee unless she read my editorial in the morning.

Senator Neiman, is this of interest to the current debate?

Senator Neiman: It might be.

Senator Gigantès: Honourable senators, Senator Neiman is one of the ornaments of this house. She is a great legislator, she is a great human being, and she did me a magnificent service by recommending that I buy a bouvier des Flandres, and there isn't a better dog.

Senator Neiman: Hear, hear.

Senator Gigantès: If there were more bouviers des Flandres among us, this would be a better house.

Now, all this criticism requires time on the parliamentary agenda, time which the government usually thinks would be better spent proceeding with its legislative program. Not only is this time one of the most important commodities in parliamentary politics, there is also the presumption that:

> The House of Commons is the ordinary scene of the battle. It is the great public stage at the centre of the national amphitheatre.

So said John Stewart in *The Canadian House of Commons*.

Accordingly, opposition parties and individual MPs compete fiercely for time on this stage. Here we do not have such compulsion. The opposition has certainly lost some of its prerogatives in this regard. For example, the right to talk out government bills—closure, 1913; to filibuster—a limit on individual debate, 1927; to extend indefinitely major debates, 1955; and to appeal the rulings of the Speaker, 1965. By the way, we could reach a stage where we do not have the right to appeal the rulings of the Speaker, if a Speaker here were elected by a government majority, a majority of government members and a majority of opposition members. I can think of several Tories I would trust in that role but not the present company. I don't mean Senator Baroutes; I mean Senator Charbonneau. I trust your staff. That was the purport of what I was saying before I so rudely interrupted your reading. Don't worry; I trust you and I like you.

The length of speeches has been considerably shortened and in 1969 closure was used to pass a complicated Standing Order (75 A, B and C) setting out the procedure to be followed to impose time allocation on debate either unilaterally or with the consent of one or more opposition parties. Nonetheless, the opposition still has numerous opportunities to confront the government: In the daily Question Period, in the eight days of debate following the Speech from the Throne, and the six days following the Budget, and in the 25 opposition days scattered throughout each session.

The opposition, moreover, has benefited a great deal from the increased allowances for secretarial and research staff granted to each party caucus, as well as from expanded facilities such as those of the Library of Parliament. Lacking the resources of the government, opposition members have a vital stake in the continued improvement of services to parliamentarians.

Although after the remarks of Senator Neiman reminding us of what that lawyer from Stikeman, Elliot was saying about the unholy mess and the non-concordance of French and English texts of Bill C-62, I wonder if it is a help to have the vast bureaucracy behind you. It controls the information you are going to get. It only lets the minister have what the bureaucracy thinks it is safe for the minister to know. Those of

you who have served in the government understand that. Bureaucracy makes a mess and then defends it to the death and will not retreat. It tells the minister to fight to within an inch of his life to defend the indefensible.

● (1000)

[*Translation*]

Senator Lefebvre: I hope this will be useful to all my colleagues as well. Earlier, you were the target of attacks from the other side, when you gave examples of the incompetence of this government, the Mulroney government. They attacked you with figures reflecting their very partisan view of the Trudeau years to cover themselves, as you know. You had no difficulty rebutting their allegations and I congratulate you on that.

These criticisms are yet another example of the inability of the Tories to take on any responsibility for the fiasco caused by their incompetence in managing this country. They keep trying to put the blame on the former government, Trudeau and friends. They have been in power for six years, but it seems that was not long enough for them to get rid of their opposition mentality. They formed the opposition for so long that it does not feel right for them to sit on the government side. They went as far as blaming the Trudeau-Chrétien team and the Liberal caucus for excluding Quebec from the Constitution Act of 1982.

This is a crucial question, Senator Gigantès, because I think that the Canadian people want clear answers on this issue. Do you think it was in the interest of the then Péquiste government to sign the deal or were Mr. Lévesque's demands unacceptable for those who truly believed and still believe in our country?

Do you think that those who criticize, especially the government leader, are showing hypocrisy or a lack of understanding, as if every honest citizen of this country knew? In those days, a Péquiste government could not support the edification of a strong and united Canada. I think it is time to put an end to that type of criticism which shows bad faith, in my opinion.

Senator Gigantès: The problem with what you are suggesting is that the people . . . You wish to join in the debate, Senator Poitras?

Senator Poitras: The honourable senator always has good questions. However, he is not speaking to the right man. He would be better off asking the leader of the opposition. He was in government. He could tell him he was not interested in Quebec joining.

Senator Gigantès: Senator Lefebvre, you just saw a demonstration of weakness.

Senator Lefebvre: I would like to correct what was said by my honourable friend and colleague Senator Poitras, who seems to have been brainwashed since he first arrived here. This was certainly not how Canadians viewed the matter at the time.

Senator Gigantès: Honourable senators, earlier I read you a document that is absolutely authentic. You can check with the Library of Parliament. I laid it on the Table of the Senate. This was a document drafted and signed by Mr. Lévesque, a document that represents most of the *Constitution Act, 1982*, except for the opting-out clause with full compensation for any province.

I maintain, and Mr. Trudeau maintains, that he had included instead section 43, according to which opting-out with full compensation could be done by provinces on an individual basis but would not automatically apply to all provinces. Section 43 would have enabled them to give Quebec, with its different needs and distinct identity, the instruments it needed to protect that identity. So what happened?

Quebec withdrew from the talks, despite the fact that the *Constitution Act, 1982*, was drafted by René Lévesque. We have the document here. Quebec withdrew from the talks, and not a single clause could be used. Especially not section 43 which would have provided conditions that were more acceptable and better adapted to the needs of Quebec.

They withdrew. Why did Mr. Lévesque withdraw? I have a lot of respect for him. I may remind you I was the only member of the Parliament of Canada to make a very long speech in tribute to Lévesque when he stepped down as Premier.

I believe he was an honourable man. It must have been hard for him to reject a document he himself had drafted and which Mr. Trudeau had accepted and in fact made into the *Constitution Act, 1982*. However, I don't think Mr. Lévesque could have convinced his party to accept a constitution drafted by the very man separatists considered on a level with Satan. I mean, if you lose a battle and you don't want to blame yourself because that would be too painful, you look for someone else to blame. So the separatists blamed it all on Trudeau, the man who beat them, the man who was scathing in his speeches and who always had the upper hand when confronted with them. And when he had to face one of them, Trudeau always came out the winner. Intellectually, he was superior and he had no equal as a debater. Yet, there was a Tory member who sometimes made Mr. Trudeau nervous, I mean, Mr. Clark, a man he held in high esteem. Mr. Clark sometimes made him nervous. When he is involved in a full debate in the House of Commons, he can be sensational; I have a lot of admiration for him. He is straightforward, has an excellent sense of humour, always hits the nail straight on the head and never makes honeyed and unctuous remarks as the Prime Minister does. You were expecting it, were you not?

So it was not possible not only for the people within the party, but also for the people associated with it—I will try to hide their names somewhat—people like Daniel Bourgault, Pierre Larouche and the other so-called "aggressive" political scientists to agree with something Mr. Trudeau had accepted. It would have meant a set back for their movement towards independence. They rejected it. Later on, they clearly demonstrated that Mr. Lévesque, in their opinion, was not enough of a hard-liner and they forced him to resign. We must also wonder why Mr. Ryan, the Liberal Leader at the time, did not accept the Constitution Act, 1982.

It is very difficult to determine exactly why. First of all, he had just experienced an election defeat. And who had defeated him? Nationalism. Like Mr. Bourassa, Mr. Ryan developed, following his defeat by both nationalists and péquistes, a fear of being outflanked by péquistes. He did not want to appear less catholic than the Pope, less nationalist than the nationalists. So he voted together with the PQ Party to reject the Constitution Act, 1982, which showed the additional flaw of being that written by Lévesque instead of the one he had himself written in a little beige book.

I would have meant for Mr. Ryan two consecutive humiliations, including his election defeat. The fact was that the Trudeau-Chrétien team had prevailed and accepted, not his own text, but René Lévesque's. Because he could not accept it, he turned it down.

Thus began for Quebec a period where the province voluntarily shunned a constitution which had all the necessary ingredients for Quebec to become a distinct society. But Quebec turned them down, following which there was a pause. During that time, Quebec journalists were largely separatists, with such honourable exceptions as Lysiane Gagnon, Francine Pelletier and Marcel Adam. The others would often make childish remarks, including Mr. Alain Dubuc who, during the debate on the Free Trade Accord, wrote in a *La Presse* editorial:

If it is bad for Ontario, it must be good for Quebec.

Coming from an economist, such a statement is unthinkable. Ontario is by far Quebec's greatest trading partner. For each province the volume of trade amounts to $35 billion and represents 600,000 jobs. A true economist cannot say that if it's bad for my best trade partner, it is good for me.

It is as though a grocer said: "If it is bad for my customers, it is good for me", This is unthinkable, and is the result of bigotry and romanticism. Now, I am convinced that, unfortunately, Quebec will become independent.

I will live in Quebec and do my best to help my province. But I am afraid it will suffer because over the years it has developed a contingent of journalists made up of mini groups of propagandists. And even after separation they will no longer have to run down English Canada but they will continue to do so even though it will have nothing to do with the matter, but they have developped bad habits. They will be unable to face the truth.

English Canada does have the equivalent of those journalists. You want to know where they are? Look at the *Ottawa Sun* or the *Toronto Sun* and you will find at least two or three such columnists. I am not even referring to people who walked all over the Quebec flag, to the odd Orangeman here and there, or to the imbecile Canadian Air Line Pilots Association cretins, they do exist. You know what they will do?

There is a small Ottawa River island over which the Champlain bridge crosses to Quebec. On both sides they will agree to put up a wall. On the Quebec side they will call it the wall of humiliations and they will list them. The first will be Lucien Bouchard's and it will read: I have been humiliated, Canada made me ambassador to Paris and minister! What humiliation! On the other side it will be called the wall of ingratitude. Talk about ingratitude, ambassador to Paris and minister! That is the way it will be done. And this whole gang of imbecile people who ape one another are mini groups and self-described political experts who will stand in the way of the two ex-partners by preventing them from agreeing quietly to a civilized divorce.

Naturally some people will get involved for nothing more than monetary considerations. I can imagine an Ontario dealer raising hell because he spots a Quebec brick on his sidewalk—or vice versa.

Senator David: A fiction novel!

Senator Gigantès: A fiction novel!

Senator David: We are supposed to be dealing with the third reading of Bill C-62.

Senator Gigantès: But that is on topic. The incompetence of this government, the destruction of Canada by this government and the lies this government told about the Canadian Constitution are all part . . .

Senator David: No, it is out of topic. It is part of your filibuster that has been going on for twelve hours or so.

Senator Gigantès: Only a dozen hours! There are the reasons why I worry about any step taken by this government. It is out of control, if it ever was in control. It is out of touch. This government, even though it has francophone members, was incapable of producing a document in which the French and English texts of Bill C-62 matched.

Senator David: What makes you say that?

Senator Gigantès: Mr. Mulroney does not dare stand up for Canada. He never did in six years and he used, as did Senator Lowell Murray, separatist terms. He sided with Quebec and spoke like them. There was only one voice for Quebec. It is too late now to change that. So there!

This is an incompetent government which is harming the country. Whatever I consider, I realize it is coming from the same incompetent people who did not even manage to get the Meech Lake Accord signed when everything was working in their favour. There! He is smiling. It is his failure and that of Mulroney, because of their boastfulness and their inability to flatter a wee bit the natives and do them justice and to refrain from exposing Mr. Clyde Wells and cornering him. That from a government headed by a man who built his reputation as a labour-management negotiator.

It is elementary. You leave the door open. You give people a chance to save face, if necessary. But no: Mr. Mulroney's ego was too overpowering. He had to give that incredible interview which appeared in the *Globe and Mail*, and which Jeffrey Simpson qualified as unworthy of a bar where people get drunk on brandy and tell their "macho" tall tales.

With a prime minister like that who is not particular about the kind of legislation he sends us, I have to look at where the legislation came from and I wonder: "What is going to happen to this country?" I will tell you what is going to happen. This

is part of a whole series of events. For instance, the systematic weakening of east-west links in this country by Mulroney's defence of the separatist concept; by the attack on VIA Rail; by the attack on Air Canada; and by the attack on the CBC.

Meanwhile, Canada is being sold out to the United States. Take the free trade agreement. You don't want to hear the truth! That's the problem, honourable senators. What did the Americans want? They wanted absolute guaranteed access to all our natural resources. They also wanted to be able to come and take over any Canadian company, without having to meet conditions such as not laying off staff, continuing to do research in this country, and using Canadian or Quebec subcontractors. All that was swept away by article 16 of the free trade agreement.

Those conditions still exist in Europe, in the Common Market. Every member of the Common Market, of the European Community that will be Europe 92, agrees that a country admitting foreign investment has the right to impose conditions. Why? Because those governments realize that governments must have a social conscience. The weakest in our society must be protected.

The Mulroney government has weakened east-west links and given the Americans everything they wanted. What did we want? We have a few definitions. I could get out my book, if I have it with me, but I will probably be accused of wanting to have it translated. I'll see if I have it. I have some exact quotes of what was said at the time by Ms. Carney—By the way, where is she?—who was then minister.

It's easy to look up in this book. So on page 21 of my book, which is called *Is the Free Trade Deal really for you?*, I have some absolutely telling quotes by Ms. Carney. She said:

● (1015)

[*English*]

Mrs. Carney, in the House of Commons, said that U.S. trade remedy laws used against Canadian exporters are unfair. Trade laws in the U.S. are at the disposal of any interest group that wants to bring an action on Canada.

In the last seven years Americans have launched some 40 cases in U.S. courts against Canadian goods. Many have failed, but those that have succeeded penalized Canadian exports worth $6.5 billion. Mrs. Carney said that no one knows better than she does the effect that the American trade remedy laws have had on our exports. We have seen it in shakes and shingles, fish, lumber and farm products. Their unilateral decisions on what they call unfair practices are the problem between us. Americans call them fair trade laws, but they are not.

Mrs. Carney goes on to say that what is equally important is a disturbing reluctance on the part of the U.S. to accept the verdict when U.S. interests do not win a case. We saw that in the softwood lumber case. We won the case in 1983. We then faced a number of legislative initiatives seeking, in one way or another, to limit our exports to the U.S. We then faced a fact-finding investigation and yet another countervail action. If the U.S. industry does not get what it wants, there will be the likelihood of more congressional action.

Mrs. Carney speaks very eloquently. I could not have said it better. She continues to say that U.S. court cases against Canadian exporters based on U.S. trade remedy laws complicate investment decisions because, to be successful, Canadian producers need security of access to foreign markets. If the rules keep changing, then security is jeopardized and diminished. This remark was made by Mrs. Carney in the House of Commons on October 9, 1986.

Senator Simard, this is being translated free. Please react.

I will continue with Mrs. Carney's remarks. She said that all her discussions with Japanese inventors encourage her to believe that should we have security of our access to the U.S. market and give U.S. equal access to our market, secured by a long-term binding treaty, investments from Japan and other places would flow in increasing quantities to Canada and create jobs. As long as we have the present countervail system and the same U.S. trade remedy laws and as long as there is great uncertainty about what we can and cannot do in order to access the U.S. market, it will be a drag on investment.

Mrs. Carney said a little later that we wanted the Americans to abolish those laws and not apply them to Canada. We did not get that. We got a promise that we could negotiate them.

The Free Trade Agreement says that, no matter what we negotiate, Congress would always have the right to change the trade remedy laws as they wished. In other words, if we started winning with a set of trade remedy laws that we had negotiated, they could then change them and we would start losing again.

We gave them free access to our natural resources and the right for Americans to invest in Canadian industry or buy existing Canadian industries, shut them down, take their research to Colorado or northern California. In exchange, we got zip; we got absolutely zip.

Senator David has left, but he wants me to consider any particular legislation by the Mulroney government in isolation, without thinking of the incompetence they have displayed in everything they have touched of major importance. Look what is happening in the Gulf at the moment. The American fuel supply is in danger. This was foreseeable. Americans were afraid of it. Why do you think in Chapter 9 of the Free Trade Agreement they wanted us to give them full and unlimited access to our energy resources, access equal to our own? They knew that their other sources of supply were vulnerable. Don't tell me that was not an asset we could sell for a good price. But no, we gave it away.

Not only did we give it away, but when the deal was failing, Mr. Wilson went to the United States to talk with Mr. Baker. Mr. Baker said, "Listen, the free trade deal will be overturned by our various lobbyists and industries if the Canadian dollar stays low because we cannot compete with products with a 72-cent dollar. You'd better push it up to 85 cents, otherwise I cannot guarantee how well the Free Trade Agreement will

work." So, we pushed up the Canadian dollar. We had unprecedented high interest rates in a time of boom, with an inflation rate of around 5 per cent. We had real interest rates of 8 and 9 per cent, which is unheard of in history. Whom does it benefit? Those who have money to lend and get 8 and 9 per cent after inflation. Whom does it benefit? Mr. Mulroney's American friends, who are wiping out our export industry.

Senator David wants me to look at any one bill in isolation. I would be failing in my duty as a Canadian and legislator if I did not see the context and if I did not say to myself that I have to look at these things with particularly close attention. This legislation is coming to us from certified incompetents. If you deal with certified incompetents, you have to be doubly careful. If you are not doubly careful, things will just get worse.

I was reading excerpts from a paper I have on how democracy works and should work. These excerpts are from John George Diefenbaker and Sir John A. Macdonald regarding the role of the opposition. The role of a vigorous, courageous and even obstreperous opposition becomes much more important when one deals with incompetence—demonstrated incompetence. Take any of the major initiatives of this government. The government has been incompetent. We have to be careful, vigilant and harsh because they do not deserve anything else from the rest of us. The danger is too great. I should like to come back to the role of the opposition a little later.

We were talking about time. After all, I am occupying a great deal of time here and I intend to occupy more time. I have here a note by C. E. S. Franks entitled "Procedural Reform in the Legislative Process."

Not only is time "one of the most important commodities in parliamentary politics," there is also the presumption that: "The House of Commons is the ordinary scene of the battle . . . ."

You can substitute the Senate for the House of Commons, because this is where it is happening. The House of Commons is no longer operative, because Mr. Mulroney has imposed a parliamentary dictatorship there. So much so that one of his backbenchers had to leave, saying that the only thing that was done was what the Prime Minister wanted. That particular backbencher also put his finger on the fact that Canadians cannot trust this Prime Minister.

So time was allocated, constrained, and the question remains how best the opposition can make use of the parliamentary time which is available to it. For example, the evidence suggests that control remains weak over the public purse. MPs are expected to oversee the government's spending plans through the scrutiny of departmental estimates which are referred to the appropriate standing committees around the start of each fiscal year. But even with the current expanded and reformed committee system, changes are very rarely attempted in the government's supply bills and expenditure plans.

If you want to see a list of these things, I refer you to a book written by Harold D. Clarke and others. The book is entitled, "Parliament, Policy and Representations," Part II. I especially refer you to the article by Paul Thomas entitled, "Parliament and the Purse Strings," at pages 160-181 of this collection.

• (1030)

A variety of proposals have been suggested to involve MPs in a more meaningful way in the policy and expenditure management process, since by itself the Public Accounts Committee is only able to exercise a post-audit function. Most of these proposals involve increasing the power and in dependence of parliamentary committees. But, as Thomas Hockin has noted—that is your colleague and a noted political scientist—there is bound to be some ambivalence on both sides of the house about such reforms.

> Neither the government nor the Opposition has a vested interest in asserting its patrimony over all of the results of the committee system . . . . Some Opposition MPs wonder if the role of the Opposition in committees does not sometimes become too collegial, in that Government and Opposition MPs may simply end up doing little more than tidying up a minister's bill.

That is what you seem to want us to do. You give us a bill that is a disaster and you want us to tidy it up.

Hon. Peter A. Stollery: Senator Gigantès, I was looking at the figures on the number of times the government has used closure on the bill that we are dealing with presently. Unfortunately, I left the figures in my office, but they are quite dramatic. Closure has been used more often since 1988, not only more than at any other time in Canadian history but also—and the number 30 times comes to mind—

Senator Gigantès: Probably more than all the previous years in Canada's history.

Senator Stollery: Yes. This makes your comments even more appropriate because of the role of the Senate in the amending process of the bill. As you have said, the House of Commons committee possibly can be criticized because it becomes a collegial exercise. Having served, as other senators here have, on House of Commons committees, I woauld say that the opposition has little power on a House of Commons committee because the government is ready at any time with its majority to overrule the opposition.

A House of Commons committee has never been a great experience, no matter whether you are a government supporter or a member of the opposition. The process is under the control of the minister and the cabinet to such an extent that the committee system, to anyone who has had any experience with it, could be said to have broken down years ago. This is not simply a criticism of this government. For years, the committee system has been questionable.

You then must add to that the newly introduced procedure of closure at every stage. The opposition must have a role. In other words, debate has to take place somewhere. However, it is no longer taking place in the House of Commons. Therefore if it is not taking place in the House of Commons, do you see the role of the Senate becoming more like the House of Lords? The example that Senator Stewart pointed out to us yesterday

was of the House of Lords in the United Kingdom, the upper chamber, where much of the amending process takes place and where very often much of the debate takes place hundreds of times in a year. This occurs partially because of the press of business and partially because of the breakdown of the House of Commons as a debating institution, and the control of the ministers.

In Canada the control of the ministry is even more absolute than it is in the United Kingdom. The senators opposite are a good example of that. They never seem to question the leadership. They are a very accepting group of people. Surely, no matter what is done with the rules in the future, we are seeing in the Senate a chamber that is reacting to that imposition of closure in the House of Commons.

There has to be an outlet for contrary opinion, which has been extinguished methodically in the House of Commons. This might come as a surprise to many senators but the Senate will have to be the outlet for that frustration and for the natural process of amending. I am not talking here about a holus-bolus throwing out of government bills, or of being unnecessarily obstructive.

If there is not an outlet for the frustration of the public and minority opinion in your vision of the future of the second chamber and the Canadian parliamentary system, then we enter a different field of problems such as civil disobedience, disorder and so on.

Senator, in your analysis of the problem that you have just explained to us, do you discern more and more a transfer to the Senate of the traditional role of the House of Commons such as amending and debating and all the other sorts of things that Parliament has developed over the last century and a half?

Senator van Roggen: Before you answer that question, Senator Gigantès, yesterday afternoon when Senator Stewart was speaking he touched on this same subject and the enormous amount of power now assumed by prime ministers under our system. I asked him if he could recall the author of the quotation that I often use which is that it took the Parliament at Westminster 500 years to wrest absolute power away from the kings and only 100 years to give it back to prime ministers. I wonder, first, if you have heard that expression, and whether you know who the author is?

Senator Gigantès: I am afraid, Senator van Roggen, that I do not have the scholarship of Senator Stewart or yourself. I do not know the author. I am fairly poor on quotations. That is why I use a computer with a large memory and a special filing system. It is not one of the quotations that I have in the filing system. However, I will ask the Library of Parliament to find it, because it seems to me to be an excellent one.

I should like to answer Senator Stollery's question. I will speak with death in my heart as a citizen of this country—and I will speak about what will be left of Canada. I do not think that Canada as we know it today will survive Mulroney. I think Quebec will separate. Therefore, when I am being asked to give opinions on what the Canada that remains should have in the way of a Senate, I can only give academic opinions, though Canadian constitutional history and practice and parliamentary history and practice are not my field.

I have become increasingly more convinced that what some honourable senators have been saying for a long time was right, namely, that you had thought this out very carefully, and that something like the Australian Senate, with both houses elected and with a double dissolution, might be what Canada needs—and by "Canada" I mean the rump of Canada after Quebec leaves.

In that event there would surely have to be some counterbalance for the massive electoral power of Ontario. Will Ontario accept that, or will Ontario decide, like Quebec, to go it alone? I do not know. If Ontario accepts it and wants to keep the rump of Canada together, it will have to give the small provinces a greater say in the central government. That greater say would probably have to be through a Senate.

If we are to have a more powerful Senate, what sort of "more powerful Senate" are we talking about? I have come to think seriously about a Senate with a suspensive veto. I do not think that, in this country, it would work. What we are talking about is a well-established House of Commons that has had exclusivity of power for a long time, and who will not be prepared to share it. The way the system functions in the House of Commons is such that the prime ministers have iron control and will simply change their critical path and introduce bills the requisite number of months earlier in order to take care of the Senate's suspensive veto. That is why I talk of the suspensive veto in the Canadian context as a rubber stamp that squeaks for a limited period of time. On the other hand, the Australian system, which Senator Roblin has defended eloquently in this House, weighted representation heavily by region rather than strictly representation by population.

● (1045)

Senator Buckwold: It is equal. Tasmania has the same number of senators as does New South Wales.

Senator Gigantès: After Quebec leaves, that may be the price that Ontario might have to pay to keep Canada together, if that is what Ontario wants.

What happens where there is a confrontation between the two chambers? The Australians have found the formula of double dissolution. Of course, the chambers are not elected for the same periods of time. While there can be some distinctiveness in what the two chambers deal with, but there must be an overlap. Important bills would have to be approved by both Houses. If there is a clash, the Prime Minister then should have the right to use double dissolution. We have two cases, then. Either the Prime Minister knows he will win in an election, and the Senate will then give way to arrive at a compromise, or the Prime Minister knows that he will lose, and he will bow to the Senate. That is what will happen. It seems to work fairly well in Australia.

I do not see it working in a Canada in which Quebec has remained as a sort of loose associate. Quite legitimately,

Quebec would be worried about the demographically smaller place that it occupies than does Canada as a whole. As a Quebec senator I could not possibly accept an upper chamber which would be equal for all regions. It is unthinkable. Quebec is already worried about having a fixed number of 75 MPs in a Parliament the size of which grows all the time. So, if Quebec stays in Confederation, perhaps the abolition of the Senate would be an easier thing to convince Quebec to accept than an Australian model with double dissolution.

I feel terribly sad when I think about all these things because I do not see a rosy solution. I am sunk in pessimism. Senator David was saying that I was spinning a novel, un roman. I do not think it is un roman that there are excited idiots on both sides of the Ottawa River writing frustratedly, and sometimes brilliantly in terms of eloquence, and talking sheer nonsense, working on the emotions of people on both sides. There will be endless images of my flag being trampled upon, and your flag being trampled upon. National anthems will be booed on both sides. It will be awful.

Senator David assumes that everyone is as civilized as he. Obviously, he does not read the *Sun* newspaper. If his equivalent, the civilized anglophone cardiologist, were to read Mr. Daniel Latouche, would be shocked out of his mind. He would not believe it. No anglophone could possibly accept that what Latouche says about anglophones represents anglophones. We each have images of ourselves. His attacks on anglophones and their motives are such that no anglophone could ever possibly accept them, and vice versa. These people will continue to write and make the construction of a sovereignty association type of Quebec-Canada union almost impossible.

So, honourable senators, I am in the deepest pessimism. My pessimism is only tempered by the fact that, what the hell, I live in Quebec, a place I love. I love my house in the Gatineau. I have a collection of separatist but lovable relatives of whom I am terribly fond, and they will protect me.

A student of a senator opposite said, "Senator, you will always be considered a good Quebecer if you have the true interests of Quebec at heart". I replied, "Who defines those interests?" and he said, "The majority". The senator opposite knows of whom I speak. I do not want to mention his name.

What, then, happens to the minority? If someone disagrees with a majority does that, *ipso facto*, mean that he is a bad Quebecer? That is what this young man was saying. I had the same sort of thing said to me by the Chef du Cabinet of Pierre Marc Johnson when he was still a minister. I met this man at a federal-provincial conference in Victoria. We were discussing the subject very amicably over a good dinner, and he said to me, "You can't possibly understand, you are not a real Quebecer". I said, "Well, I live in Quebec. I married a Quebec woman. Our daughter goes to a Quebec school. We speak French at home. I obey the laws. I pay Quebec taxes." He said, "Vous n'êtes pas un francophone pure-laine!"

Let us not forget our colleague Mr. Flynn who, on two occasions, and I do not mind—

[*Translation*]

I have been called a wog in so many countries that I am used to it. I feel that people who make remarks like the one Senator Flynn made and which I will repeat in a moment are those who have a problem, not me. When you have been a wog in 59 countries, you harden yourself against it and you find it funny. You laugh a lot. You refuse to take yourself seriously because if you did, life would become unbearable.

Senator Stollery: We laugh at people who take themselves so seriously.

Senator Gigantès: That's their problem! they can do what they want, they can take themselves seriously. On the first occasion, Senator Flynn was asking me why I was so concerned about the free trade agreement. My answer can be found in the *Debates* of the Senate. I answered: Maybe its because I am a new Canadian. He said: You look it. So, Senator McElman got very annoyed and said that that was a racist comment. And I said: "Come on, let's calm down. I only interpret Senator Flynn's comment as meaning that he finds that I do not look like him physically, and I will always be grateful to him for that finding." But it was still a racist comment on his part.

Oh, you want me to accept that, to say nothing, to answer nothing! And then, very recently, just before he retired, at one point I said I was a Quebecer. He said: "Ah, you a Quebecer?" And I said: "What do you mean, am I not a Quebecer?" He said: "Well, maybe technically." That also was racist!

Listen to me well, the hordes of lawyers who are my in-laws will defend me against the narrow-minded people who live on both sides of the river.

Senator Stollery: I would like to ask you a question.

Senator Gigantès: You are wlecome, my friend.

Senator Stollery: Senator Gigantès, I did not understand the use of the word racism in Canada. Could you explain that to me, because I don't understand how it applies here. What do you mean by race, we are all of the same race even if we speak two languages. People from France, of French origin, and people of British, Scotish or Irish origin belong to the same race! Race is something else. There might be a Chinese race, a Hindu race or an African race, but in Canada, why do we use the word race so much, it is not proper. We do not have two races, we might have two languages, two main languages, but that is it. As a Torontonian, I do not understand that.

Senator Gigantès: Indeed, you never did understand that problem and I must apologize to you for putting it to you so bluntly. I hope you will take it in good part, but you should read *Men and, maître draveur* by Mgr. Savard to have a better grasp of the situation. You should read Groulx also. You should have been in the car with my beautiful sister-in-law from Quebec and myself and the kids. When we stopped in Poltimore to buy some ice cream—

Senator Stollery: Because she was black?

Senator Gigantès: She is not black. She is quite white and so am I. We stopped in Poltimore where there was this Anglo-

phone selling ice cream. This beautiful and distinguished lady stepped out of the car to buy ice cream cones. When she adressed the gentleman in French, in Quebec, she was told: "Speak White". What would you want her to make of that? What would you want her daughter to think? But those things happen. They do happen sometimes.

Let's take the case of the Turks and the Greeks. When the Turks invaded the Byzantine Empire in the 10th century, there were 20 million Christians. One hundred thousand Turkish horsemen conquered that empire. After the conquest, they mated with women of the country, because they had no women with them. When we look at the Turks and the Greeks in Constantinople, it is quite difficult to tell them apart.

There was a television report on Albania the other day. It is very difficult to see the difference between inhabitants of different Balkan States or between inhabitants of the Balkans and those of Asia Minor. So, when it comes to genes and chromosomes, and so on, we are all quite the same. There is however a lot of racism in the Balkans. The Bulgarians are trying to throw out of the country all the Muslim. When you look at both groups, you can't see the difference between a Muslim and an Orthodox. But they feel different.

Senator Stollery: Listen, I speak neither French nor English, and I know only a little bit of Spanish. I don't speak any of the Balkan languages. Like you, Senator Gigantès, I know the world a little, and the Balkans very well. I know that in the Balkans, there are people who are prejudiced and bigoted. There are tribes who hate each other. You see, we refer to them as tribes. They came a long time ago from the other side of the Caucasus. They hate each other because they are from different tribes. I say this as someone who has traveled a little in 35 years. I believe it is important to use the right words, words which mean something, you know. Some Yugoslav are Muslim, Christian, Orthodox, Catholic, et cetera, but for me, these are not racial differences. They are all of the same race. They all form the same people. However, when we speak of Blacks, then, yes, that is another race. You may have heard of a very wellknown book, entitled *Seligman's Races of Africa*. There are five races in Africa.

You see, the word "race" means something specific. But it is becoming a stereotyped word, a very "in" word in Canada. But Canada is Canada, and it is the only country I know where we use this word for something which is not, anyway, a racial issue. In Canada, the problem is linguistic, it is a language issue.

Senator Gigantès: Monsignor Savard was speaking of a blood difference.

Senator Stollery: But it is the same blood.

Senator Gigantès: He was nevertheless speaking of blood; he does not accept this way of seeing things.

Senator Stollery: He was referring to the Gascons, and the Normands.

[Senator Gigantès.]

Senator Gigantès: Like many other Quebeckers, he had his own perception of it. And not necessarily a bad perception at that. He thought that, from a genetic point of view, they made up a distinct group. Some people from Quebec believe that.

Senator Beaudoin: I have a question for Senator Gigantès. For the record, I think we need to clarify something. I am all in favour of individual rights. I give a course on the Canadian Bill of Rights. You say that some of our most famous writers from Quebec used the word "race". That is true, especially for writers from the beginning of the century, like Father Groulx. But careful! Most of our modern writers in Quebec now refer to their ethnic origin. You talk about Félix-Antoine Savard. Let's not forget he was one of the first to promote Canadian unity. He said: "Joy to our reunited people", not reunited races, but people. It could be said that Félix-Antoine Savard is one of those who would like Canada to hold together and who would want a country where individual rights are respected. Those rights are well protected by the Supreme Court and the Charter of Rights.

It can be witnessed once more this morning in the decisions made by the Supreme Court and it can be seen also in the works of modern writers. I am quite ready to participate in a debate on individual rights versus collective ones. Some federalists and some separatists are respectful of rights and freedoms. Those issues should not be all mixed up. I would be rather cautious in that regard.

In the Canadian Constitution, the words "race" and "origine nationale ou ethnique" are found in the French version of section 15 of the Charter of Rights. In universities today, the word "ethnie" has replaced "race". At the turn of the century, the word "race" was used in Great Britain, France, Canada and elsewhere. Although this is an interesting issue, it should not be used as a red herring. I do not mind debating that matter. I find it quite interesting. I am all for fundamental liberties and I think we all support them, at least I hope so! There may be some who support them less, I do not know.

However, when we are having a debate on the structure of tomorrow's Canada, this is an additional subject. Of course, I want all reforms to our system to be made with due respect to rights and liberties. I am only saying this as a matter of principle since we probably have common views on the subject.

Senator Gigantès: I understand that you would prefer a euphemism like "ethnic group" rather than "race". I remember someone I liked a lot. He was a faithful friend of mine, who left me his children. He was quite offended by the fact that Larkin Kerwin was rector of Laval University. He used to say: "A foreigner. This is unthinkable!" Larkin Kerwin spoke a very good French, with a slight accent . . .

Senator Poitras: He has no accent.

Senator Gigantès: No accent?

Senator Poitras: No, he speaks French better than you do.

Senator Gigantès: Thank you. That gives even more weight to my argument. And now this excellent person . . .

Senator Poitras: He is a great Canadian who was president of the National Research Council and who is now president of the Space Centre, and I think that you should retract.

Senator Gigantès: I did not say anything against this excellent person. I was simply saying that another person . . . You never listen, senator Poitras. It is a bad habit. You never listen. You got angry for no reason at all.

Senator Poitras: You are talking through your hat about all the great Canadians and you make no difference. It is unacceptable.

Senator Gigantès: I was not talking about him. I was talking about a Quebecker who was shocked by the fact that Mr. Larkin Kerwin was president of Laval University.

Senator Poitras: He is ignorant if he found that shocking. Mr. Kerwin is a Canadian, he is a Quebecker. He was born here whereas others were not.

Senator Gigantès: Now this is a remark that is close to being racist. So, that "real" Quebecker was shocked by the fact that the president of Laval University was not a "real" francophone, as he said. And yet, as senator Poitras said so well, Larkin Kerwin is a great Quebecker, a great Canadian, a great scientist, a superb person, and senator . . .

• (1100)

[*English*]

Senator Spivak: Honourable senators—

Senator Doody: Would you yield for a moment, please, Senator Gigantès? You have been going for seven hours. Would you sit down for a minute please?

Senator Spivak: Honourable senators, I think it is appropriate on this anniversary, the first anniversary of the tragedy which took place in Montreal at l'École Polytechnique, that we stand for a moment of silence to commemorate those who were slain that day.

Honourable Senators observed one minute of silent tribute.

TRAGEDY OF POLYTECH UNIVERSITY

FIRST ANNIVERSARY—SILENT TRIBUTE

Senator Spivak: Thank you.

Honourable senators, last year at this time, Marc Lépine walked into a classroom at the University of Montreal, l'Ecole Polytechnique, carrying a semi-automatic rifle. He separated the men from the women, ordered the men to leave, and told the remaining female engineering students, "I am fighting feminism." He opened fire and then searched for more victims. On the first anniversary of this tragedy, our first thoughts are for the families of the victims.

[*Translation*]

I would like to express my deepest sympathy to the families of the victims and I mourn the loss of these young women promised to a bright future.

[*English*]

It is inevitable that these 14 young women, victims of the largest mass murder in our history, should have become a symbol for the escalating level of violence against women. The event itself has fuelled a debate within Canada about its very significance, the central question being whether what happened in Montreal on December 6, 1989, was simply the senseless actions of a mad gunman, an isolated event, or whether, as many believe, it was a result of the inherent, profoundly disturbing, ingrained attitudes both sexist and violent that are present in our society today towards women.

A tragedy of this dimension raises a number of large issues, each fraught with its separate complexities; gun control, emergency response systems, familial grief, the particular psychology of Marc Lépine, and the general malaise of socially-entrenched sexism.

I want to touch on just two of those issues briefly. It is increasingly recognized that violence against women is often treated too lightly in the courts, in our universities, and in the texture and structure of our daily lives. What is heartening is that we are beginning to address the issue of violence against children, and the significance of such experience to the vicious circle inscribed by violence, by all violence practiced against all people. Marc Lépine was a victim of extreme childhood violence who was terrified of his father. The family was subjected to constant terror so that, as one columnist put it, the blood then spilled, went unstaunched, unreported, unpunished, left to flow right up to the front steps of l'École Polytechnique. We must do more to break the cycle of violence by directing attention to children who experience or witness it.

We need also to restrain the use of the gun as the ultimate machine in the war against women, to halt the flow of the 15,000 machine guns and other Rambo-type weaponry coming into Canada each year. The students of l'École Polytechnique have mounted an impressive campaign for gun control. Hearings have begun on Bill C-80, the proposed gun control law. Tougher gun control legislation is absolutely necessary. Marc Lépine had a 30-bullet clip in his rifle allowing him to kill 14 women without ever having to stop to reload his gun.

I want also to pay tribute, if I may, with your indulgence, to the commemorative gesture of a Winnipeg woman, a former director of a women's shelter in Winnipeg who has had 14 bronze plaques engraved each with one victim's name, and the date and the words, "Murdered by Misogynist." These will be on display in Winnipeg in prominent locations for one year so that the people of Winnipeg will be reminded of the tragedy in Montreal, and also the people of Montreal will understand that, in Winnipeg, we share their tragedy.

On this sad anniversary, we remember and hope that this kind of thing will never happen again, and we urge the federal government to take the necessary steps to deal with violence against women. Senator Royce Frith has spoken very eloquently in this chamber about the entire subject, the tragedy, the issue of violence against women, and when we are finished with our current business, I hope to take up and deal a little more fully with this issue. Thank you.

Some Hon. Senators: Hear, hear!

Senator Fairbairn: Honourable senators, as Senator Spivak, who spoke before me, noted, today we remember with great sadness the 14 young women who were murdered so senselessly one year ago at l'Ecole Polytechnique in Montreal. There were a multitude of pressures on the mind of Marc Lépine as he dismissed the male students and then systematically gunned down his female victims with a semi-automatic rifle before taking his own life. It is interesting to me that, almost immediately after that event, the automatic reaction was, that he was deeply troubled, that he must be mad—almost as an excuse, or attempting to find the reason which motivated him, other than the one that was revealed in his own suicide note released two weeks ago. That note made it very clear that whatever else troubled him, at the core of his actions was an extreme hatred of women, a hatred of the place in society increasingly occupied by women in modern Canada.

● (1115)

In Montreal the target was very young women, a new generation with the enthusiasm and determination to pursue a productive future along whatever path their ability and ambition led them. In this case, it was engineering, a field traditionally dominated by men. As Lépine prepared to kill these young women, he branded them first with what to him was a venomous label. He called them feminists.

The tragedy of the Montreal massacre is as wounding today as it was a year ago. Part of that tragedy, I suppose, is that after the shock and horror, and after the tears and the vigils, this dreadful event has really tailed off to a degree into national silence rather than forcing a new resolve at the highest levels of our multi-government and social structures, to heighten awareness of the daily reality of violence against women. We as a nation have carried on much as before. There were determined efforts by the survivors, by students at l'École Polytechnique who were friends of the victims. There was an eloquent young women who, just in the last couple of days, was interviewed on the CBC's *Journal* about her campaign for gun control. The efforts of concerned individuals and women's groups continue.

However, once again attempts to tackle in a meaningful way the issue of gun control appear to be faltering as the traditional strength of the gun lobby pushes back a seemingly weaker cause of societal protection. In spite of increasing daily evidence of battered women, abused children, of loss of life through family violence across this country, funding for assistance and support is curtailed.

Young women should be able to rely on the strength behind the words "equal opportunity" in our Charter of Rights and Freedoms. However, outside a courtroom, those words remain empty until they are given meaning by a fundamental shift in our collective attitudes and a reversal of our passivity towards constant evidence of violence around us.

As we contemplate the events of last yer in Montreal, surely we as legislators have a special responsibility, not just to promote the attitudinal change but also to try to force priorities on all governments that would attack the core causes that breed violence and instability.

As Senator Spivak noted, my colleague Senator Frith has an inquiry on the Senate order paper into the whole issue that flowed from the events that took place in Montreal a year ago. I would hope in calmer times that a number of us, and not just the women in this chamber but the men as well would choose to speak in this debate openly and from their hearts on what is not just a women's issue but a very fundamental issue on how women and men can coincide on equal and supportive terms throughout our society in Canada.

The Montreal massacre is a very painful reminder of a widespread illness. Hopefully, in 1991, we will be able, in really substantive terms, to do more to set about finding a cure. This is the least we can do for the families of those 14 young women whom we think of today with great sympathy. Thank you.

Some Hon. Senators: Hear, hear!

Senator Gigantès: Honourable senators, before I resume my discussion with Senator Poitras, I, too, would like to speak very briefly about what happened in Montreal.

I am a father of daughters and have been blessed with wonderful nieces, and when I think of the families of these young women and their loss, and when I think of the loss to us of these young women . . .

[*Translation*]

To lose these precious young women is one of the worst tragedies that can happen. The loss is for us all. I often think of their parents because I cannot imagine what it must have been for the University of Montreal official when he was informed that his daughter had been shot. He had to go and pick her up. Senators Spivak and Fairbairn are right. It cannot be hidden or forgotten. We must discuss and try to find what dreadful disease is causing such nonsensical tragedies. This one was particularly horrible, with 14 victims, but they happen every day.

Violence against women is a daily occurence. We should look into that some day. Allow me a 30 seconds' silence before I follow in senator Poitras' steps. Thirty seconds.

Let me tell you my deep respect and admiration for Larkin Kerwin. I could not believe or accept that someone would question his capacity to hold his position as rector of Laval University and his right to do so. I was not attacking Mr. Kerwin. On the contrary, I admire him.

In your answer, you displayed the same attitude as that person who criticized Kerwin for not having been born here. Petty comments such as that «pure laine» upset me, especially from someone as worldly and prominent as you. I am ashamed for you. Someone else I would not mind, but you, how could a man of quality such as you react that way. It is distressing!

Senator Poitras: Thank you for taking back what you just said. As regards my comments, they were not directed at you in particular, and, if need be, I will do as you did.

Senator Gigantès: Senator Poitras, I took back nothing. There was nothing to take back since I said nothing offensive concerning Mr. Kerwin. I just reaffirmed my admiration for

the man. The record will show what I said. You were not listening; you did not hear. Ask your fellows around you. They will explain.

Let us get back to the subject for a moment. The Opposition has the duty to oppose. I have before me a text with several English quotations. One of these is from a minister of yours, Mr. Tom Hockin, whom I admire greatly. He presided the Joint Commission on Canada's External Relations, and did an exemplary job. He produced a very good report. We all got along extremely well with that man, a civilized man, without an once of meanness and petty pseudo-nationalism. He was a fine man, a civilized man, so everything went well.

On the subject of the reform of the House of Commons, he said . . .

[*English*]

> Neither the Government nor the Opposition has a vested interest in asserting its patrimony over all of the results of the committee system . . . . Some Opposition MPs wonder if the role of the Opposition in committees does not sometimes become too collegial, in that Government and Opposition MPs may simply end up doing little more than tidying up a minister's bill. Not surprisingly, therefore, some Opposition MPs feel not enough partisan advantage is gained from all this work.

I deplore the business of partisan advantage. Sometimes, I suppose, it is necessary. Mr. Hawkins, having proven that he is a great committee chairman and a great Canadian, had in a sense an easy subject to deal with, although there was the pretentious issue of the idiot "Star Wars" policies of the Reagan administration.

We had before us witnesses who wanted to make money out of producing an absurd and ridiculous system for defence, which even its proponents said would not work. As is my wont, I was not very kind to those people. After all, when a general comes and says: "It is a marvellous system, it will keep out 96 per cent of all warheads coming towards North America," I would say that means it would allow 4 per cent to come in.

The Russians, on land-based missiles alone and not counting their submarines, have 6,000 warheads. Is this witness, therefore, telling us that 240 warheads of at least 1 megaton each, coming at the United States, is progress, is useful? If the first 240 cities of the United States are eliminated in a rain of warheads, what will be left? What are we talking about? What kind of reality is it that we are talking in mega-deaths?

I am ashamed to say that there were Canadian witnesses, good Conservatives all without a doubt, who saw a chance of making money out of this absurd enterprise which, out of their own mouths was condemned as a useless waste of money that could better be spent improving this country. They wanted our government to contribute. They wanted to have contracts from the United States. They wanted to make the arms race a little more dangerous, make it last a little longer, and their ploy would have succeeded if Gorbachev had not been in power.

Mr. Hockin had generally an easy task except on matters dealing with the "Star Wars" illusions and delusions of Ronald Reagan. That is another Conservative abberation. How anybody could elect such a man is beyond me, and how Conservatives could like him is only proof of how dangerous the Conservative illusion is—a matter about which I will be speaking on Tuesday.

• (1130)

There is at least an implicit conflict between the notion of MPs as legislators acting in concert with a common purpose, and their expected practice and roles based on adversarial representation. As Hockin points out, however, the genius of the parliamentary process is that adversary politics is not simply negative, but can itself be an important part of the shaping of government policy.

We were saying earlier that what legitimizes this government at this time is that there is a Parliament with two chambers, in both of which there is a strong opposition which is vocal and weariless—

[*Translation*]

It is better expressed in French. If the opposition did not exist, your government, low as it is in the latest polls, would lose much of its legitimacy. Because it is part of an institution such as Parliament where an opposition challenges it, your government acquires what little legitimacy it has left, because it can always say it was elected, it is within a parliament, it has an opposition. Without the opposition or if the opposition were what I call the "squeaky rubber stamp", your government right now would no longer have any legitimacy.

[*English*]

Indeed, without good opposition, policy consensus would be a meaningless formality. Parliament could not do its work without the techniques of advocacy, contestation and persuasion pursued by the party caucuses and by individual members.

I know this goes against the feelings of the squeamish and of the good, kind pillars of society.

[*Translation*]

—the mainstays who throughout their careers were told yes by their subordinates and by people who want to make a little money or get a few favours and suddenly find themselves in the middle of an arena where their friends in government, their Prime Minister is challenged in a very fierce way. But that is quite unbecoming! It is not good form! How awful! That would not be acceptable at the Rideau Club. We are not at the Rideau Club here, we are in Parliament and as I wear myself out repeating to you, Parliament it a substitute for the judgement of God, and we are fighting each other not with swords or clubs but with words.

If you cannot take any beating, you are at the wrong place, especially when I am around. So Mr. Hockin concluded the paper he wrote on the role of committees and Parliament as follows:

[*English*]

Hockin concludes:

> To choose adversary propaganda politics instead of collegial coalescent politics may not be without effect on policy in the long run.

[*Translation*]

So fierce criticism and battle, do have good effects. He expressed himself in English, so I will quote him in English and then have this translated for free, as Senator Simard would say . . .

[*English*]

> In fact, it can be suggested further that Opposition parties pursue at least four fundamental representational, yet partisan, roles in their activity in the House of Commons. Regardless of the nature of the party, all Opposition parties use the Canadian House as a public forum first to check on the Government's integrity. They are in constant pursuit of evidence not only of Government misspending of funds but of wider examples of dishonesty and arbitrary behaviour.

In the past six years this has been an easy thing for the opposition to do. I now return to Mr. Hockin.

> Second, the Opposition prods the Government to act on behalf of certain interests, opinions and needs in society. Third, the opposition probes for information and although it seldom has success in eliciting hard information from the Government during the oral question period, it can be remarkably effective (if it works at it) in eliciting such information in written questions and in committees. Fourth, the Opposition attempts to re-interpret the Government's interpretation . . .

Naturally, any government—your party or our party—is self-serving. It will talk about what pleases it. It will attempt to put its best face forward.

It is the role of the opposition to reinterpret the government's interpretation. Scrape away the chalk and show what is underneath the dreadful image of an inept and incompetent government.

> These functions of the Opposition parties, when combined with surreptitious efforts by backbench Government MPs—

Long live Pat Nowlan.

> —to influence the cabinet, help one to understand more comprehensively the general role of the House of Commons in the political and policy process in Canada.

This is taken from "Adversary Politics and Some Functions of the Canadian House of Commons," pages 377 and 378 by Tom Hockin.

That being said, even if the parliamentary mandates were to become more clearly appreciated by the Canadian public, opposition parties would still face some formidable challenges. In particular, when major decisions take place without passing through parliamentary channels, the opposition is placed at a distinct disadvantage in terms of its ability to meaningfully scrutinize and influence government actions.

[Senator Gigantès.]

Increased resort to extra-parliamentary means to resolve the country's problems, e.g. federal-provincial conferences, interest group consultations, etc., leads inevitably as well to a greater prominence for extra-parliamentary forms of opposition. To be fully credible as an institution, Parliament must be able to demonstrate an active presence across the full range of national public policy concerns.

That is what we are all about in this place. We are demonstrating an interest in protecting the Canadian public over the full range of its concerns. If you do not like the way we do it and cannot stand the heat, what are you doing in the kitchen?

The burden of making Parliament more effective falls, above all, on the shoulders of the opposition and members of parliament in their individual capacities.

The next subject I would like to deal with is opposition rights and responsibilities. We are dealing with the 32nd Parliament, 1980 to 1984, where you will see the contrast between the behaviour of a Liberal Speaker, the Right Honourable Jeanne Sauvé, and Senator Charbonneau, whom you call Speaker, but we do not.

The first session of the first Parliament of the 1980s set a number of seemingly unenviable precedents which tested the stamina of both the government and the opposition. The session was the longest on record—approximately 400 sitting days—not least because of several episodes in which the opposition, as a last resort, employed its tactics in order to block the normal course of parliamentary business. Yet in the end, the session gave birth to a new Canadian Constitution, as well as many major pieces of legislation.

Whenever I discuss this Constitution, I will remind you that it was written by René Levesque; the text was signed by him, and in an act of unparalleled flexibility, it was accepted by Trudeau. I would like you to show me flexibility on the part of anyone at your ministerial desk.

From the point of view of the future role of the opposition, it is important to assess how Parliament acquitted itself under the strain of these extraordinary circumstances.

Parliamentary reform rose to the top of the agenda in Canada in the late 1960s, largely as a result of the frustrating experience with successive minority governments and the exceedingly long and acrimonious debate over the adoption of a national flag. However, the reform process itself became so vexed that eventually the government imposed a series of changes to streamline the rules of debate over the strenuous objections of the opposition.

Then, as later, there were critics who wondered what was the use of reform if, after all, "the function of Parliament as a whole is to ventilate, not to legislate." Still, most interested observers continued to believe strongly that Parliament had to be more than just a place for fruitless "ventilation."

You have left us with nothing but ventilation. As was pointed out by my colleagues earlier in this debate, your Minister of National Revenue said that he would accept absolutely no amendments to this bill. That is on the record,

and you cannot deny it. Senator Simard denies it, but he will deny anything.

Then your Minister of Finance backed up the Minister of Revenue and said that there would be no amendments. He did not have the gall to ask us to propose amendments at the committee stage. We were told that you would accept no amendments.

We heard today from Senator Neiman that you do not have a concordance in your bill between the English and the French texts. Lawyers will become millionaires fighting over the GST if we do not manage to stop it. Citizens will be able to sue forever on the basis of no concordance, and so they should.

We have looked at the whole bill. You have heard some of the defects, and I will read you more. I have a whole caseful of defects here. Of all the models to imitate, we picked the very worst, the one that the British have produced and which resembles the way they number their houses—number 1, number 37, number 4 and number 203, and then the similar names next to one another, such as Cumberland Crescent, Cumberland Avenue, Cumberland Square, Cumberland Road. You need a doctorate in taxi operation to find your way around London.

We have been left with only ventilation because of you. You pretend—and you know it is a lie—that when we were a majority we blocked things that the Prime Minister wanted. Senator McElman, before he left, gave a speech and he left me the data. On a large number of occasions when a Liberal majority blocked a bill, they blocked a Liberal government.

What mattered most to Mr. Trudeau was constitutional reform. In June 1978, the Liberal majority in the Senate told him that his Bill C-60 would not pass this chamber. Through that bill, he wanted to change the Constitution without consulting the provinces. His appointees—they were not puppets whose strings are pulled but human beings with minds and courage—said to him that it would not pass. They forced him to back down. Being an intelligent man, he backed down and did not go into a fit because his mirror had told him that he was not the most beautiful of all.

• (1145)

Your government then comes into power and says, "No amendments, no amendments, no amendments," all along. "My way or no way." Having said that, you complain that we do not propose amendments. So you have left us only with ventilations. What you are getting from me is hyperventilation, and you will be getting it for many more hours to come. Any time any senator opposite wants to stand up and try any tricks or give me a shot, I will be delighted; I will love it. You will get a shot right back in the mouth. I do not ask for any quarter, and as you know I do not give any.

Parliamentary reform rose to the top of the agenda in Canada in the late 1960s, as we said. There are people who object to the fact that it is only ventilation.

We have here someone who did great things for Parliament. During 1982 and 1983, the Lefebvre committee produced a series of innovative reports. The senator should take a bow. I am saying nice things about you, dear colleague. I am saying that during 1982—that Senator Poitras will not listen is one thing; but that you will not listen when I say what a great man you are, what can I do?

Senator Lefebvre: It surprised me so much to hear that praise that it stunned me, that is all.

Senator Gigantès: What do you mean that I surprised you by praising you? Don't I always praise you? Have you ever heard me say anything nasty about you—anything other than compliments? Do not pay any attention to Senator Poitras.

Senator Poitras: He will not speak—

Senator Gigantès: He does not understand what I am saying. It is my fault, though, because, as he pointed out, I was not born here and my accent probably is not good enough for him.

Senator Barootes: Like the rest of us, he does not believe you—that is the problem.

Senator Hastings: Oh, ye of little faith.

Senator Gigantès: My darling Staf, not you and I. We are two Greeks. If we get into a shouting match, you and I, we will drive them nuts. So why don't you relax a little? Not you and I, please. We have good relations. Besides, before this is over I may need your professional services.

During 1982 and 1983 the Lefebvre committee produced a series of innovative reports. One of the most notable early recommendations to be accepted was the automatic referral of reports from government departments and agencies to the relevant Commons standing committees, and the requirement for substantive government response to committee reports.

The only response we get from this government, though, is, "Pass it without amendment. Accept that whatever we say is right. Even if it is wrong, it is right."

Sweeping proposals in later reports to increase the scrutiny of expenditures made little headway, I regret. But in a number of other areas—election of the Speaker, broadening the composition of the Board of Internal Economy, the use of legislative committees with chairmen drawn from a panel of members chosen by the Speaker from both sides of the house—the work of the special committee in enhancing the role of private members of all parties was not in vain.

Senator Lefebvre, take another bow. Your work was not in vain. Senator Rizzuto, tell Senator Lefebvre that I am continuing to say nice things about him. This does not happen very often to many of us in this chamber.

Senator Lefebvre: I promise to listen.

Senator Gigantès: Please do. Bask in it.

How much these institutional changes benefited the opposition is open to question since some of them, such as shortening the length of speeches, were designed to make the work of Parliament more efficient and expeditious. The changes also did not address the continued rigid operation of party discipline, which put the onus of holding the government to account squarely on the ingenuity and procedural arsenal of the opposi-

tion parties and their parliamentary leadership. Van Loon and Whittington have observed:

> In a majority government situation, the basic strengths and weaknesses of the opposition parties in parliament are determined primarily by the procedures of the House of Commons. Since they are never going to be able to outvote the government on any policy proposal, the opposition parties must content themselves with using subtler techniques to attempt to influence policy.

We now have the definition of what I am doing. This is my subtle technique. Wait until you see my unsubtle technique.

The two major confrontational incidents drawn from the first session of the 32nd Parliament showed the lengths to which a determined opposition could go.

You will all chuckle with approval when I describe the behaviour on the part of your fellow Tories, which is much worse than anything we ever did here. You probably think that it was wonderful. Who knows? Maybe it was.

In the first incident, the opposition successfully prevented the government from moving time allocation on debate on third reading of its constitutional resolution. By raising a steady stream of points of order and questions of privilege, house business was interrupted, with two agreed-upon exceptions, from March 26, 1981, until April 8, when the Government House Leader tabled a complex special motion as a compromise which both guaranteed the government an eventual conclusion to the debate, and conceded the opposition's point. The Liberals conceded the opposition's point.

Perhaps things would be better in this house if the Leader of the Government in this house—I choke on the word "honourable"—thought of conceding a point occasionally. But I daresay the apprentice's sorcerer, the Prime Minister, who holds his strings would not accept.

In any event, the Liberals conceded—although they had a majority situation—the opposition's point that the bill be delayed until the Supreme Court ruled on the constitutionality of the resolution before the house. That is a big concession. We asked for a similar concession with respect to your appointment of eight new senators. But we were told, "No. Absolutely not. We will not discuss this". What you want is no amendments, no suggestions and total silence on our part. That is what you want, but you will not get it.

In the second incident, the opposition balked at a multi-purpose, omnibus bill—Bill C-94, the Energy Security Act, which was introduced by the government as part of its controversial National Energy Program. By refusing to answer the bells that summoning members to a recorded vote on a related adjournment motion, the official opposition held up house proceedings while the division bells rang from 4:20 p.m. on March 2, 1982 until 2:28 p.m. on March 17, when the logjam was broken by an all-party agreement to split the bill into eight separate acts, all of which were subsequently passed with limited debate.

It was the government that made the concession—that is, it was the Liberals who made the concession. The Tories rang the bells for 15 days. At that time, a Liberal was the Speaker, namely, the Right Honourable Madam Sauvé. She did not do what Senator Charbonneau did. She did not call in the Liberals at a time that was known only to them and hold a vote. She let the bells ring. She knew what the bell ringing was for. The bell ringing occurred in order to allow the opposition, which was a minority, a weapon with which to fight the government. That is what the opposition is there for in a Parliament. That is what it is for, namely, to fight the government. Madam Sauvé, a democrat, understood that and allowed the bells to ring. The government had to pay a price for the ending of the ringing of the bells. It had to agree to split the bill into eight parts, as the opposition wanted it.

Can you cite an example of reasonableness comparable to that on the part of your government during the six years that you have been destroying the country? In the above case, the opposition achieved a partial victory in its stand against the omnibus bill. It is rather more difficult to say how much was gained in terms of public comprehension and scrutiny of the complex energy legislation by the attention accorded the sensational bell-ringing episode. There was some opposition disappointment that the media coverage did not extend far into the substance of the legislation. Well, join the club—at least we have joined the club now.

I will digress here, as a journalist. Within the hearing of my dear friend, Senator Doyle, I might talk a bit about the problems of a journalist and the problems of deadlines.

As an editorial writer in the *Gazette*, I had to attend the editorial meetings that started at ten in the morning. By 11:30 assignments had been distributed and I had to deliver an editorial of eight and three-quarter column inches by 4:30 precisely, and not one minute later. That took place from 11:30 to 4:30—five hours. But two of those hours included the lunch hour, when you could not get anyone on the phone. You had to do some research and you had to write. You always had the feeling that you were on the fringe of superficiality. It was difficult to feel satisfied at the end of an editorial with anything but the language. You often had the feeling that, by clever use of language you were camouflaging your lack of knowledge.

I am reminded of the time I was sent to the Dominican Republic by you, Senator Doyle, when Trujillo was overthrown. I arrived on a Friday night at two in the morning. I was supposed to report for the *Observer* at eight in the morning, Dominican time, to catch their last edition. Tell me this: Who can talk to you? Who can you find to talk to you the first time you go to a place where the dictator has just been killed? The place is in a state of seige and everyone is scared of themselves, the armed forces and the police. Nobody wants to talk. I said, well, I will do a kind of Hemingway piece all about the appearance of the place, the lighting and the moonlight glinting on the machine guns. I said to myself that next week I will have learned something of value. But by the next week I had been moved to another story by Senator Doyle. I never did get to explain the situation. I did not even find out what the hell the situation was. I did, however, receive a telegram of

congratulation from the paper on how good my article was. It was meaningless, but the paper liked it. That is journalism.

● (1200)

The Tories were very upset after the bell-ringing episode that the only attention they got was for the bell ringing itself and not for the substance of what they were saying. This is a fate that awaits me. All the journalists will care about—and who can blame them—is how many hours I talked and how well I stand. I have been sent messages by journalists asking, "How do you feel?" Not, "What are you talking about?" They are not around to listen, and I do not blame them. Those are the vagaries of the journalistic profession. It is not an easy one, but a great one, one which I commend to any youngster. Apart from being a senator, I know of no other occupation in which you can be insolent. One thing that is absolutely essential for the survival of democracy is insolence. Some of the well-meaning senators we have across the way with their inordinate wish for reverence, decorum, proper manners and respectability do not seem to understand that if all these rules they would like all of us to apply were applied, democracy would seriously suffer. Occasionally, to make someone like Mulroney or even Lowell Murray listen to an argument, an eloquent pen or even a stiletto will not produce a result. You have to get a club and hit them over the head with it, verbally.

It might have been less of a problem for the opposition during the National Energy Program if the issues at stake had been simple and clearcut. I think in many ways our message has penetrated. Honourable senators have heard about the article written by Jeffrey Simpson this morning, and similar articles which have appeared elsewhere, concerning the question of who speaks for Canada. There is talk about the Prime Minister's overweaning pride and his incapacity to handle affairs. As I have said before, the fish starts rotting at the head and goes down from the Prime Minister to his whole cabinet. There is a pervasive aura of failure and incompetence at a time when the country badly needs decent government.

I will repeat what I said earlier, and may my liberal father's soul forgive me for saying it: I long for a good, decent, credible Tory Prime Minister until the next election for the next two years so that he can speak for Canada, and so that he can try to heal some of the damage the present incumbent of 24 Sussex Drive has inflicted on this wonderful country. As I said in the article I wrote, Canada is a sweet country and does not deserve Mulroney. I am not about to say that those across the way do not deserve him; they do. But the country does not deserve him. I do not want honourable senators to think I am getting soft, but I would accept a decent Tory as a Prime Minister, and there are some sitting over there now.

In the bitterly-contested 1980-82 session referred to, the government risked the wrath of the opposition by invoking the guillotine rule a total of eight times. Several special orders incorporating time allocation were also passed with respect to constitutional and energy matters after repeated head-on collisions had exhausted both sides of the house. But the government on many occasions, and repeatedly, failed.

This is something the Conservative government at the present time does not understand. It does not understand that democracy by definition is compromise. The Conservatives today seem, like all Conservatives, to have this vision of absolute perfection harking back to a mythical, wonderful, golden time. There is no perfection. Perfection is tyranny. I know that tyranny does not concern the Conservatives very much, that it does not bother them and that they feel comfortable with it. If that were not the case, they would not stay in their caucus. Pat Nowlan was saying things that everyone knows: for instance, that Mr. Mulroney is a tyrant and that he is damaging the country. They will ask themselves one day, "How guilty was I in not doing something to stop it?"

Ultimately, a good deal was accomplished. The constitutional resolution was improved, however arduously, at each stage in the journey toward patriation. I demonstrated one of those before. Trudeau accepted Lévesque's text for the Constitution.

Some committees were very active and a number of special parliamentary task forces produced highly regarded reports. In short, the 32nd Parliament was far more productive than public cynicism or confusion might suggest.

I would also like to suggest that some of the press is much too tied ideologically to the way of thinking of their multi-millionaire owners. Editorial writers are not told what to write, but hired because of the way they think. An example is the current Editor-in-Chief of the *Globe and Mail*, William Thorsell. In the trade, he is known as a dinosaur; one of those Alberta relics that suddenly became revived. He is changing the *Globe and Mail* from a fair imitation of the *New York Times* to a poor imitation of the *Wall Street Journal*. He has economic ideas that are only the ideas of Herbert Spencer and others who say, "They did not have my luck to be born with a silver spoon in my mouth, to catch the attention of Megarry and Lord Thompson to be put in charge of a fine newspaper," a newspaper that had been built up to its eminence by Senator Doyle. They now have the fun of destroying it. Thorsell was picked because he thinks like Lord Thompson and Megarry. He inherited Doyle, who did not think like them. He had the courage to be an independent thinker. I worked for Doyle. He was a great editor.

Although the election of September, 1984 left the opposition caucuses smaller and weaker than in the previous Parliament, one of the first initiatives of the Mulroney government was to set up a special committee on House of Commons reform, with the avowed intention of giving more clout to backbench MPs. Excuse me for laughing. Any Tory backbench MP, on hearing or reading this, will either weep or laugh.

The McGrath committee—and where is McGrath now? Is he still the Lieutenant Governor of Newfoundland? Honest men cannot stay very long in that government—tabled its first report in December of 1984. As a result of the committee's recommendations, changes to the Standing Orders were made on a provisional basis in June of 1985 and February of 1986. In June, 1987 the entire reform package, with slight additions and modifications, was made permanent.

Among the rule changes of potential benefit to opposition members, and as well in some cases to independent-minded government backbenchers—such as Messrs. Kindy, Kilgour, Nowlan and those who did not run in 1988 because they were sick and tired of the conditions under which they were working—were: the election of the Speaker by secret ballot of all members; provision for three opposition representatives on the Board of Internal Economy; establishment of ad hoc legislative committees chaired by members of a panel chosen by the Speaker from private members on both sides of the House; increased committee scrutiny of delegated legislation with the possibility of disallowance; and committee review of Governor in Council appointments. Has that ever happened? Was there a committee set up to review such appointments? Undoubtedly, it could use the talents of Senator Poitras, who thinks people not born in Canada are not quite as decent, good, intelligent or worthwhile as people born in Canada, as if the geographic location at which your mother has her labour has some effect on your character.

Senator Turner: What about the native people?

Senator Gigantès: I will get to that in a while.

Another change was a provision for the Leader of the Opposition to extend by an additional ten sitting days the time available to one standing committee to study the estimates. Honourable senators will remember how the whole process was perverted when the Conservatives tried to get borrowing authority in this chamber without tabling the estimates. I am never tired of repeating that. It is like going to the bank and saying, "Lend me money". The banker will say, "What are you going to do with it?" You say, "I am not going to tell you what I am going to do with it. Just lend me the money". You will not be very successful trying that.

The McGrath committee also recommended a significant relaxation of party discipline. That is really rich! I think that must have been the point at which they decided to ship him off to the job of Lieutenant Governor in Newfoundland. This significant relaxation of party discipline was recommended so that only very rarely would House votes be regarded explicitly as matters of confidence. However, entrenched attitudes and habits have proved hard to break. The 33rd Parliament was not noticeably less partisan or adversarial than the one which preceded it, to the chagrin of those impatient for further reform.

I am not shocked by the adjectives "adversarial and partisan." If reform is to make Parliament what our prissy and proper colleagues across the way would want, we will have to have parliamentary agreements with Monseigneur Castonguay across the way who is shocked because I dare to put a piece of tangerine in my mouth. Do not tell him, please, that that is what I am about to do. He will make a scene.

Senator Fairbairn: Senator Gigantès, I would like to ask you a question. I hate to do so in the middle of your reading of the report concerning opposition in a parliamentary system. However, you keep referring to the reforms contained within the McGrath Report.

• (1215)

Indeed, I suppose, if that report were followed in the spirit in which it was written, it would have created reforms. Do you believe that the way these changes in the House of Commons have taken place has, in fact, reformed the procedures at all, other than the obvious benefits of electing the Speaker which is something we could probably look for in this chamber as well? Perhaps you could give me your thoughts on this. As the years have gone on and through the eighties, following the McGrath report, it seems, observing from this distance, that instead of strengthening the House of Commons, strengthening the independence of the committee system and strengthening the role of the backbencher—which was supposed to be fundamental to that report—we have found in a sense that the House of Commons is not functioning well, is not functioning smoothly, is not opened up. The system is not opened up. Many would say, in fact, that it is the reverse. Over the last six years almost from the time legislation has been introduced in the Commons, Canadians, either as groups or as individuals interested in that legislation have been coming to our side in advance to say, "May we appear before your committee when the legislation gets here, because we no longer feel we have an opportunity to be heard in the House of Commons." This is exactly what has happened over in the British Parliament, where, ironically, the House of Lords is often looked upon now as the populous chamber.

Senator Gigantès: When you have a Prime Minister with overweening pride who refuses to accept that any idea that is not his—he does not have many—is any good, you are faced with a situation in which even the most admirable report is not worth the paper it is written on, to quote the Prime Minister who was referring to the Constitution in those days, including the Charter of Rights. His view of the Charter of Rights is that it is not worth the paper it is written on. If you remember I was asking the Leader of the Government in those days—the same one we now have-to ask the Prime Minister whether, when the Prime Minister said that it was not worth the paper it was written on, he thought that it was not worth the paper on which are written the constitutional rights everyone has, the following fundamental freedoms: freedom of conscience and religion—it's not worth the paper it is written on. Of course, if it is Mr. Mulroney's, he has his druthers. It is not because he tried to repeal his rights—freedom of thought, belief, opinion, and expression, including freedom of the press and other media of communication—not worth the paper it is written on.

Senator Fairbairn: Equal opportunity for women.

Senator Gigantès: Absolutely. Not worth the paper it is written on. That is the Prime Minister's view of our Constitution. If he treats the Constitution with such cavalier disrespect and lack of understanding, what do you expect he would do to the report written by an honest man? I mean how could the Prime Minister understand an honest man like McGrath? McGrath was an honest man, a decent, honest man. So his reforms were a dead letter as you so ably say, Senator Fairbairn. The House of Commons, despite the reforms, has become worse and we can only attribute this to the Prime

Minister, because if the report of Senator McGrath was the instrument for making it better, then if it has become worse, it is because the Prime Minister, and now that savage, street fighter his Leader of the House, Harvie Andre, are making the situation untenable. As you say, more and more people have turned to us. Witness the hundreds of thousands of petitions and letters we have received, not only about the GST. People somehow have a feeling that we might be fairer in a free vote, more reliable to choose a good solution over the abortion law? We are, despite our shenanigans which were so necessary. They had left us no other means of defending the rights of the opposition. People were asked if they approved of the Senate tactics. They were not asked if they approved of what the Senate was doing. They were asked if they approved of the Senate's tactics. The majority approved of the Senate tactics. Three times more people approved of the Senate tactics—that is desk banging by approval of the Prime Minister, if you do not count Quebec. The Prime Minister is at 3 per cent—where is it, in New Brunswick?

Senator Fairbairn: Alberta.

Senator Gigantès: Alberta. A Tory Prime Minister in Alberta. My esteem for the intelligence of Albertans was always high, but right now it is way up there in the stratosphere, beyond. I could easily be hoisted by my esteem to one of those orbiting satellites, because Albertans are showing magnificent good sense in evaluating this destructive man.

In contrast to the numerical weakness of the official opposition in the House of Commons, members of its caucus held a strong majority in the Senate. The renewed activism of senators in opposition provoked several protracted confrontations with the government, notably over bills on borrowing authority, pharmaceutical patents, refugee determination and, finally, implementation of the Canada-U.S. Free Trade Agreement. The government several times threatened action to take away the Senate's power to defeat bills.

The French call this a rotomotate, a sort of empty thread, boastful, strutting. A rotomotate. He knows he cannot do it, if he cannot get agreement from the provinces on the GST. How is he going to get agreement for the western provinces on reducing the powers of the Senate when the western provinces wanted to augment it? Why is he making that empty gesture like a toad that puffs itself up so as to be frightening? Nobody is frightened. The press pricks the toad, the air comes out and our Prime Minister returns to his smaller size.

You wish to ask me another question?

Senator Fairbairn: If I could ask you another question, along the same, about the powers of the Senate. Is it not your understanding of the views of, not only the western region, but, indeed, parts of the eastern region, that what they want is not a Senate with reduced powers. They want a Senate with the elective accountability to use the wide powers that it has, not to reduce those powers. A reduction of the powers of the Senate, even if it were elected, surely flies in the face of what the people in my region, and I believe people in the maritime region, are asking for. At least that was my understanding. You know that area very well as well. Maybe you have different views, I would be interested in hearing them.

Senator Gigantès: No, I do not. Were you here when I was asked by Senator Beaudoin and by Senator Stollery what I thought about the evolution of the Senate? I talked on this issue. You were not here.

Senator Fairbairn: I was preoccupied at that point.

Senator Gigantès: Well, I think I had better repeat it.

Senator Fairbairn: Because I did miss it, and Senator Frith told me it was very interesting.

Senator Gigantès: Senator Frith was distracting you. He has a habit of doing that. Charming man. He distracts me very often.

I was saying that unfortunately when I think about constitutional reform, I have death in my heart. I really believe that two more years of Mulroney will mean the separation of Canada. The reformed Senate we are talking about would have to be a Senate for the run, after Quebec leaves. It may well be the price a reformed Senate with equal representation and the Australian device of double dissolution would have to opay. It might well be the price that Ontario would have to pay to keep Canada together. In this way, other parts of Canada would not be so terribly afraid of the massive power that its numbers would give Ontario in a Canadian House of Commons after separation.

I also said that I did not see what the Senate with a mere suspensive veto would do, or how good that would be, or if it would be any good at all, because the government of the day could simply do its flow charts, its action plan, and take account of the length of the suspensive veto. It would turn the Senate into a squeaky, rubber stamp. The squeak would have to last a finite number of days or weeks. That would be tantamount to an Australian Senate for the English part of Canada.

I don't suppose that an independent Quebec would have a second chamber, if it did, despite the idiots, the fanatical idiots who like wiping their feet on flags on both sides of the Ottawa River, and if they can be overcome after a number of years, and reason prevails again and some association has worked on it—which would be very difficult because of those idiots—then I do not see a Senate of the Australian model being acceptable to Quebec. I said, because Quebec is worried about the reduction of its relative, democratic weight within Canada, it would not accept the Senate with as much power as the House of Commons, in anything like a close sovereignty association which would reduce its authority. This would be a one on one thing. The members of the European Economic Community have given two votes each to the Latch partners in the European Parliament or in the European Commission and the European court. They have given two votes each to Spain though it is considered as in between the big and the small. The small members of the European Community have one vote each and with Spain on their side, they cannot top the combined votes of France, Germany, Britain and Italy. I do not see Quebec for many decades feeling comfortable enough with any

situation in which it would consider itself subject to being outvoted. What it would like, and I do not believe it can get it, is a one-on-one situation in which the rest of Canada has one vote and Quebec has one vote. I do not think that is achievable. It is a tragedy but I do not think it is achievable.

• (1230)

For the rest of Canada, or if by some strange miracle Canada survives, we are going to have to go to something like the Australian model.

Senator Fairbairn: May I ask another question, Senator Gigantès? I am very disturbed to hear your pessimism about the future of Canada and your feeling that separation is inevitable for the province of Quebec. I find that hard to accept from you, because, at your core, you have always indicated a feeling of optimism that problems can be worked out. I am wondering if you could tell me—and I hope it will be a positive answer—that you have not completely abandoned either your efforts or your conviction that it is still possible to keep this country together?

Senator Gigantès: I would like to think it is possible to keep the country together, but look at the circumstances. The strongest federalist force in Quebec right now is Premier Robert Bourassa. I am very worried about how long he is staying in the hospital. He did have a malignant melanoma. We do know that it was metastasized into his lymphatic system. He then went back for a check-up. He was operated on again and he has been in the hospital a considerably long time.

I am not a medical doctor. I have read the statistics. Some people survive, but they are few. Most people do not survive this. Therefore, we have the dominant Liberal federalist force in Quebec, Premier Bourassa, having to think of what happens next, and, because of the failing of his health, he will not be considered by the rest of Canada as a good long-term prospect for negotiating. The chances of the rest of Canada having to negotiate with Parizeau are very great.

Senator Fairbairn: What about Rémillard?

Senator Gigantès: Well, who knows? He might surprise us. Harry Truman surprised people. I hope he does. My main worry is on the federal side. We are in opposition and Mr. Chrétien is the Leader of the Opposition. The Leader of the Government of Canada is someone utterly distrusted by English Canadians. They will have nightmares at the thought that he might be negotiating with Quebec on anything. They consider him, and quite rightly, a prisoner of the separatists in the Quebec caucus. I do not see how, under these practical circumstances, we can find an accommodation in which English Canada will be wise enough to accept Quebec's demands and Quebec will be wise enough not to start feeling humiliated every time somebody questions the position of a comma or a full stop.

That is why I was giving the example that I am afraid the political scientists and columnists on both sides will construct a wall on Victoria Island, where the Champlain bridge passes; and the wall will be called, on one side, the "wall of the humiliations", and, on the other, the "wall of the ingratitudes". And the first humiliation described will be how Lucien Bouchard was humiliated by Canada by being made Ambassador to Paris and then a member of the cabinet. On the other side of the wall some columnists from the *Ottawa Sun* will be filling in the ingratitudes, and the first one will be that Bouchard was made an ambassador and a minister. He was dragged out of his little backwater and made Ambassador to Paris. That will be an ingratitude. There will be a period when we will be lobbing ingratitudes and humiliations over that wall, and it is going to make it very, very difficult for people of good will and reason to reach a decent accommodation.

Of course, I enjoy taking shots at Mr. Mulroney, but I wish he were better, even though his being better might doom my party to another term in opposition. I do wish he were better, because Canada in the next two years preceding the election needs a decent Prime Minister, and we do not have one. That is why I am afraid.

Now I will continue.

> To sum up, developments during the last two parliaments have had a mixed impact on the fortunes of political oppositions in Canada. The major overhaul of House of Commons rules begun in 1982 and completed in 1987, and the renewed activism of the Senate after 1984, have provided new opportunities for opposition members to contribute to the policy process, at least at the margins. The presence of television cameras in the Commons and the possible expansion of electronic coverage to committee hearings are also innovations which offer advantages to a skilled opposition. At the same time, some of the procedural reforms, such as the streamlining of debates and the taking of votes, primarily aid the government by making it harder for opposition parties to sustain the use of dilatory or obstructionist tactics. Moreover, the opposition must be careful that in resorting to time-wasting devices and theatrical outbursts in Question Period it is not creating an unfavourable impression of parliament among the general public.
>
> The two parliamentary oppositions in Ottawa must also consider their role in relation to other extra-parliamentary circumstances and forms of political opposition. Our electoral system frequently results in sharp regional imbalances in the parties' caucus representation, in a high electoral casualty rate for caucus dissidents and independents, and in the exclusion of a growing number of minor or so-called "fringe" parties from parliamentary life.

That may not be the case in the next Parliament. That will only make matters worse.

> A significant number of Canadians probably feel that their views are not adequately represented in the ranks of either the government or the opposition. At the same time, non-party protest and lobby groups have become increasingly active at all stages of the political process. In constitutional matters, the major oppositional roles now tend to be played by provincial governments and legislatures. The opposition caucuses, therefore, cannot just fix

their confrontational gaze on the government benches; they must also look over their shoulders at other under-represented or competing groups, with at times louder voices, in the arena of national politics.

As a recent text observes:

This is by Robert Jackson, Doreen Jackson and Nicolas Baxter-Moore. It is entitled *Politics in Canada: Culture, Institutions, Behaviour and Public Policy*, and I quote:

> . . . many of the difficulties encountered by the opposition in formulating effective criticism of government policy have less to do with House of Commons procedures or research facilities than with more fundamental problems which also afflict parliamentary oppositions in the other western democracies. One is that the official Opposition in Parliament often has difficulty in making itself heard above the "hubbub" coming from other political actors. Major interest groups and private research institutes frequently offer articulate and well-publicized criticisms of government policy, and, in a federal context such as Canada, "there is little doubt that the clashes between the provinces and the federal government . . . detract attention from the federal parliamentary opposition on some of the most important issues in Canadian politics."
>
> Sometimes, too, it may be difficult for the opposition parties to offer clearcut alternatives to government policy. Some issues do not lend themselves to a confrontational style of politics, since they cut across party lines and strain party cohesion on both sides of the House. This is especially true of moral issues such as abortion, capital punishment or nuclear weapons. On other social and economic policy issues, the development of an ideological consensus supportive of the mixed-economy and the welfare state in most western societies has tended to preclude the presentation of radical policy alternatives by a "loyal" opposition.
>
> Parliament exists not only to transact the business of state, but to provide a forum in which all legitimate points of view can be expressed.

I once said in a speech and wrote in an article that one of the roles of the Senate was for heresy. I meant a forum for people who do not accept the general consensus, who have radical views. I shocked a professor of political science, who wrote a book about it, saying that I was proposing heresy, as if this was terrible. If a professor is not capable of preaching heresy, what is he doing in the university? He does not preach, perhaps, in some faculties, but in others he should, and the faculty of political science to which this person belonged, really needed some professor for teaching heresy, and this professor was young. In any event, someone once said as long as they spell your name right, it does not matter what they say about you, and he did spell my name right. There are all kinds of students, probably, who think that there is a heretical senator, namely, me, but they probably have forgotten my name by now.

Why have you deprived me of Senator Simard? What is this, a conspiracy to weaken me? That is not nice. In any event, I shall continue:

> The government has a right and duty to govern. The opposition's right and duty, if it believes the public interest is at stake, is to oppose the government's policies and actions by every legitimate parliamentary means. In so doing, oppositions try to convince the electorate that they should change places with the government. Because of this continuous contest, parliamentary democracy is always a more or less trying affair, but politics, not mere administration, is what representative, alternative government is all about.
>
> The debate about the respective roles of governments and oppositions is not a new one. Today, however, the development of state institutions, and the expanding horizon of state activities tend to contrast unfavourably with the relative "underdevelopment" of legislative controls over the executive branch. This has directed attention to the factors impinging on the effective operation of "checks and balances" in democratic political systems, and, in turn, to numerous proposals for legislative reform. In parliamentary systems there is a fundamental constitutional rinciple of responsible government at stake. And in the Canadian case, the tradition of one-party government, combined with the frequent weakness of legislative oppositions, poses added dangers.

● (1245)

This is a scholar writing this and he thinks a weak opposition is a danger.

> Under these circumstances preserving and enhancing the role of the opposition becomes critical to the democratic legitimacy of the system as a whole. With rare exceptions, government backbenchers cannot hold the cabinet and civil service to account. It is the opposition which is chiefly responsible for keeping government on its toes, and for fearlessly asserting the rights of the legislature vis-à-vis the executive. By performing these duties the opposition is really doing everyone a favour because, as John Stewart has noted, "slipping things through the house may seem smart in the short run. In the long run it works to discredit both the government and Parliament."

That quotation is from John Stewart's "Strengthening the Commons," *Journal of Canadian Studies*, special issue on "Responsible Government Reconsidered," Summer 1979, page 47.

> However much the classical model of parliaments may be said to have waned in favour of one based on administrative convenience, the best guarantee of good government is still the vigilance of an effective parliamentary opposition.

I have a choice to offer my colleagues. I could go on reading from submissions made to us by people who testified in the committee regarding the goods and services tax. I also have several books I could read from. I have an excellent book here

on the psychology of military competence. Military thinking is an important part of Conservative thinking and of the Conservative illusion. It is a whole study on the incompetence of this facet of Conservative thinking. I have another text which talks about opposition and the relationship between opposition and the government. If we want to get into economics and illustrate the inflexibility of Conservative economic thinking, I have John Kenneth Galbraith's monumental and marvellous latest book entitled, "Economics in Perspective." It is written with his unfailing eloquence and with a high value of entertainment.

Don't despair. There is more; there is much more.

[*Translation*]

Senator David: Senator Gigantès, would you entertain remarks or comments?

Senator Gigantès: Remarks without comments?

Senator David: No, remarks and comments.

Senator Gigantès: But of course, since we are such good friends.

Senator David: You were asking which book you should read to us. You realize, of course, we all have shelves full of books, and we could all volunteer our services. However, may I remind you that we are still at the third reading stage of Bill C-62, and for the past half hour, you have talked about just about everything except what actually concerns us in this Chamber.

So I suggest that instead of reading us a book, you shold let one of your colleagues speak to the subject of today's proceedings. You have been on your feet for twelve hours, and I imagine you must be getting tired. As far as we are concerned, we are starting to feel quite weary.

Senator Gigantès: What a pity! No staying power! Me, tired? Never. So you don't think I can find a connection. You think I selected these books at random. I did not. They were selected to support my criticism of your fiscal and economic policies, and the GST is part and parcel of these policies.

Senator David: Honourable Senator Gigantès, you talked to us about Mr. Bourassa's health. I don't think that was an appropriate subject for discussion in this Chamber.

Senator Simard: It was in poor taste.

Senator David: When you talk about Quebec's independence, which has not happened yet and will never happen, I hope . . . When you talk about the organization of the House of Commons; when you talk about the moral aspects of certain laws; when you make a speech about the loyal opposition, the role of the Senate and the opposition, and refer to the credibility of professors who teach heresies—and you are probably one of them—and when you go on about the merits and weaknesses of democracy, all these subjects are irrelevant to the debate on the GST, as far as I can see.

Senator Gigantès: What can I say, Senator? All I can say is that your logic is entirely linear. Senator Poitras told me several times . . .

[Senator Gigantès.]

Senator David: I don't understand what that means.

Senator Gigantès: In a straight line.

Senator David: Yes, but is it good logic or just a nasty surprise?

Senator Gigantès: Just a minute! It is linear. It is not sufficiently multidimensional. When Senator Poitras was talking about the GST, he said a number of times that we cannot consider the GST in a vacuum. We must consider the total impact on the economy and the fact that it will stimulate the economy.

Senator David: Is that an example of vertical logic?

Senator Gigantès: No, what he suggested was a multidimensional analysis of the GST. He said that you could not simply . . .

Senator Simard: Did you say demented?

Senator Gigantès: I say insane when I refer to the findings of your phrenologist, after the examination he does now and again.

Senator Poitras is quite right to say that the GST cannot be viewed in an isolated context. It has to be examined in light of the over-all economic situation. Among other things he said that, as a result of its impact in other sectors of the economy, it will boost production, improve productivity and bolster imports, and that each of these components has its own fallout and repercussions. That is like a huge speadsheet, but even a spreadsheet is not enough to cover all bases.

Therefore I can hardly talk about the GST without referring to the government's over-all economic policy. And then I cannot talk about the government's over-all economic policy without referring to politicians. It is just as if you were saying «you simply cannot talk about the right front wheel of a car, just like that, and how it handles on the road without referring to the car itself. Is it overloaded, properly loaded, what condition is it in?». To that I add that I cannot mention all these elements without saying something about the driver.

So if you expect us to rate the performance of a given part of the car, of this government mechanism, of an aspect of the GST, if we really want to know what we are doing to assess the consequences we must inevitably raise questions about the driver.

You may have the world's best legislation and even the world's best tax system, but I have a problem if I see that the government is blinded by its economic ideology and its conservatism. The minute I say that, I feel I owe you an explanation. I do not want you to tell me what are the objections to conservatism. I looked around for quite some time before laying my hands on this excellent book which I am sure you will not want to read because it is entitled *The Conservative Illusion*. Still I believe you ought to listen to the odd quotation as I go about explaining my position. And who knows, maybe one or two of you will appreciate some of the book's lines enough to borrow it and read it.

So the whole issue is interrelated. And we have an economy where I have always advocated using a military strategy.

Indeed I suggested in my book which, according to my dear colleague Senator Simard, I had translated fraudulently—

Senator Simard: I did not say fraudulently.

Senator Gigantès: I got it fraudulently.

Senator Simard: You had it translated fraudulently.

Senator Gigantès: You are judging others by comparing them with your "fraudulent" caucus colleagues. You have been hanging around too many bums—

You have kept company with too many crooks to be able to stand in moral judgment, and when I say crooks, I mean your colleagues who are now behind bars or have been ordered to pay huge penalties. Such were the people you kept company with within the Tory caucus. There are some good people there, but you kept company also with some bad people who gave you wrong ideas about what other people are doing.

Senator Simard: Like what?

Senator Gigantès: You were not present when I indicated that as a proof of the incompetence of your government, of your leader here, and of yourself, you are not aware that your own government has a program under which French publishers who want to translate an English book, can do so and Canada Council will cover the costs.

If my French publisher wanted to publish this book, there was no need for me to provide him with a French text. In fact, I submitted to him a French text last year, but he turned it down. The opposite is also true. If I wrote a book in French, the Canada Council would be prepared to cover the costs, so that an English publisher who would want publish this book could have it translated into English.

Therefore, you are not only an ill-mannered lout, but you are showing abysmal ignorance by not knowing that this government program exists and makes it absolutely unnecessary to obtain those so-called fraudulent translations.

As I said the other day, you must be a super ignoramus to believe that it would be possible to take a translation and make overnight the necessary corrections to submit it to a publisher. It is not worth it. The publisher will give it to someone who will do the job. It is not worth it. Absolutely not.

As I said, however, I can understand you. You have been friends with many members of your caucus who have been sentenced by the courts for criminal acts and, naturally, under their influence, you judge others with the standards of your own caucus members.

Senator Simard: Are you talking about the Sky Shops?

Senator Gigantès: About what?

Senator Simard: About the Sky Shops?

Senator Gigantès: The courts found him not guilty. I am talking about your colleagues who were found guilty and sentenced.

Senator Poitras: Such innuendos have no place here.

Senator Gigantès: In the case of Mr. Desrosiers, was it an innuendo? In the case of your other colleagues who were found guilty of misappropriation of funds, are they innuendos? The member of the House of Commons who was Hull's godfather who pleaded guilty on 50 counts?

Senator Simard: Do you want us to investigate all Liberal members of the Senate and the House of Commons since Confederation? We will not play this game. This is just a smut-throwing campaign. We will leave that to you.

Senator Gigantès: You are a real swine to accuse a colleague . . .

Senator Simard: Halleluia!

Senator Gigantès: You are really a disgusting nincompoop . . .

Senator Simard: Even a pig!

Senator Gigantès: You tried to publish a provincial newspaper and you failed.

Senator Simard: You wallow in anything.

Senator Gigantès: You were not even able to publish a small local newspaper.

Senator Simard: That is terrible!

Senator Gigantès: It is not your field.

Senator Simard: Of course, you do not read French newspapers.

Senator Gigantès: Certainly, I read them.

Senator Simard: You said that English newspapers were the only one you could trust. You said so in so many words in this House two years ago. We know what you think of French newspapers in Canada.

Senator Gigantès: Unfortunately, I have to read them. As I said earlier, I read Pierre Latouche, Daniel Bourgault and the other aggressive political scientists.

Senator Simard: You are the executioner.

Senator Gigantès: I, the executioner! It is a little better than the contemptable part played by your own leader, than that wizard we have for prime minister who will destroy our country! Now, Senator David, since you want me to read you the evidence given by some people opposing the GST, I will ask you to choose between several witnesses. There is the evidence . . .

Senator David: You could choose to stop talking.

Senator Gigantès: But I don't want to. I am in top shape. My doctor told me I could talk like this for hours and hours.

Senator Simard: An expert in trash.

Senator Gigantès: What? An expert in trash.

Senator Simard: Go on.

Senator Gigantès: I have heard you were about to be hired to sniff out truffles. So you have a choice, senator David. There is a Mr. Jack Braunstein, president of the Canadian

Actors' Equity Association. Also Mr. Jos Duffy, Chief Executive Officer of the Ontario Provincial Building Trades Council.

Senator David: I am sure he is going to read something. You mentioned earlier several documents on philosophy and military strategy. That would take our minds off the issue before us and could teach us something. I would go for that.

Senator Gigantès: So you see, I was right to offer you several options. I know you find me annoying. I enjoy annoying senator Simard, but not you. That is why I am asking you to choose between all the options I gave you. There is also Mr. Frank Piserchia, National Secretary Treasurer of the United Electrical, Radio and Machine Workers of Canada. He had several appropriate comments to make about the GST, electrifying stuff really. And that goes on and on and on. There is a Mr. Simon Tanla who made an individual presentation. And that's only in one issue, I have all the others. So, what would it be, military strategy?

Senator David: Why not, do as you wish . . .

Senator Gigantès: Very well, I will pick a name I find very appealing, Mr. Frank Piserchia, National Secretary Treasurer of the United Electrical, Radio and Machine Workers of Canada. Please, senator Simard, I would not mind really if you wish to go and get some more truffles, maybe sniff them, go on, please.

> Mr. Chairman, my name is Frank Piserchia. I am the National Secretary Treasury of the union.

Would you prefer military strategy. Make up your mind! One moment, he wants us to talk about GST-related issues, the next, he wants to hear about military strategy. It's a bit disconcerting. You are confusing us, my friends.

> Mr. Chairman, my name is Frank Piserchia. I am the National Secretary Treasurer of the union.

That is the United Electrical, Radio and Machine Workers of Canada.

This is an electrifying testimony

> On my right is Joe McCabe, a member of the national executive board and to my far right is Sheelagh MacDonald.

Did I spell it right? I heard a funny story in Senegal. Many people there are named Dia, it is a family name. A local man who had been to France was telling me that one day he went to the post office to send a telegram to his village, also called Dia. The employee asked him to spell it, and he said to her: "You too, want to know all the nice girls."

You know, I was getting dehydrated, the honorable senators on the other side would be really sorry if I were to run out of water to wet my parched throat. How long am I going to speak? There are only five hours left! In five more hours I will be through my first session. I will start again tomorrow morning, and then continue Monday and Tuesday.

Senator David: Then Wednesday, and Thursday . . .

Senator Gigantès: I don't know, some colleagues of mine want to speak very badly. Senator Sparrow said that no matter how long I speak, he will speak longer.

[Senator Gigantès.]

• (1300)

[*English*]

Did you know that, Senator Bonnell? Senator Sparrow says that no matter how many hours I speak, he will speak longer than I do.

Senator Bonnell: No, I didn't know that, but I am quite sure that Senator Sparrow will beat your record. Therefore, your record in the *Guinness Book of World Records* will only be there for a short period of time. I will enjoy it as long as you will—that is, your opportunity to do so—but Senator Sparrow told me that he was younger than you and he had more to read. He had some good thoughts that he wanted to put forward, especially on soil.

Senator Frith: You think he causes us trouble?

Senator Bonnell: He wanted you to have the record for a short time, but he did not want you to be like our good friends "Rocket" Richard and Gordie Howe.

An Hon. Senator: Bring on Mr. Sparrow!

Senator Bonnell: For them Wayne Gretzky would follow and win the battle. Senator Sparrow is out now having chicken breast. I understand that he will be back shortly, waiting for an opportunity to follow.

Senator Doody: Will Senator Gigantès yield to him then?

Senator Bonnell: When Senator Gigantès yields, his record will be broken shortly thereafter. It is only for that short time that the Greeks will be the champions of the world.

Senator Carney: Is this a question?

Senator Roblin: Where is Senator Sparrow?

Senator Bonnell: He will come later.

Senator Roblin: You should go get him.

Senator Doody: Get him. His speech cannot be any worse.

Senator Gigantès: I do not know why anyone considers these records important. What is important here is instructing people like Senator Simard, who has no other chance of being instructed.

Senator Carney: Thanks for your short speech.

Senator Gigantès: You wish me to shorten my speech? I will only speak for a total of 44 hours; that is all—just for you.

Senator Steuart: Only that long? More.

Senator Gigantès: All right. I have to take Senator Carney into consideration. She wants me to shorten my speech. I will cut it down to 44 hours. If my colleagues protest, I will go to 45 hours.

[*Translation*]

> Mr. Chairman and members of the committee, we wish to express our appreciation for having given us the opportunity to express our views on this crucial issue.

So, you see, the United Electrical, Radio and Machine Workers of Canada consider the GST to be a crucial issue. Are you not concerned with the opinion of such an important

union, whose members are conscientious workers and good citizens who make this country work and who make sure that you get electrical power in your home and that your radios are in working order? You could not care less whether or not these people oppose the GST. You are not willing to listen.

This is why I feel I have the duty to repeat to you what these people said, because I am sure you did not listen when they came before our committee. This is particularly interesting to me because I missed this testimony. I was in bed with a very very bad case of viral pneumonia this summer. I was also getting depressed while thinking of this government and it did affect my health. Fortunately, I am a little better now. Anyway, this is what the witness had to say:

> Our organization, the United Electrical, Radio and Machine Workers of Canada, is a union representing 13,000 workers in the manufacturing sector, mainly in the electrical and electronic industry of Ontario, Quebec and Alberta.

So this is a high tech industry. These people produce useful things for the economy, things that we need in order to maintain our technological leadership and our competitiveness.

[*English*]

Senator Cools: Senator Gigantès, may I ask you a question, please?

Senator Gigantès: Certainly.

Senator Cools: My concern is as follows. Honourable senators, I know that I tend to ramble when I ask questions. I beg the indulgence of the senators opposite if I tend to ramble a bit in the questions that I put to the senator now speaking.

What I should like to impress upon the members is that, as a member of the committee which studied this particular bill and as I tried to grapple with the subject matter at hand, I have failed as yet to—

Senator Simard: Question.

Senator Cools: —come to terms with and to understand the intellectual framework—

Senator Simard: Question.

Senator Cools: —and the concept that this government used to instruct itself and to inform itself—

Senator Simard: Question.

Senator Cools: —as it developed this measure.

● (1315)

Senator Simard: Question!

Senator Cools: I hear an echo around me. It is an echo to which I have grown quite accustomed.

Senator Gigantès: Perhaps it is someone searching for truffles.

Senator Cools: It is the sound of Simard. It is a Simard sound.I know it well. I accompanied it to Canso and to St. John's and a few other places, so I know the sound very well. In any event, what I am wondering, Senator Gigantès, is whether in your research and in the preparation you made for your speech you have been able to study and comprehend the conceptual framework for this legislation? That is my first question.

My second question is this. Were you able to study the testimony of a Mr. Wolfe Goodman of Goodman and Carr—

Senator Frith: A classmate of mine at Osgoode Hall.

Senator Cools: I am glad you added that, Senator Frith, because Mr. Goodman on Tuesday, June 5, 1990, before the Senate Standing Committee on Banking, Trade and Commerce made some interesting comments. As a matter of fact, he made a presentation which is extremely cogent and well reasoned. It is almost persuasive for people not like myself or for those who sit on our side of the house. It is persuasive for those who support the government.

At page 41:7 of the issue number 41 he states, and I quote:

> Unfortunately, this leaves only consumption taxes as a possible area for tax increase . . . There is an astonishing degree of public hostility to consumption taxes, although it is difficult to see why this should be the case.

At page 41:10 he is reported to have said:

> You may well ask if the system is so simple why is the bill so complicated? The answer is that there are many pages that deal with special situations. In the United States the pattern of legislation is rather different and most special situations would be dealt with in regulations having the force of law. In Canada, under the present manufacturers' sales tax special situations are dealt with by departmental rulings that do not even have the force of law. They are sometimes rather broad interpretations by government. The draughtsmen of the goods and services tax, to have attempted to include virtually all of these special cases in the legislation itself, accounts for—

Senator Barootes: Has Senator Gigantès finished his speech and have you started yours?

Senator Gigantès: Would you allow me a moment? I am taking notes of the honourable senator's questions and I will answer them seriatim. I cannot posssibly know what the questions are if I don't take notes.

Senator Barootes: Your speech is over, it is her turn now.

Senator Gigantès: You hope. I haven't.

Senator Cools: Senator Gigantès, these questions are very important. I have been struggling to get answers to some of these questions. I must share with Senator Gigantès that the last time I posed this sort of question, Senator Nurgitz added, and it may be on the record, that Mr. Goodman articulated the government's case very well indeed.

Could you answer those questions, sequentially, please?

Senator Gigantès: We start with a premise by Mr. Goodman that taxes must be increased, and that consumption taxes are the last possible area for tax increases. Why do we need tax increases? The government tells us we need tax increases because we have to pay for the deficit. Are there other ways?

Now, honourable senators opposite may not know that I promised Senator MacDonald that I would read an alternative way of raising money for the government on Tuesday morning. I sort of have a date with him. It is a time which is convenient to both of us. If honourable senators opposite have no objection, I am prepared to read it now in case your shift is not on Tuesday morning, and I will read it again to Senator MacDonald because it wouldn't be fair for me not to keep my promise.

There is a government premise that taxes must be raised. I pointed out the other day that there are other ways of decreasing the government deficit. One is to lower interest rates to the U.S. level, and the other is to increase corporate profit taxes to the U.S. level. I pointed out that this would not lead to a catastrophe, and my authority was Mr. Wilson who, in an article he sent to the *Wall Street Journal*, explained what a fine place Canada is in which to park your money. He said that Canada is safe, has a well-educated electorate and all it takes to make it a paradise for investment. It has space, and we can bring in immigrants who will be the skilled workers of tomorrow. We have natural resources and great riches in energy. That being the case, if I were an alarmed investor somewhere else in the world I would not think that Canada is a bad place to go. Ontario, Quebec or Alberta are good, nice havens to park my money, if I had any. I will only have money if I win a lottery, and I am afraid that my wife probably forgot to buy one for last night's draw. She is absentminded that way. She doesn't believe as I do that that is the only way that we can possibly ever—

Senator Cools: You had better be careful because I see her in the gallery.

Senator Gigantès: Did you buy a lottery ticket? She probably didn't buy a lottery ticket. This truly upsets me. It is a terrible situation. Possibly my favourite number will come up.

There is no reason why we could not lower our interest rates to what they are in the United States and raise our corporate profit taxes to what they are in the United States. I gave the figures to Senator David who doubted them. For those who doubt them, I have the figures in my office and I would be delighted to photostat them at the taxpayers' expense and let you have them. You will see that in the first five years of the government's functioning it could have saved $85 billion by doing what I proposed. In other words, it could have reduced the national debt by $85 billion by December 31, 1989. That would have relieved immediately any pressure that might have existed on the Canadian dollar, and interest rates could have been brought down further.

Senator Poitras keeps talking about the necessity of seeing all the side effects, the after effects, the before effects and whatever. It is a multi-dimensional catatonation, as I am fond of saying.

With lower interest rates a lot of businesses that have gone bankrupt would not have gone bankrupt. People wanting to start up businesses would not have been put off by the enormous burden of interest rates and would have started those businesses. I am talking of small businesses which produce a lot of revenue, such as improving tourist facilities, making them able to compete in attractiveness and coquettishness with what we find in U.S. resorts. It sometimes looks as if one has crossed into a different country when one crosses from the U.S. into Canada. It no longer is a different country since you sold it to the Americans under the Free Trade Agreement. It will not be a country either after it is broken up in two.

Our tourist facilities need improving, but it is very difficult to improve them if they can be improved only by borrowing money, which costs a prohibitive amount of interest.

I made another suggestion when I was reading my book. It concerns the use of money we spend on welfare and unemployment to create jobs. For any of you who want to see how the arithmetic works, I suggest that you borrow my book from the library. It will show you that the cost of unemployment above 4 per cent in real dollars, that is, after subtracting inflation, accounts for the total increase in the national debt between 1968 and 1985, inclusive.

Obviously, this is an unbearable burden. I was suggesting various measures by which money we now give people for not working be used to create jobs, and not government jobs. I was quoting, for instance, Professor Graham from Dalhousie. I don't know if he is related to our Senator Graham. Both should be proud of the fact if they are related, for they are both splendid people. He said that we could use that money to subsidize jobs, new jobs and companies that are new or expanding tourist facilities. It would not cost us more. It would cost us less. We would be reducing the deficit because we would be using money to create new goods or services.

These are ways to increase the revenues of the government and decrease the indebtedness of the government that have nothing to do with a consumption tax. Why does the government want a consumption tax of this kind? Because it shifts the burden of the tax from the manufacturers. It also shifts the administrative burden from the manufacturers and puts it on small people, which brings me back to an objection that Senator David raised: Why do I go back all the time to Tory philosophy and thinking? It is because it is that kind of measure that first occurs to a Tory: How can we soak the poor? I am not for soaking the poor. I don't particularly want to soak anybody. There are other means, Senator Cools, if you would listen, since you asked the question, you naughty girl. Senator Bonnell, kindly stop talking to Senator Cool so she can hear my political economy.

What this classmate of Senator Frith's was suggesting represented the government view, which is a true Tory view, is "how do we keep interest high so that all our Tory friends have a lot of money to lend to make a lot of money? How do we soak the poor and relieve the tax burden of the rich?" That is what I was complaining about. Although he is an eloquent person, I think his testimony is flawed.

Senator Cools, you were talking of conception. The conception of the Tories is to soak the poor and to relieve the burden of the rich. That is where he goes wrong. We have in Finance

something that worries me. We have people in the upper reaches of Finance who are making policy. They draw down salaries of $100,000 or more. Their wives often work there and they draw salaries of $100,000 or more. I am not saying that they have any bad motive, but when you have all this cash to stash, you like having opportunities for making safe returns on your investment. There is nothing better than high interest rates and government bonds. They have unconsciously and quite honestly a natural proclivity for liking what is good for them. We all do. Now, I, unfortunately, like some of my colleagues. I like certain sorts of foods too much, and they show, n'est pas?

• (1330)

Senator Cools: Are you suggesting that you are overweight?

Senator Gigantès: I am, but my tailor hides it effectively.

Senator Cools: You should recommend your tailor to some of the others.

Senator Gigantès: The policymakers of this government are people who have the natural human proclivity thinking that those ideas are the best which are going to increase their welfare, using their own welfare in the sense that economists use welfare, to mean their bien-être, making them richer than they are. That is the kind of policy we have. It is not at all surprising. That is their concept.

You then asked if the system is so simple, why is the tax so complicated.

Senator Cools: That is right.

Senator Gigantès: They did not want it to be so complicated. I will give them that. Even the Tories are not that masochistic. They wanted a business transfer tax, which in some ways would have worked, like the New Zealand tax, which reports at the end of the quarter, or the month or the year, whatever is the reporting period. I keep repeating this but it is so simple. Mr. Bulloch, by the way, said he would kill in order to get the New Zealand form of taxation rather than this can of worms, not only worms but demented worms, "démentiel," to use the wording of our specialist in worms and worm quotes, Senator Simard. Why did they pick this? Because, of course, Mr. Mulroney came in, as I have said before. That is where it is all tied. The constitutional process, the federal-provincial relations. You heard it several times today, Senator Beaudoin. What do you want me to do? I am being asked questions and I have to answer them. It would be most discourteous not to enlighten Senator Cools.

Senator Cools: Absolutely.

Senator Gigantès: Yes. So they come in and there is Mr. Mulroney. He thinks relations are going to be all kissy-smoochy with the provincial premiers. They are going to get together. It is going to be such a lovefest. I mean, even Peckford was going to be good natured. He was for a while. And Devine was going to be exactly what his name says, spelled a little differently, and the obstreperous and stubborn Mr. Filmon in Winnipeg was going to be so cooperative. It wasn't true. The one truly cooperative provincial premier, John buchana, was transmitted to the Senate, and I wonder if he wasn't transmitted to the Senate because he was taking such intemperate shots at the GST. We have a whole collection of quotations from him saying how terrible this tax was.

So Mr. Mulroney thought that if he shut them all in a room and let them get bombed out of their minds drinking milk, then they would all kiss and make up and they would accept his proposals for a unified national tax, taxing exactly the same things, one rate, no exceptions. It was even proposed that the government show some guts, if it was going to go for a consumption tax, and tax everything, including food, and give a crust of bread to the poor, so to speak, by starting the elements of a guaranteed annual income.

This is a dream that Milton Freedman and our NDP shared, that you draw a line and you say that below the line of income everybody receives a subvention from the government until they are brought up to this line, and above that line people pay taxes. Below the line they don't pay taxes, but they receive subventions. Above the line they pay taxaes and do not receive subventions from the government. It is very nice but unfortunately we already have a system in place with old age pensions, family allowances, supplemental old age pensions, Canada Pension Plan, and various union pensions. We have unemployment insurance.

An ideal system that Tories and socialist dream of alike is one that would subsume all these other programs, put them all together, and under the income tax you would have this one system where if you declare income tax of, say, $10,000, you would get $5,000 from the government to come up to $15,000, and above the $15,000 you would be taxed progressively. Very nice! You wipe out the public servants who work the welfare system. Those who look after the unemployment insurance, it is great, wonderful savings. Then you come to all the exceptions, and they are difficult. What do you do with the worker who has worked 35, 30 years, has faithfully paid into unemployment insurance, believing and actually having a piece of paper that says that if he ever becomes unemployed he will receive 60 per cent of his earnings for 50 weeks.

Now, if you do that and if you give the old folk the level of pensions they now have, taking away the supplement and the Canada Pension Plan, then the system would be much more expensive than it now is if you bring everybody else up to that level. If you do not bring everybody else up to that level and you bring, say, the old folks, and those who deserve unemployment insurance, down to whatever average level will make sure that current expenditures on the social safety net do not become higher, then the old people would have less than they now have and the unemployed who have faithfully contributed into the unemployment fund and have not touched it for, say, 30 years, would have less than they now have. What would be an equitable solution? Well, you grandfather them. That means those who have certain privileges now would retain those privileges and you would say to others, "If you enter the system now, those privileges which your fathers and grandfathers have, you will not have. You will hereafter have the following." The Parliamentary Library Research Branch stud-

ied it very, very carefully. It was a brilliant study by Marion Wrobel, and it turns out that administratively it would be more costly, and there would be considerable degrees of unfairness. It turns out that the best thing we can do is just leave the system we now have, as complex as it now is, and admit that it is made up of separate programs because not everybody has the same needs and the programs have to be separate in consequence so as to be different to meet different needs.

The Tories thought that they would get kissy-smoochy, as we said, with all the provincial premiers, get them to agree there would be one tax, say 5 per cent for the federal government, 5 per cent for the provincial governments, that there would be a flat tax of 10 per cent on all consumption and there would be tax credits constituting a sort of embryonic guaranteed annual income for all those unable to bear the burden of the tax without help.

It was like having dinner with the Borgias, a famous family of popes, and, of course, Lucrezia Borgia, a famous poisoner, very attractive, and they produced popes who had sons and daughters, including Pope Julius who was the patron of Michelangelo, a very important person in all this to know, and Cesare Borgia, one of the great condottieri. The Italians, bless them, have simplified their spelling. They have removed all those unnecessary duplications of consonants. He was one of the great condottieri and one of the great commanders of condottieri in the Middle Ages and he is the one for whom Nicolo Machiavelli wrote *The Prince*.

Senator Cools: Senator, I think Machiavelli is one word. The others on the other side can't spell.

Senator Gigantès: The others on the other side have nothing of Machiavelli's spirit. Machiavelli was a very wise, a very learned man. I mean, associating one of the great thinkers of all times with a cheap, shanty Irish, puffed-up guy, is very unfair. You should not do that, because the ghost of Machiavelli will rise up at night and haunt you.

Senator Cools: Yes?

Senator Gigantès: So it did not work. Suddenly they found themselves having to impose a tax at the same time as provincial taxes that were taxing things different to those the federal government wanted to tax. In other words, the Tory provincial premiers are saying, "Are you mad? We are facing an election. You want to tax food? They are going to scalp us." So we ended up with a system which does not tax imported caviar, no matter how much of it you buy, but which does tax a four-ounce can of yogurt, which taxes—I keep repeating these examples, they are very instructive—popcorn when it is hot, but stops taxing it as soon as it cools off. The same is true with pizzas. Hot pizza is taxed. Let it cool for a while. You go to a restaurant and you say, "Hey, buddy, let the pizza cool," and then you do not pay the 7 per cent. That's cool.

So you have these absurd and paralysing complexities which simply reflect—this is where we come again to the constitutional issues through the wrong way of thinking of Tories—

[Senator Gigantès.]

their incompetence, incompetence, utter, total, frightening incompetence in negotiating a free trade agreement in which, as if they were playing a game of bridge, they gave away, they threw away their aces without getting anything in return.

Madam, I have wonderful quotations from you. If you were not here when I was reading them, they are very accurate. I will do that later if you like, I will repeat what you were saying about the Americans, what it is you wanted to get from them and what it is you got.

• (1345)

This is what happened. Through incompetence, they launched into something that turned into a nightmare and, as I was saying this morning, it is going to cost 9.3 per cent of sales as administrative costs. That is average. However, the administrative costs of the smaller businesses will be 40 times larger than those of the large businesses that can afford to have complete computerization and can afford to have specialists to deal with this. A small mall shop, the independent drug store, independent grocery store, the independent boutique that sells dresses or a store that sells men's clothing, they are going to be paying at least 9 per cent of their sales in administrative costs. And where does this 9.3 per cent go? The business person is not going to swallow it. He will pass it on to the consumers, so the tax will not be 7 per cent. It will be 7 per cent plus 9.3 per cent for a total of 16.3 per cent. Add on top of that the Quebec tax and one sees what it does in Quebec. This is why I say it is incompetence.

They hire a very eloquent and smart gentlemen, a classmate of Senator Frith's—that is probably why he became eloquent, rubbing shoulders with our Royce at school—at Osgoode Hall, wasn't it, Royce? What the hell, naturally he was bound to become eloquent and splendid, and then the government hired him to try and camouflage their incompetence.

Senator Frith: They let you go that far; don't push it.

Senator Gigantès: Pardon?

Senator Frith: They let you get away with it; don't push it any further.

Senator Gigantès: Yes, I think I will change subjects. Do you want me to give you another alternative to tax and consumption? I gave you mine, but I have others and I promised to suggest one other alternative to Senator MacDonald on Tuesday morning because I will still be talking then, and he would be bitterly disappointed if I did not read it to him, but would you allow me to read it twice, once now and once then?

Senator Cools: Sure.

Senator Gigantès: Are there any objections opposite? Fine. I will first give you the executive summaries, so to speak.

> The debate about the proposed goods and services tax has been hampered by a lack of well articulated and quantified alternatives.

When you read a sentence like that it means the author of the alternative knows and believes he is well articulated and quantified, so brace yourselves for some figures:

> This paper attempts to remedy this deficiency by comparing the government's proposed 7 per cent GST with an alternative reform that would involve repealing the Manufacturers' Sales Tax (MST) and collecting most of the lost revenue by simply increasing income tax rates.

Of course, this is an anathema for Tories, but what can we do?

> The paper shows that the alternative approach satisfies the primary goals of the government's sales tax reform while avoiding the deficiencies of the GST. The overall conclusion is that the proposed alternative or a refining of it should be seriously considered by the government and debated by the public before proceeding with the GST reform.

Is this perfectly clear, my Liberal colleagues? Not one of you has any clarification you would like to ask—

Senator Cools: Not yet.

Senator Gigantès: To let me get off my feet for a while? All right.

> The main elements of the income tax alternative to the GST are as follows: Eliminate the MST and associated federal sales tax credit—

Senator Frith: Eliminate what?

Senator Gigantès: Eliminate the manufacturers' sales tax and associated federal sales tax credit. It is giving these steps now.

Senator Frith: Perhaps, Senator Gigantès, if you would just give me—have a seat. I am just afraid that someone might object that two senators were standing and might have to invoke Rule 26 or something like that.

If I understand the phase that you are moving into now, it is the question of alternatives to the GST. You then refer to the manufacturers' sales tax. The manufacturers' sales tax is usually advanced in the context of debate on the GST as something that the GST is to replace, as something evil that ought to be replaced, and that people should accept, although it is not always put quite this way, the obvious and imaginable evils of the GST because it will replace the even greater evil of the manufacturers' sales tax.

I recall, and perhaps this is what you were coming to, that there are two sides to that. That is usually the end of that discussion. In other words, people usually admit—too many people, it seems to me, immediately admit, yes, the manufacturers' sales tax is a terrible tax and, therefore, make me an offer. The idea is to open the mind to anything rather than the manufacturers' sales tax. There are two dimensions to that and I would be interested to see if there is going to be something developed in your material on it.

One is that most of the people actually objecting to the manufacturers' sale tax during the hearings and in the material I read, were people who were manufacturers in the broad sense of the word, that is, if not directly manufacturers, they were large companies who had an interest in manufacturing or whose commercial lives and profit lives were interlocked with manufacturing, and they were usually large. Or they were people who accepted the cant that it is a terrible tax without ever really having looked at it. That is one dimension.

The proposition was put forward that these people were happy to see it replaced because they saw it as a way to take a tax they found burdensome and spread some of it over the backs of a larger number of people, spread their burden and increase their sales and, therefore, their profits. However, if I am not mistaken, we also have a presentation from at least one person, and I remember one in particular, the accountant, Alan Martin, I think, from Orillia.

Senator Cools: Yes.

Senator Frith: I don't believe he was the only one, but he was certainly one who said, "Not so fast. The manufacturers' sale tax may be at 13 per cent, for example, a burdensome unattractive tax, a tax that does not meet the criteria of desirable taxes, but with some adjustment it might do the job of revenue raising just as well as GST and in the final result be a lot fairer".

So I am interrupting you to ask you, if you can, to select material or to emphasize, or present your own views on that aspect of the matter, because it has come to the point where no analysis is made of the three propositions. First, the biggest enemy the country has is the deficit.

Senator Bonnell: Mulroney.

Senator Frith: No, the three propositions I would like you to address, and ask if you will address—maybe the first one is simply a base for it—that anything that reduces the deficit is desirable, whether you agree with that and whether the manufacturers' sales tax can play a role in reducing the deficit, and with some adjustment might do it better than the GST, and therefore the GST should not be embraced simply for reasons of escaping the manufacturers' sales tax? Third—I forget what my third point was but I will think of it and that will give me a chance to rise and remind you of what it was.

Senator Gigantès: I am most grateful to you, Senator Frith, for that question. It enabled me to nibble half a cookie. Perhaps Senator Frith did not pick up Senator Bonnell's remark that the biggest handicap and the worst thing that this country faces is not the deficit but Prime Minister Mulroney. That sort of slipped by him. I recommend Senator Bonnell's remark to him.

I have a problem with what you produced, Senator Frith, and I am prepared to talk about it.

Senator Simard: Are you standing or sitting down?

Senator Cools: He is standing, I can see him from here.

Senator Gigantès: The person whose suggestions I am going to read is somebody who accepts the idea that it is preferable to replace the manufacturers' sales tax, but I think that he will take the point of view that you would agree with—that it is a question of reforming it to remove its defects. Of course, the main defect from the point of view of the manufacturers, was that all the costs of administration, and so on, were on them. They could pass it along, but it was more complicated to pass

on the tax to the consumer. It would be much nicer if the government came in and passed it on to the consumer. That is why they want a consumption tax.

I would like to point out to those who fear the deficit so much that there is an interesting comparison to make. Before the Second World War, we had no national debt and no deficit. None. In real terms, after deducting for inflation, the gross domestic product per capita—in real terms—was around $1,500. In real terms, it is four times higher now. In 1939, infant mortality was four times what it is now. Indoor plumbing was non-existent for 80 per cent of Canadian homes. Now, it is non-existent for only about 5 per cent of Canadian homes. In 1939, one family in ten had a motor car. Today, a family who does not have a motor car is very rare. In 1939 central heating was a feature in only 5 per cent of the homes. Today, nearly all homes have central heating. In 1939 people who went on vacation outside a 50-mile radius were a distinct minority, a very small minority of the population. Today, literally hundreds of thousands of Canadians go on vacation to places such as Florida, Mexico or Europe. In 1939 only 5 per cent of our young people went to university. In the case of females, it was even lower. Today, half of our young people go to university for secondary education. The situation of the population today, by any valid measure, is superior. Let us take the welfare situation and let us put medicare in there.

• (1400)

In 1939 many people could not afford a doctor unless they found a generous, compassionate doctor who was prepared to look after them and wait for payment until the ship came in, or the harvest came in or whatever. The doctors would even accept payment in kind. Now, everyone in Canada has wall to wall coverage, from womb to tomb. People do not have to die or see their children crippled and suffering, because they cannot afford medicare.

There is no standard that you can think of for which Canadians today are not immeasurably better off than they were in 1939. In 1939 there was neither national debt nor deficit. Today there is a national debt and a deficit. If a national debt is such a terrible tragedy, why are we so much better off than when we did not have a national debt? We should think about that.

Naturally, a businessman like Senator Poitras would not understand this, because he does not care about the welfare of poor people. Senator Poitras said earlier that somehow someone not born in Canada, was a little less than others. I heard him say it, and we will see it on the record. He should wash his mouth out with soap, so as to become a civilized human being and a little less bigoted. He should concern himself with the needs of ordinary people, and accept the statistical facts that all of us are better off today than we were in 1939—I am talking of real dollars—when there was neither deficit nor national debt.

Earlier, there were times when the national debt, in terms of a proportion of the gross domestic product, was much higher than it is now, and we paid it down. How did we pay it down?

[Senator Gigantès.]

We had the closest thing to a full employment policy that we have ever had. We also had low interest rates.

Which countries best manage their debt and avoid having deficits? I gave you those figures. The Economic Council of Canada has now adopted my figures and they are in its latest report. My conclusion is that the only way to reduce the debt permanently and to manage it permanently is to reduce unemployment. Every unemployed person in 1989 cost society exactly as much as they earned before they lost their job. Before they lost their job, they were being paid by society $15,640 a year in 1989 dollars. After they lost their job they were still being paid $15,640 by society . Where do those dollars come from? They are from unemployment insurance or welfare. Thus, there is a loss of tax revenue for the three levels of government.

Before they became unemployed and were receiving $15,640, they were producing goods and services. Therefore, they were adding to the gross domestic product and to the tax base. Gross domestic income equals the gross domestic product equals the gross domestic expenditures. When these people were earning, they were producing. When they were working and producing, they were earning something and they were giving a product equal to what they were earning. Once they became unemployed they still received the same amount from society, but they produced nothing in exchange. As long as members opposite do not understand that, they will not be able to deal with the deficit.

The full employment countries, says the Economic Council of Canada—plagiarizing me with not even a tip of the academic hat, but that is all right—which are Sweden, Norway, Japan and Austria, have very little debt. They have measured this over a period of 17 years. The latest figures I have are from 1987. I looked at the years from 1972 to 1987. If you add up the years with a deficit and the years with a surplus, Sweden's total is positive at the end in real dollars after inflation. Norway has an immense surplus. Austria is very close to a surplus. Germany started to have problems with a deficit and debts, the minute she abandoned her full employment policies. Unless you understand that unemployment and debt are intimately tied together, you will never solve the problem of the debt. No one has.

Even euthanasia would not work. Supposing you took the unemployed, welfare recipients, pensioners and the sick out and shot them, you would then have fewer consumers, less production, less of a tax base and, therefore, less revenue for the government to bring down the debt. Get that through your Conservative skulls. That is the way to solve the debt problem: reduce unemployment; put people to work. Countries that do that have solved the problem of the debt, and of the deficit.

Senator Poitras, if you want the whole calculation, read my book. If you are too poor to buy it, I will lend you a copy.

Senator Tremblay: Buy him a gift.

Senator Gigantès: He is richer I am. Why should I give him a gift? He should be giving me gifts.

Senator Fairbairn: Senator Gigantès, during the debate on the amendment to do with the book tax, Senator Poitras indicated that if a book was a good book, even with the tax, people would buy it and read it.

Senator Simard: If it is a good book.

Senator Fairbairn: I am sure that Senator Poitras will want to buy your book and read it.

Senator Gigantès: As I said earlier, Senator Simard, there is an excellent job for you in southern France sniffing truffles. That you would probably understand, the book you would not. So I would not offer you any book.

There is still some hope for Senator Poitras. When it comes to production or anything to do with printing or communicating information, he is incompetent. He attempted to produce a newspaper in New Brunswick and he failed miserably. So he is not qualified to talk about this field.

Senator MacEachen, some time ago, before you arrived, I was pointing out the contrast between the inept Tory leadership and your leadership. I said that you have 50 obstreperous, difficult people. You do not have carrots or sticks, but you run us. That is leadership.

Some Hon. Senators: Hear, hear!

Senator Simard: I have a point of order. Would Senator Gigantès tell Senator MacEachen what he said about his friend, the Rector of Laval University? Be a man and repeat that in front of Senator MacEachen.

Senator Perrault: Don't get partisan.

Senator Gigantès: There are two senators on the other side who do not comprehend things. One is Senator Simard, who never understands anything anybody says. He functions in an incoherent dimension. When, in effect, I was praising Kerwin Lackey; praising him as a wonderful Canadian, a great scientist, a magnificent citizen and a great Quebecer, Senator Poitras also misunderstood. Now he misunderstands the misunderstanding.

When Senator Simard is here, it does wonders to my blood circulation and to my feeling of fatigue. I get rejuvenated by about a year. He is a wonderful tonic.

Senator Simard: You are having a nervous breakdown.

Senator Gigantès: I give nervous breakdowns, I do not get them.

Senator Simard: You are still going through your nervous breakdown, if it is not a totally hopeless burnout.

Senator Frith: He at least got over his. Yours just seems to be starting.

Senator Perrault: Get your emotions under control.

Senator Gigantès: Senator Simard, your speech is incoherent. I do not want to wait for the official transcript, so would you mind repeating what you just said?

Senator Simard: It is on the record, as you said this morning.

Senator Gigantès: It will give me pleasure to read the record. I do not promise to understand it, but I will try to read it.

Senator Simard: That is your problem. That would not be the first time.

Senator Gigantès: We now come to the second question put by Senator Frith. The proposal on how to obtain the necessary revenue is not my proposal. It is someone else's. It is by Neil Brooks in his book *Studies in Social Policy*. He submitted it to the Banking, Trade and Commerce Committee. In one day you will have heard two alternative ways of settling the debt problem and the deficit. My proposal is to utilize the funds we now pay people to do nothing, in order to create jobs. From becoming recipients of handouts, they become both contributors to society and taxpayers.

Senator Simard, I cannot thank you enough. You really do rejuvenate me.

Senator Simard: You should be standing up, not sitting down.

Senator Gigantès: I am sitting because you are talking. Once you stop talking I will stand up.

Senator Simard: You were sitting before I was talking.

Senator Cools: He is not sitting.

Senator Perrault: Come on, senator, be kind and understanding.

• (1415)

Senator Gigantès: Have you stopped talking? As soon as you talk, I will sit.

Mr. Brooks states the steps that he proposed as an alternative to the GST. We have this mythology that there is no alternative to the GST. But there are several alternatives, In fact, I have already explained one. Here is another, namely, to eliminate the manufacturers' sales tax and the associated federal sales tax credit. I am reading Mr. Neil Brooks' submission. It will take a fairly long time. He goes on to state:

> Increase federal income taxes by increasing the surtax. This would increase the bottom federal tax rate from 17.9 per cent to 20.6 per cent; the middle rate from 27.3 per cent to 31.5 per cent; and the top rate from 30.5 per cent to 35.1 per cent.
>
> Increase tobacco, alcohol, and gas excise taxes to maintain prices on these commodities at current levels.
>
> Increase government revenues from corporations by $2 billion to recover part of the windfall gain to corporations resulting from repeal of the MST.

Of course these are not things that Tories would like to hear, because your pals will be deprived of the gifts that you are preparing for them.

Mr. Brooks goes on to state that the main results of introducing the alternative would be as follows:

> Revenue neutrality is maintained.

> Distortions and competitive disadvantages of the existing MST are removed.
>
> Administration and compliance costs of federal tax collections are reduced substantially, for both government and business, especially small business.
>
> The general sales tax base is left to the provinces. The federal tax system is fairer and more progressive. In particular, under the income tax alternatives the after-tax income of middle income families—e.g. the $30,000 to $35,000 income range—would be about $270 greater than under the GST reforms,—

This is a good number cruncher. He knows what he is saying. He goes on to say:

> —while the after-tax income of families in the over $100,000 income range would decline by about $300.

Even Senator Poitras could afford losing $300 per year. Under the income tax alternative low income families would be paying less total federal tax and high income families would be paying more—not much, but they would be paying more. He goes on to say:

> Inflation decreases by about 2 percentage points, reducing pressure on interest rates and on government debt servicing costs.
>
> The argument for the GST so far is that we have no choice. This study suggests that there are alternatives and there is a choice to be made.

[*Translation*]

Senator Gigantès: Now I will just skip . . . Do you want me to repeat all that in French, Senator Simard?

Senator Simard: No, please!

Senator Gigantès: Are you sure? Well, I will go on in French, because I think it might do some good. That was just the summary. So we'll go on. He didn't give the whole text in French and English. He just gave a summary. In the interests of bilingualism, to make sure it is alive and well in this august assembly, I will now give you the summary in French as well.

As you know, I have my doubts as to the quality of the translation. Not that these people don't do their best, but with the constant interruptions and comments . . .

I know that with someone like Senator Simard in the ring, it is extremely difficult to hear what is said and to produce an adequate translation. It's a wonder . . .

Senator Simard: You said they weren't any good and they should go home and resign! Yes, it is on the record! Thank you, Senator Gigantès.

Senator Gigantès: You and your government may have your merits. In any case, I like the people here. I think they are marvelous. I don't like you that much, and I don't like your Prime Minister, but I do like Senator Macquarrie, an admirable gentleman, and Senator Poitras, yes, I like you too. You are really quite charming.

So are there any Tory senators whose feelings would be hurt if I did not declare my affections? Senator Bolduc, although he didn't ask, is one of the people I like, and Senator Beaudoin too. I just caught an absolutely murderous glance from Senator Balfour. I won't comment further, since he was nice to me several times.

[Senator Gigantès.]

> The debate on the proposed goods and services tax (GST) has been hampered by a very obvious failure to provide a set of clearly identified alternatives. This study is an attempt to remedy the situation by comparing the 7 per cent GST proposed by the government with a different approach that would abolish the present manufacturers' sales tax and recover this revenue by simply raising income tax rates.

Corporate taxes as well, of course.

> The study shows that this approach meets the main objectives of the government's tax reform while avoiding the drawbacks of the GST. The main points of the proposed approach are as follows: abolish the MST and corresponding tax credits; increase federal income tax by raising the surtax: this would raise the bottom level of the tax rate from 17.9 per cent to 20.6 per cent, the middle level from 27.3 per cent to 31.5 per cent and the top level from 30.5 per cent to 35.1 per cent; raise taxes on tobacco, alcohol and gasoline to maintain the prices of these products at their present level; increase government revenues from business enterprises by $2 billion, in order to recover part of the windfall enjoyed by these businesses after abolition of the manufacturers' sales tax.
>
> The principal consequences of this approach are as follows:

That, I think, is the summary.

> Total tax revenues remain the same. Distortions and competitive disadvantages caused by the present MST are eliminated. Administration and operating costs in connection with collection of federal tax and income tax will be substantially reduced, both for the government and for businesses, especially small businesses. The general sales tax is left up to the provinces.
>
> The federal tax system becomes fairer and more progressive. More specifically, the net income of middle-income families, let us say from $30,000 to $35,000, would be about $270 more than if the same families were subject to the GST, while incomes of families with an annual income of more than $100,000 would drop by about $300.

In fact, this means that according to the proposed approach, low-income families would pay less federal tax, in the final insance, while upper-income families would pay more.

> Consumer prices went down by 2 per cent, thereby reducing the pressure on interest rates and federal debt servicing costs.

As you can see, as soon as Senator Simard opens his mouth, the Senate becomes dull. I am sorry. Yes, dear friend.

Hon. Arthur Tremblay: A moment ago, you mentioned again the national debt. Did you not say that in 1939, there was no national debt?

Senator Gigantès: Yes, I did.

Senator Tremblay: According to the data which I have just received from the Library, the national debt amounted to $3 billion in 1937 and $3.271 billion in 1939.

Senator Gigantès: How much does it amount to now, per capita?

Senator Tremblay: In 1937, it amounted to $279 per capita and represented 66 per cent of the Gross National Product.

Senator Gigantès: How much?

Senator Tremblay: 66 per cent.

Senator Gigantès: In 1939?

Senator Tremblay: No, in 1937, I did not get the figure for 1939. The two figures I quoted indicate that it must have been about the same.

Senator Gigantès: But do you agree that the national debt you are complaining about was much higher per capita in constant dollars before World War II?

Senator Tremblay: Personally, I was surprised to learn that there was no national debt in 1939. I wanted to check and I just did.

Senator Gigantès: I will bring you the relevant figures. My argument was that, in spite of a major per capita increase in the national debt during all those years, the well-being of Canadians improved immensely. So, if a national debt is such a bad thing, how is it that the personal well-being of each and everyone of us is so much better than in those years when the national debt was lower?

Senator Bolduc: What years are you referring to?

Senator Gigantès: I did not hear your question. Could you speak louder. My system did not catch you, senator, but you are a little far away.

Senator Bolduc: So you said that our well-being skyrocketed. What period are you referring to?

Senator Gigantès: Since 1939.

Senator Bolduc: Until what year?

Senator Gigantès: Until now. Even after six years of the Mulroney government.

Senator Bolduc: No, sir, you are mistaken. You are making a big mistake, senator, a big mistake. It went up between 1945 and 1960. After that it increased a little bit less. It has been stable since 1975.

Senator Gigantès: Senator, just where do you disagree when I say that our personal well-being today is by far superior to what it was in 1939? We live in better houses, more central heating, more cars per family, more of our children are attending university, we enjoy all kinds of medical care we did not have before, a lot more people take holidays and have cottages full of household appliances. On average, we Canadians are a lot better off than we were in 1939, yet our per capita national debt in real stable after-inflation dollars is heavier that it was at that time.

What I was asking is if the bigger national debt or higher national debt level is such a dire predicament, how come each of us is better off now than at that time?

Senator Bolduc: Productivity increased considerably between 1945 and 1960. That is a fact. It was during that time that social programs were set up. And it was in 1975 that we began to realize the real cost of these social measures. And today the situation is stagnant, that is where we are. Most of this can be traced right back to the $200 billion debt we inherited from the Liberals. Since then, eight years at 10 per cent a year has worked out to $360 billion, which is where we stand right now.

Senator Gigantès: What is your question, senator?

Senator Bolduc: I am not embarrassed to the point where I cannot make a sobering statement to pull you back into the real world.

Senator Gigantès: Are you suggesting that the real world is evidence that we are in worse shape now than we were in 1939? I say the opposite. You disagree when I say that we are better off today than in 1939? That is why I like you so much. Sometimes he can keep quiet when he cannot tell the truth. So there you are.

The federal tax system is becoming more equitable and more progressive. Consumer prices are declining by about 2 per cent. The main argument in favour of the GST so far is that we have no other alternative, but these studies indicate that there are other solutions and that it is possible to make a choice.

Now his text is in English. I will not translate as I read because my version would not be very good and would likely upset Senator Simard. Thank you for coming, you give me strength.

● (1430)

[*English*]

The implementation of the government's proposed goods and services tax has engendered more public discussion and debate than any proposed tax change in Canada's history. The intensity of the public discussion is well founded. The proposed tax reforms will mark a fundamental change in the direction of the federal government's tax mix.

Tax mix changes refer to changes in the relative amounts of revenue the government collects from different tax bases. Until recently, the federal sales tax has been a declining percentage of federal tax revenues. I will now refer to Table 1 which appears in the record of the hearings of the Standing Committee on Banking, Trade and Commerce. It can be found in the submission of Professor Neil Brooks.

He says that according to his table, the share of revenues obtained from the federal sales tax—the tax is applied to a manufacturers' sale price and is therefore commonly referred

to as the manufacturers' sales tax—which was more than 16 per cent in 1965, and which fell to 14 per cent in 1970 and to slightly more than 12 per cent by 1985.

The relative importance of the income tax, by contrast, has grown steadily from approximately 29 per cent in 1965 to more than 46 per cent in 1985. The increase in the share of revenue obtained from the income tax, particularly in the late 1960s and early 1970s, reflects in part the fact that since the income tax was not indexed for inflation, even individuals whose incomes were increasing only at the rate of inflation were being pushed into higher rate brackets.

Also, throughout much of this period personal incomes were increasing in real terms. Corporate tax revenues have been a declining share of federal revenues partly because of the reduction of numerous tax incentives in the 1970s to offset the effects of inflation from corporate income to provide targeted assistance to various regions and sectors in the economy.

I hasten to say that this was a bad policy on the part of Liberal governments. As Mr. Chrétien said at the time, "Why are we doing those fellow any favours? They never vote for us".

There is a study which appears in *Only Work Works*, a Senate report dated December, 1987 which shows that for every $2 of government help to manufacturers only $1 of benefit is produced. In other words, it is a dead loss for the government to help manufacturers. Professor Heliwell, from the University of British Columbia, is quoted in that study. He is about as orthodox an economist as can be found. He was of the opinion that subsidies or tax concessions to business were wrong on the grounds that if they went to buy equipment that reduces the need for labour and decreases production at the same time, then these businesses can go to any bank to get a loan to make this purchase. If a loan cannot be obtained to buy such equipment, because it cannot be proved that such equipment is viable, then they should not be in business and the federal government should certainly not be helping them. Shame on the Liberals! They were nice to business when they should not have been. It never pays to feed the hand that bites you.

These changes in the tax mix, in particular the increased reliance on the income tax and the decreasing reliance on the manufacturers' sales tax, can be explained in terms of the general economic conditions of the times. However, they were supported by the political environment.

In 1967, the Royal Commission on Taxation, which was hailed around the world as a landmark in taxation, concluded that because the tax burden could be distributed more equitably through the use of income tax and not the sales tax, more reliance should be placed upon it. Indeed, the Commission concluded that the federal government should abandon eventually the sales tax field to the provinces.

Following the public debate on the Commission's report, the association of income tax with a fair tax system was widely accepted by Canadians. Another mistake we made was that we allowed ourselves to be pushed by business into not applying the Carter Commission report. We should have applied it. We should have accepted it. Unfortunately, we did not. The country has suffered as a result.

This long-term trend in the tax mix has been gradually reversed in the last few years. Since 1984 the amount of corporate tax paid in real terms has increased by 21 per cent, personal income tax by 46 per cent and consumption taxes by 67 per cent. This increased reliance on consumption taxes will become even more pronounced in 1991 when, if the GST is enacted, an additional $1.1 billion will be raised through the federal sales tax. Moreover, not only will the enactment of the GST consolidate recent increases in the share of federal taxes collected through consumption taxes, it will also result in a tax structure that will lend itself to, if not encourage, further increases in the share of federal revenues collected through consumption taxes.

Although the GST will only be 7 per cent when introduced, many tax analysts argue that to take maximum advantage of the administrative machinery that must be put in place in both the private and public sectors to administer it, the rate should be over 10 per cent. In other words, if it is less than 10 per cent, the expenses we are incurring for putting it into place are not justifiable.

Most countries which have introduced such a tax have soon afterwards increased their rate to as high as 18 per cent to 23 per cent. New Zealand, which three years ago introduced a goods and services tax similar to the one the Canadian government is proposing, recently increased its rate from 9 per cent to 12.5 per cent.

Senator Lucier: Senator Gigantès, would you permit a question?

Senator Gigantès: Certainly.

Senator Lucier: You talk about other countries having a VAT. We keep referring to the fact that the rates in those countries have increased. Has anyone paid any particular attention to the fact that already in Quebec that province has agreed to meld its tax with the GST? In fact, there will be two GSTs for the taxpayers of Quebec. I do not think that they are aware yet of what is going to hit them within a year or two.

It seems to me that the people of Quebec will realize within a year or two that they already have an 18 per cent GST because the Government of Quebec is using the GST as an opportunity to introduce a GST of its own and to remove its sales tax. There are sales taxes now on goods in Quebec. There will soon be one on services. Have you had an opportunity to look at that situation? I am somewhat suspicious of it. In fact, the Minister of Revenue in Quebec resigned over that very issue. He thought that such a move would be unfair and onerous on the people of Quebec.

Senator Gigantès: If the Government of Quebec wants to take advantage of the GST, which is on a broader base of goods than the Quebec sales tax, and ride piggyback with it and to some extent place the blame on the federal government, which is proper and the usual provincial practice, then there is nothing much we can do.

Yes, indeed, the people of Quebec will realize that instead of paying 9 per cent, as they were paying up until now, they will suddenly be paying 18 per cent. As I pointed out earlier, the adminstration cost of the tax is about 9.3 per cent of sales. There is no doubt but that these costs will be passed on to the consumer. Given the reality of increasing prices, the Quebec consumer may be facing the equivalent in GST of 25 per cent. What can be done? If one gets into bed with Mr. Mulroney, one ends up facing a cost 25 per cent. If you are a quadruped, you lose a leg.

Senator Lucier: My point was that I wonder if the people of Quebec who will be paying this tax have really had it put to them before. Do they understand what is going to happen to them? It seems that they have not fully understood. No one has gone to great lengths to explain it because of other problems in Quebec right now. There is a commission going around in Quebec right now which is really dominating the press. It seems to me that the people of Quebec have not been made aware of what is in store for them. What you have said about the increase in taxes for the people of Quebec will hit them some day, but it might be too late. They will be taken by surprise when it hits them. That is my point.

Senator Gigantès: Senator Lucier, I have not seen studies in the Quebec press or in learned journals about the perception of the Quebec public on what the tax will be. Criticism of Mulroney government policies in the Quebec press is generally muted. They reserve their fire for others, not for Mr. Mulroney. It is, of course, entirely a democratic right to dump on anyone you want. But the people of Quebec are generally very perceptive. I think they know what the tax is doing to them. However, they are business people, like business people elsewhere. The big business people, whom they love to call institutions in Quebec, have been for this tax for the same reason as big business people in the rest of the country are all for this tax.

● (1445)

Senator Lucier: It is to their advantage.

Senator Gigantès: It is to their advantage, and at this time, because they have helped the movement for sovereignty, independence, self-assertion—call it what you will—they have more prestige than before. Quebec has been on a jag of worshipping its business people, le merveilleux monde des affaires. There are some journalists who do not sort of faint with reverence at the sight of these monuments, these human monuments to greed, but most Quebecers do and I think that may influence their judgment. You know, if a monument like Monsieur Castonguay, Monsieur Poitras think this is a good tax, it must be. It must be.

Senator Lucier: They trust him.

Senator Gigantès: Of course. He looks trustworthy. Even I would trust him, even though I am getting to know that he will give me a sneaky and unworthy blow from time to time. He is such a cuddly, trustworthy guy that he has a huge effect. One of Mr. Mulroney's secret weapons. He put Mr. Poitras in front and all Quebec could be saying, "How could he be telling us a lie? It is not possible. He is such a wonderful man. Everybody's favourite uncle or grandfather." That is the way Mr. Mulroney operates.

[*Translation*]

Senator David: Sorry to interrupt, senator Gigantès. I am very touched by the concern the honourable senator opposite is showing for the people of Quebec, who are so preoccupied with sovereignty-association, independance, renewed or improved federalism and the like that they cannot even see this tax coming and must therefore be dummies.

I resist the idea that there be 4 or 5 million dummies living in Quebec. I believe that the business people have explained well the impact this tax will have. The great newspaper editorialists, particularly Alain Dubuc, who wrote numerous articles on the subject and whom you were quoting this morning, explained it abundantly. The evening before last, the President of the Consumers' Association was on a show I was watching on TV.

I understand. You must be so tired after talking for 13 hours on this, that and the other. I understand full well that you may have some problem understanding.

Senator Gigantès: You can cancel the 6 p.m. adjournment. I am ready to go on.

Senator David: What I said is that I am talking somewhat on behalf of the Quebecers. I was saying that the President of the Consumers Association, who represents thousands of members, publicly supported the tax in principle. I would not say that the people of Quebec do not know what ot expect with this tax. I do not think that the honourable senator displayed concern for our people out of generosity.

[*English*]

Senator Lucier: Honourable senators, I would like to make it very clear that when I was asking my question of Senator Gigantès, I was not in any way trying to belittle the people of Quebec, nor have I ever done that. Nor will I ever do it. I was just trying to point out that this is a very complex tax, to begin with, the GST, and the Quebec melding of their tax with the GST will again be much more complex, and the truth of the matter is that the ordinary working person of Quebec is worried about how he is going to get himself through the recession, worried about what he is going to do about Christmas, and is being depressed. Let us face it. The majority of the press in Quebec is dealing with the commission hearings and with the Constitution right now. That is basically the type of thing they are dealing with. They are not spending a lot of time trying to explain the GST, and the new GST that will take place with Quebec involved, to the people of Quebec. Now I know that the people of Quebec eventually will find out what is happening as the people of the rest of Canada have done, but we have been dealing with this GST in the Senate for quite a few months now, and I still say that there are a lot in people of Canada who do not understand the GST. In fact, the people in the government who are selling it do not understand it, and if you do not believe that, call them any day and

ask them questions about how you deal with the GST, where it applies and where it does not apply.

Senator Molgat told us last week that a person operating a laundromat in Manitoba telephoned the department and how much does he charge. He was told that he had to charge 17/100s or something of a dollar per load of laundry. Well, you know, if anybody can understand that, I would be very surprised.

My point was simply that I think that the province of Quebec, having been the first to harmonize their tax with the GST, and having done it in their own way, which is to add their own GST on top of the GST finds it is not that easy to understand. There must have been something that was not quite right with it and something not very understandable because the minister responsible for it thought it was important enough for him to resign his cabinet post over it.

I am not in any way belittling the people of Quebec. I want to make it clear I did not do that, I would never do that, and as far as the question as to who can understand it and who cannot understand it is concerned, let us face the fact. We dealt with the Meech Lake Accord for three years and most of us still do not know what is in the Meech Lake Accord. That was my point, senator. I was not in any way belittling the people of Quebec.

Senator David: You said that the Minister of Finance resigned. It is not the Minister of Finance, who is Gérard Lévesque. It is the Minister of Revenue, I think.

Senator Lucier: I accept that, sir. It is the Minister of Revenue.

Senator David: When you say that the newspapers are so full about these questions of Constitution, I must remind you that nearly every major editorial now has its economic pages where the GST has been fully explained. How well everybody understood the explanation, that is another matter, but you cannot go from the premise that because we speak so much of constitutional affairs that we have avoided speaking about the GST. That is the only point I want to make very clear.

Senator Lucier: Yes, senator, I accept your point and I understand what you are saying. I accept what you say that the economic pages do carry that type of item, and my point, again, is that most of the people who are going to pay the tax do not read the economic pages of the newspaper.

[*Translation*]

Senator Gigantès: Senator David, I hope you will recall—and if not, I would ask you to look into the record at this point—that my answer was to the effect that I believe that the Quebecers are clever enough and know exactly what is happening.

I think that the Quebecers understand politics better than several other groups of Canadians. They do real well.

Senator Simard: That is why they voted against the Liberals in 1984 and again in 1988!

Senator Gigantès: Were they right to vote Liberal when Trudeau had huge majorities? No, no. Answer me please!

[Senator Lucier.]

Senator Simard: I said what I had to say. This is not Question Period. Do what you want and I will proceed as I wish.

Senator Gigantès: Would you please speak more clearly? It is a devil of a job to try to understand you.

Senator Simard: You do not need to understand what I said, as long as it is recorded in the *Debates*.

Senator Gigantès: Of course, I need to understand you. I am very curious. I want to learn things. I always expect that a jewel of knowledge . . . I would like to hear something that I could put in a box, a jewel of wisdom from senator Simard. I would put it in a box and, naturally, in my computer.

Senator Simard: They are not pearls. This is but a lot of words. Words that have been coming for twelve hours. There are not many pearls in it. I see only grains of sand.

Senator Gigantès: Would you like me to start all over again with the duty of the opposition to oppose and to air a situation like the one that exists now where the House of Commons has impeded the due democratic process and we are forced to take over and do our best to stimulate public opinion and even make it hostile to what your government is doing. Because what your government is doing is really bad for the country. What are we supposed to do until the next election in 1992? We must do something because we have no credible prime minister in Canada now. That is a serious problem. Our duty is to make few things known.

Senator Simard: Senator Gigantès trusts in the good judgement of Quebecers, in their understanding of matters such as the GST and the constitutionnal issue. I shall remind him that on Pierre Nadeau's TV show, last Sunday night, on this one hour talk show broadcast on the French network, during his interview with the Prime Minister, the following question was put to the Quebec audience: "What are the chances of Mr. Mulroney being reelected"? Sixty-two per cent of those who were asked said that Prime Minister Mulroney would be re-elected. I agree with them. I always thought that people from New Brunswick, people from the province of Quebec, that Canadians in general have a good judgment and, at this time, they tell us that they would re-elect Mr. Mulroney (and we know that you said the most negative things, we know that you specialize in using the most offensive epithets when you talk about Prime Minister Mulroney). Despite an unpopular tax, many Quebeckers, undoubtedly influenced by the foolish behaviour of the Liberal Party in this Chamber over the last two or three months, tell us that, in two years, after the next federal election, it will not be Jean Chrétien who will lead this country, it will not be Phillip Edmondston, it will not be Audrey McLaughlin, it will not be the Liberal Party, it will be Prime Minister Mulroney and his Progressive Conservative government. So, good night, senator . . .

Senator Gigantès: Please. I miss you so much when you are not here. It is awful when you leave me. I cannot hold back my tears when you leave. Tell me, in February 1980, were you a Conservative?

Senator Simard: I said I would not take part in a question period here. I made my statement. You can do what you want. I will certainly not play your game of questions and answers.

Senator Gigantès: Something serious like this study of the effects of the GST.

Senator Simard: Yes, it is time you got serious.

Senator Gigantès: I only have three hours and fifteen minutes to go to reach eighteen hours.

Senator Simard: No, not already!

Senator Gigantès: What are those noises? Is Senator Corbin making noises again?

● (1500)

[*English*]

> Still, in spite of this important shift in the mix of federal government taxes from income to consumption and its vital wide-ranging public discussion of the reforms, the distributive effect of the tax changes are not so well understood by most people—

Except, of course, Senator Simard, who understands everything.

> Virtually, no information is available that can be used to evaluate alternatives to the GST—

This is a considerable economist, and in his opinion Senator Lucier is right. There is not enough information for people to really understand the options, the alternatives. Should it be the GST or should it be something else? We have here a considerable economist who has done a major piece of work and at the beginning he says:

> . . . no information is available that can be used to evaluate alternatives to the GST. The government has insisted that, to be taken seriously, critics of the tax must be prepared to offer alternatives. However, the public has been provided with very little information upon which to offer and evaluate alternatives. The government's central proposal is to repeal the manufacturers' sales tax and to replace it with the GST. The two main characteristics of the GST that distinguish it from the MST are that:
>
> One, whereas the MST is levied only on manufacturers the GST is a multi-stage tax that will be levied at every level of the production and distribution process.
>
> Two, whereas the MST is levied only on manufactured products, the GST will be levied on practically all goods and services.
>
> However, if the MST is repealed, enacting a new GST is not only or necessarily the best way to recover the lost revenues. A more straightforward alternative would be simply to increase income tax rates. Somewhat surprisingly this alternative has not been widely considered. Perhaps most people think that not enough revenue would be raised through the income tax to start making the rates "uncompetitive".

A most important conclusion of this paper is that:

> A relatively modest increase in income tax rates could raise the required revenues. The change would not only avoid all the administrative and compliance costs of introducing a new tax, eliminate those adverse micro-economic effects of increasing taxes on consumption and resolve a difficult problem of federal-provincial relations but it would also increase the overall fairness of the tax system.

That would not be bad, would it?

> The purpose of this brief working paper then is to provide some information on the GST and its possible income tax alternative to it. The most important aspect of any tax change is the answer to the question, who gains, who loses. Therefore, this aspect of the GST reforms and the alternatives will be emphasized.
>
> This paper is divided into three parts and then appendixes. The first part briefly describes the GST reforms. One section of this part examines the need to abolish the MST. Another describes the various elements of the GST reforms. And the third section analyses the effects of substituting a 7 per cent GST for the MST on the prices of more than 40 goods and various expenditure categories.
>
> The second part of the paper describes the income tax alternatives to the GST and examines the effect of such changes on consumer prices. The third and final part compares these two tax reform alternatives. It is divided into two major sections. The first section reviews the seven main arguments that have been offered in favour of changing the tax mix from income to consumption and the four main arguments that have been made in favour of even greater reliance on the income tax.
>
> The second section compares the distribution effects of the GST reforms and the income tax alternatives. The conclusion suggests that the government's obligation to justify the enactment of a new tax, the GST, instead of collecting the revenue needed to offset the repeal of the MST through the income tax, has not been discharged. An analysis of the aggregate and distributional effects of the GST and an income tax alternative is based upon a data base and computer model developed by Statistics Canada, called The Social Policy Simulation Data Base and Model, (SPSD/M).
>
> The appendix contains some technical detail relating to the SPSD/M.

I will mail the appendix to Senator Simard tomorrow.

> The choices of parameters and assumptions and projections, together with an interpretation of the results, are the responsibility of the author.
>
> The need for reform. Abolishing the manufacturers' sales tax. At present the federal government sales tax, MST, is levied on the manufacturer's selling price of domestic goods and the duty-paid value for imported manufactured goods. The current rates are 19 per cent for tobacco and alcohol, 9 per cent for construction material and 13.5 per cent for other manufactured goods. The tax is invisible at the retail level so many Canadians are not

even aware that, in effect, they pay the tax whenever they purchase manufactured goods. Yet, if the MST were to remain in place, the government estimates the tax would raise $18.5 billion in revenue in 1991. The need for introducing the GST or for making any change in the basic structure of the federal tax system has arisen because of problems with the manufacturers' sales tax. These problems have been known for a long time and at least since the 1967 report of the Royal Commission on Taxation, but particularly in the last 15 years, tax analysts and government officials have discussed intensively the need to repeal the tax.

Senator Fairbairn: I wonder if I could ask you a question, Senator Gigantès? You mentioned the MST, and you had discussed that a little bit earlier this morning, as I had the other day when I was speaking about the views of the Minister of Finance on the manufacturers' sales tax, which he had referred to back in the early days of the first Mulroney government as "a silent killer of jobs" and did not have a good thing to say about it. Subsequently, if I recall correctly, instead of getting rid of the tax at that point, or altering it or changing it in some way, he raised it four times. I am wondering if you could give me your thoughts on that?

Senator Gigantès: On what?

Senator Fairbairn: On what would have motivated the Minister of Finance and his economic advisers to set about increasing a tax up to 13.5 per cent from 9 per cent, I believe it was, when he had stated so vehemently that this was a worthless tax, a silent killer of jobs? Yet he hung on to it and he raised it and raised it and raised it. I wonder what your thoughts were on his hanging on to that tax for as long as he did without broaching some of the alternatives, such as the one you were discussing a minute ago about income taxes.

Senator Gigantès: Both the alternatives that I suggested, such as one of fighting the deficit and fighting the national debt through job creation and Neil Brooks' alternative of increasing income taxes, are the kind of policies that Conservatives do not adopt. Job creation means to some extent, in their eyes, an increased role for government in the economy. They have conditioned themselves, along with Frederick Hyatt, and Reagan and his Rambonomics, that the only thing that must be done is to decrease as far as possible the participation of government in the economy.

They would like to privatize everything. Doctor Michael Walker of the Fraser Institute is a home-grown apostle of this theory. He says that anything for which you do not have to pay a price you abuse. I can think of many examples where even a Tory would not abuse something for which he did not have to pay a price. However, I remember Michael Walker saying to me that the best example of that was the increase in hysterectomies in Saskatchewan when medicare was introduced. He said hysterectomies went up like that! That shows you, he said, that the minute you provide a service for free, people abuse it. I said that is not what it shows to me. What it shows to me is one of two things; first, women who needed hysterectomies could not afford them before or, if you do not believe that, Saskatchewan doctors are prepared to butcher perfectly healthy women for money. Take your pick.

[Senator Gigantès.]

Our health care system is vital. In spite of the complaints of the business people about it, it is still, in the opinion of the *New England Journal of Medicine*, for instance, and Harvard University, which did a huge comparative study of various health care systems—the best value for money with least constraints on doctors, much less constraints than private insurance companies are imposing on doctors in the United States, and total coverage and satisfaction on the part of the population.

There was even a study published by the Fraser Institute in 1987. The Institute commissioned it and it was one of its people who did it. This person compared the health care systems in the European Economic Community, in Australia, New Zealand, the United States, Britain and Canada, and you can find the exact quotation either in my book or *Only Work Works*. He says that it is the best system there is in the world in terms of value for money. The reason I am saying this is that it is possible, in fact it is essential sometimes, to have a role for the government in the economy. Tories reject that. The problem is that the free market, powerful though it is, and effective though it is, is not good in looking after the poor, the sick and the weak. It just does not do that well. Therefore, it had best be trusted to some agency that uses public funds.

• (1510)

The suggestion I was giving earlier was to fight the deficit the way the successful deficit-fighters among nations do, and that is through work creation. That is not something that Tory ideology is prepared to look at.

Senator Fairbairn: The Economic Council suggested that also.

Senator Gigantès: The Economic Council is suggesting that, and maybe it will percolate. Judith Maxwell is a Tory appointee, and that gives me some hope. Perhaps they will believe her. If they do not believe me, perhaps they will believe her when she repeats what I said.

This morning Senator Stewart was talking about the attitude of the true Conservative or the free market believer à la Adam Smith, who believes that all tax is a distortion of what Adam Smith called the state of nature and which we call the free market. Instinctively, the Tories suspect solutions that increase taxes, especially taxes they pay. They were, and always have been, against income tax. They always have more or less favoured consumption tax. Consumption tax does favour the rich at the expense of the poor. It is not progressive.

Neil Brooks suggests a progressive taxation system, and not a consumption tax, to provide the revenue. The Tories will not accept this. It is not a policy that Tories will accept. It would be as if somebody suggested communist economics to us Liberals; we would not accept them.

I do not know why they are the way they are. That reminds me of a Turkish saying that God first created the Turk and because the Turk thought a lot of himself, to punish him, God created the Greek.

Senator Turner: What about the goddess?

Senator Gigantès: Let's not get sexist now, Senator Turner. Please let's keep sex out of this.

We could turn this around and say that God created humanity and to keep humanity from getting a little uppity, God created Tories to annoy humanity.

Senator Perrault: To afflict humanity.

Senator Gigantès: Senator Perrault, you always have the mot juste. God bless you.

I will continue with the excellent contribution of Professor Neil Brooks. He said:

> The need for introducing the GST, or for making any change in the basic structure of the federal tax system, has arisen because of problems with the MST. These problems have been known for a long time, and at least since the 1967 *Report of the Royal Commission on Taxation*, but particularly in the last 15 years, tax analysts and government officials have discussed intensively the need to repeal the tax. During this time, the government has released numerous reports outlining the shortcomings of the tax. These flaws include the following: (1) because the MST is imposed on many business inputs, the tax can have a cascading effect substantially increasing the effective tax on some goods; (2) the tax varies greatly as a percentage of the retail price of goods since mark-ups beyond the manufacturer's level vary from product to product; (3) imported goods are favoured over domestically produced ones since for most imported goods the costs of advertising, warranting, warehousing, and transportation are incurred after the good is imported; (4) the tax is complex and notoriously difficult to enforce fairly since firms attempt to shift as many aspects of their business as they can beyond the manufacturer's level; (5) since it is imposed on all goods including exports, Canadian firms exporting abroad are at a competitive disadvantage compared to foreign firms whose goods do not bear such a tax; and finally (6) the tax base is very narrow—in particular it does not include services, even though services are an increasing percentage of value-added in Canada, most of the good jobs are in manufacturing not services, and high-income individuals tend to spend a larger percentage of their income on services than low-income individuals.

Senator Bonnell: Senator Gigantès, would you permit a question?

Senator Gigantès: Certainly.

Senator Bonnell: I understand that Ottawa got the new NHL team expansion. Do you think that will make any difference in the economy here in Ottawa?

Senator Gigantès: Senator Bonnell, would you please repeat the question? You are moving to a different dimension of economics. I am prepared to adapt, but please repeat the question slowly. I have been talking for 16 hours and 3 minutes.

Some Hon. Senators: Hear, hear!

Senator Bonnell: Honourable senators, the Ottawa Senators will be back in Ottawa as a national hockey team. Since the NHL has honoured us with that good news, will that make any difference in the economy of Ottawa and the changes in the GST? Would the government of Canada take the advice of the senators and reject the GST or at least put it off for a year?

Senator Gigantès: Every team at its inception has problems proving its worth and has problems selling tickets. Civic pride is fine, but if the team is not playing too well—as new teams will not because old teams will not give them prime choices in a draft—then we are likely to get Ottawa Senators on ice who are not quite as feisty and effective as Ottawa senators on a red carpet.

If you have a team that is not performing too well and you slap an extra tax on the ticket, then you are likely to find that your attendance is low. If attendance is low, the team cannot afford to buy better players, attendance goes even lower, the coach gets fired, and we have a general mess, all of it due to Mr. Mulroney, naturally.

Senator David: Of course.

Senator Bonnell: Would you permit a supplementary question, Senator Gigantès?

Senator Gigantès: Of course.

Senator Bonnell: If the Ottawa Senators do get involved deeply in the NHL and if they do get into difficulties, will the referee side with the Ottawa team and take the puck and put it in the net, so that they can win, just like they have done here in the Red Chamber?

Senator Gigantès: I did not know Senator Charbonneau was a hockey referee. He must be good on skates, especially on thin ice.

We have seen the flaws of the MST. Professor Brooks goes on:

> Numerous attempts have been made to fix up the MST, including shifting the taxation of particular goods to the wholesale level, using national values where the normal distribution pattern for goods excludes the wholesale level, and ignoring marketing companies that are related to manufacturing companies when assessing the tax. However, none of these attempts has been particularly successful. It is now widely agreed that the tax is beyond repair and should be repealed.
>
> **2. Elements and Overall Fiscal Impact of the GST Reforms**
>
> The major element of the GST reform is, of course, the abolition of the MST and the implementation of the GST. However, there are a number of other elements to the government's GST reforms, and each is important in understanding the total distributional effects. Each will be described briefly.
>
> (a) *Eliminate the MST-implement the GST.*
>
> In the year that it is proposed that the MST be abolished, in 1991, the government estimates the tax

would raise about $18.5 billion of revenue. Therefore, the GST reforms must raise at least this amount of revenue. However, even if the GST were designed simply to raise the same amount of revenue as the MST, the burden on Canadian consumers would be substantially increased.

Using the input-output analysis associated with the SPSD/M, it is estimated that about $1.5 billion of the MST is imposed on manufactured goods that are exported. In addition, about $3.2 billion of the MST falls on business investments in construction and machinery. Under the GST all exports and business imports will be freed of tax. On balance, it is estimated that Canadian consumers would pay almost $4.7 billion more in tax even if the GST were simply substituted for the MST and the same amount of revenue collected.

It is important to hear this second paragraph on page 5 again. It says:

Using the input-output analysis associated with the SPSD/M, it is estimated that about $1.5 billion of the MST is imposed on manufactured goods that are exported. In addition, about $3.2 billion of the MST falls on business investments in construction and machinery. Under the GST all exports and business imports will be free of tax. On balance, it is estimated that Canadian consumers would pay almost $4.7 billion more in tax even if the GST were simply substituted for the MST and the same amount of revenue collected.

There is a clear transfer of tax burden from the manufacturers to the consumers. Perhaps the manufacturers passed it on through prices, but not the export prices. Manufacturers, of course, think it is simpler if the government does it, and then they do not have to worry about it. Professor Brooks goes on:

The increased taxes levied on consumer goods sold in Canada under the GST will result, the government estimates, in prices increasing by about 1.25 per cent. This price increase will result, in turn, in the increase of government transfer payments that are indexed for inflation. It will impose additional hardships on low-income Canadians since their cost of living will increase. The government estimates that offsetting these effects, including administering the new tax, will cost an additional $2.9 billion. Thus, under the GST reforms, the government must raise $21.4 billion ($18.5 billion to replace the revenues lost by repealing the MST, plus $2.9 to cover the consequential offsets).

● (1520)

Sales Tax Credit

To protect low income Canadians from the increase in the price in consumer goods, as a major offset to enacting the GST, the government proposes to increase the refundable sales tax credit. This enriched refundable sales tax credit (the GST tax credit), will be set at $190 per adult (the existing refundable sales tax credit will pay $140 in 1990) and $100 per child (up from $70 in 1990). The threshold, that is, the income level at which the credit will begin to be reduced, will be set at $24,800 in 1991 (up from $18,000 in 1980). The GST credit will be reduced by five cents for every dollar of income the recipient earns above the $24,800 threshold to compensate them for the fact that they face higher living costs than couples with the same incomes because they have to maintain a separate household, single parents and adults will be able to claim an additional credit. This "single person's supplement" will be 2 per cent of net income of $6,175, reaching a maximum $100 at a net income of $13,175. In the words of the *Technical Paper on the Goods and Services Tax*, the purpose of this complex formula is to ensure that the single person's supplement is targeted "to lower income working or retired singles who maintain their own households and are not dependent on parents or other supporting persons." Single parents will be able to claim the adult rate for one of their children ($190 instead of $100). The government estimates that the cost of enhancing the sales tax credit will be $1.2 billion.

Housing Rebate

To protect middle income house buyers—

Before I continue, I highly recommend to my colleagues on both sides that they get this paper and read it carefully. It is difficult, I realize, to follow all these figures unless you want to take a pencil and paper and do the addition. I have checked Mr. Brooks. He is fairly good. I realize that after hearing a whole cascade of figures one after the other you get to the point where you are not too sure what you heard last and what you will hear next.

An Hon. Senator: Will you send me a copy?

Senator Gigantès: You would like me to send you a copy?

An Hon. Senator: Or shall I take it as read?

Senator Gigantès: Oh, no. I cannot do that, because there are some of you who are not in the habit of reading. I am hoping that some words will penetrate. Not you, sir, or Senator Tremblay. Senator Tremblay is an avid reader. He devours reading material. He is very particular about every word. He is awfully good at it. I have no worries about Senator Tremblay not reading this, because he will. If there are any errors, he will find them. He has a great reputation for this. If I believed in reincarnation, I would say that he was—

Senator Tremblay: Children in families are told that it is not polite to talk at the same time you eat.

Senator Gigantès: Oh, here we have Senator Castonguay complaining because I was having a small piece of tangerine. Now there is Senator Tremblay complaining because I have a square centimeter of biscuit.

Senator Fairbairn: Good grief!

Senator Perrault: Shocking.

Senator Gigantès: Hit me. My manners are deplorable. I promise that I will correct my ways. I will do penance. I will go to church on Christmas day even though it will be 40 below in Quebec City. I will be dragged there by my separatist

relatives and I will ask for forgiveness and confess myself. I will say, "I ate one little piece of tangerine in the presence of Monseigneur Castonguay and one square centimeter of petit beure biscuit in the presence of Monseigneur Arthur Tremblay. I will be punished. I will be made to say all kinds of Avés.

[*Translation*]

Senator David: Then, you will excommunicate!

Senator Gigantès: Are you intervening Senator David? Do you have anything to say about my manners? No, how nice of you! You truly are a gentleman. I would entrust my heart to you anytime. Thank you.

[*English*]

I left off at "Housing Rebate". It states:

> To protect middle income house buyers from the increase in house prices, the government is proposing to provide a GST housing rebate, costing $0.2 billion. The rebate will be set at 2.5 percentage points of tax on newly-constructed residential dwellings costing up to $350,000. The rebate will be phased out for houses priced over $350,000 until it is completely eliminated for houses costing $450,000 and more.

This must be a measure that must strike terror in the hearts of some Tories and some of my Liberal colleagues who have houses that are worth more than $450,000. He goes on to say:

> In assessing the cost of the changes and their effect on different families, the effect of the price increase on transfer payments must be considered. Some federal government transfer payments are indexed for price increases. Old Age Security payments are fully indexed for inflation,—

That is thanks to the old lady who tackled Mr. Mulroney on the steps of Parliament and told him what she thought of him. He goes on to say:

> —while other transfer payments like family allowances and credits delivered through the tax system are indexed for inflation above 3 per cent.

In other words, they lose a percentage of their value each year. After all, they are undeserving poor. Why should they be given any help? God has not chosen them. Let the government smite them.

He goes on to say that in the year the GST reforms take effect, inflation will likely be above 3 per cent; consequently, to the extent that the GST reforms affect prices, all individuals who receive indexed transfer payments will receive larger payments. This will both impose a larger cost on the government and ameliorate the effect of the GST on these individuals. The government has estimated that the increased transfers to individuals and the decreased tax revenues because of indexation effects resulting from the GST reforms will cost about $0.9 billion. Apart from any possible effects of the current budget freeze, transfers to the provinces, which are also indexed, will increase—

Senator Cools: Senator Gigantès, would you be so kind as to accept a question?

Senator Gigantès: Yes.

Senator Cools: Earlier, Senator Gigantès, both myself and Senator Frith referred to the testimony that Mr. Wilf Goodman presented to committee on Banking, Trade and Commerce—where he presented to the committee an apologia for the government's initiative.

Earlier, I asked you whether or not you had given much consideration to the mechanisms by which this government had informed itself as it developed this legislation. I wish to return to that subject matter. As you speak, and as everyone else raises questions, there seems to be a fundamental assumption that the government has made at all times. That assumption is that the manufacturers' sales tax is such an abomination or such a terrible thing that it needed to be changed. In his testimony that day, Mr. Wilf Goodman described it as something that only the devil could have devised.

Some time ago, Senator Frith referred to a particular witness who came to us and essentially cautioned us about that very question. In other words, the witness cautioned us and urged us to be more inquiring as to the proposition and conclusion that the current manufacturers' sales tax was such an abomination.

It was interesting, because several years ago when Mr. Wilson presented his various study papers on tax reforms, he ended up choosing in this tax a different one than the one that he seemed to favour in 1987.

My question to you is: In your work and in your study were you able to come to terms in any way with the conclusion that the government arrived at? They begin their presentation to us with that assumption, but we do not ever find out how they ever got to that assumption. Were you ever able to ascertain that?

Senator Gigantès: There are alternatives. The manufacturers' sales tax, as we were told, has a component of $1.7 billion on exports. The damage to our exports is in the amount of $1.7 billion. But this damage to our exports is infinitesimal compared to the damage to our exports that has occurred from pushing the dollar up, through secret agreement with the United States, from around the 72 cent mark to the 85 cent or 86 cent range.

If you discuss that, it becomes infinitesimal. When we are talking about exports of $120 billion, the loss we have experienced because of that—that is $1.7 billion—is a little over 1 per cent. The increase in the value of the dollar is much more. That is what is really hitting our exports. They could ameliorate the export situation and could even remove the tax from exports. That would improve the manufacturers' sales tax considerably. However, they did not choose that route. They chose other routes, namely, the route of the GST. The alternatives were: A full employment policy—but that is unconscionable for a Tory government, because it means a more active role for the government in the economy. They did not want to choose that.

They did not want to choose the alternative that I am reading now, the Neil Brooks alternative, which is to increase income and corporate profit taxes. That is not the sort of thing that the Conservative government will do. They wanted to change the tax. They could have changed it a little, but they changed it more because it suited their big business clients to have it changed in the way it has been changed.

• (1530)

As I have just read from Neil Brooks' figures, the burden of the tax on manufacturers is reduced by $4.7 billion, some of which is shifted to the consumer. Not all of the burden is transferred to the consumer, some of it sticks with the manufacturers. The manufacturing friends of the government wanted the government to take the burden away from them and dump it on to the poorer people of Canada.

They came out with the assumption that the only alternative was the GST, because other alternatives available are contrary to Tory economic ideology. They started with the assumption that the manufacturers' sales tax is less desirable than the GST because it demonstrably puts more of a burden on manufacturers than does the GST. I do not know if that answers your question or not.

Senator Cools: I am not fully satisfied that my question has been totally answered. I appreciate your efforts. I will be happy to return to the subject later.

Senator Gigantès: On another occasion, perhaps, we will talk more about this.

I am now anxious to get Mr. Brooks on the record for the benefit of those senators who find reading such stuff a little airy and who might willy-nilly allow some words to percolate into their consciousness.

The government estimates that the GST will cost about $0.2 billion more to administer than the MST. We already know that they have shot right through that estimate and have asked for more money. It is now nearly $0.5 billion for which they are asking, and climbing, which is another example of the incompetence about which I complain. They cannot even count.

Estimates of the number of people required to administer the complex provisions of the proposed GST vary. Recent reports mention the hiring of an additional 3,900 employees in the Department of National Revenue, with at least as many to be hired by the private sector. If one is going to be checked by the tax police one has to have people who will be able to answer the questions of those tax police.

A small shopowner will have to learn and teach his staff some 300 pages of illogical regulations. If there were logic to it, then it would be easier to learn. Of course, it is clear they learn immediately that caviar is not taxed. There are other complications as to when and what is taxed that go beyond the principle that seems to be if something is cold you do not tax it and if it is hot you do. That would cover fish, pizza and popcorn.

Including the offsets, the government estimates that in order to abolish the MST and replace it with the "revenue-neutral" GST, the government will have to raise $21.4 billion in revenue. It proposes to make up this revenue primarily through the 7 per cent GST. With the MST we were being taxed to the extent of $18.5 billion. With the GST, and without being able to use any money yet to decrease the deficit, it is going to add $3 billion to taxation. That is to cover costs.

The government proposes to make up this revenue primarily through this 7 per cent GST. This new tax is estimated to raise $19.6 billion. The other $1.8 billion will be raised through miscellaneous sources reflecting, no doubt, a political judgment about what is acceptable: the capital tax on large corporations will be increased by $0.2 billion. That is not $0.2 billion per corporation, but for all corporations. We know that, too, will be unfairly applied because there are so many corporations which pay no taxes at all. All the big oil companies pay no tax at all, and have not paid for years.

The income tax surtax will be increased by $0.2 billion. The excise tax on cigarettes, tobacco and fuel will be increased to offset the declining revenues resulting from switching from a 19 per cent rate at the manufacturers' level to a 7 per cent rate at the retail level. Government expenditures will be cut by $0.7 billion.

I now come to Table 2 which compares the Finance Department's estimates of the federal fiscal gains and losses with the GST reforms with those calculated using the database and model underlying the analysis in this paper. The estimates are not quite the same because of modelling differences. However, the fact that the estimates are so remarkably close gives one confidence that the issues addressed here are fundamental questions of principle and design, not accidents of computational technique or underlying data.

Senator Molgat: Senator Gigantès, I wonder if I could interrupt you? I realize you are dealing with the Brooks' proposal. Have you had an opportunity to look at what Mr. Hurtig had to say insofar as alternatives and insofar as the problem is concerned? I would like to deal with the paper he presents in which he makes some very alarming statements which I think requires some in-depth study.

One of the things he states is:

> The Canadian tax system has been characterized by enormous tax concessions for giant corporations, conglomerates and wealthy individuals.
>
> Huge, very profitable and powerful banks, trust companies, insurance companies, petroleum companies and mining companies have been paying remarkably low real rates of taxation on real profits, rates of tax well below that of average Canadian individuals, families, and well below the rates of most small and medium-sized Canadian businesses.
>
> The Mulroney government "tax reform" has increased the tax burden for the overwhelming majority of individual Canadians and their families and decreased it for the very wealthy.
>
> At the same time effective corporate tax increases for the largest, most profitable corporations have been modest

and the government's own projections of corporate tax revenue for 1992 show small increases.

The result is a shocking concentration of wealth and power in Canada and an excessive tax burden for the overwhelming majority of Canadians.

He then goes on to say that his statistics, of which he has a great many within his presentation, come from Statistics Canada, the Department of Finance, the Department of National Revenue or the Bank of Canada. His international statistics are from the OECD, the IMF or the U.S. Department of Commerce. He seems to have documented his material well. I am sure that it has been studied by others.

I would like to point out that he also proposes quite a number of alternatives to the GST. It has been my impression all along that there really has not been an adequate study of alternatives. The government has been trying to say that there are no alternatives.

He goes on to state:

Contrary to the Mulroney-Wilson oft-repeated line, there are many alternatives to the GST.

Higher, effective taxes on large corporations are the place to start.

An increase in the personal income tax rate for the top fifth of Canadian taxpayers is another.

More corporate audits and much more attention to transfer pricing would yield billion of dollars in tax revenue.

Tax audits by Revenue Canada on corporations have dropped dramatically in recent years from almost 7.5 per cent of corporations to less than 2 per cent. Revenue Canada has indicated in 1988 that for every dollar spent on audits over $17 in tax revenue was collected.

If Canada had a wealth tax at the same rate as the OECD average, it would raise almost $2 billion.

Progressive, but relatively small inheritance taxes could produce another $2 billion.

Even a modest 2% reduction in interest rates would save some $7 billion over four years.

As we are aware, there is a real need for a reduction in interest rates for other reasons altogether, as well as the reduction of government expense. From the standpoint of the economy and what we are presently faced with in terms of the recession we are into there is a valid reason for a reduction in interest rates per se, altogether aside from what this would mean to government expenditures.

Mr. Hurtig continues:

A reduction in the artificially high value of the Canadian dollar would aid exports, increase profits and produce substantial additional revenue.

Again, as an aside, we have heard from a previous minister of this government that there is an under-the-table deal. I know that members on the other side have said that that is not so. The unfortunate part is that the American counterpart in this affair, the one who should know, is now dead. Thus, it is very difficult to get the proof from the one individual who would have it. Nevertheless, there is a former cabinet minister of this government who says that there was a deal to keep the Canadian dollar up.

Mr. Hurtig continues:

Luxury tax on expensive cars, expensive jewellery, expensive homes and other luxury expenditures should be introduced.

That is the exact amendment we proposed in this chamber recently. It was turned down by the Conservatives.

Mr. Hurtig continues:

Progressive, graduated corporate and individual income tax rates should be reintroduced.

There should be full taxation of capital gains as in the U.S. and in the U.K.

Artificially high depreciation allowances should be eliminated.

An increasingly large number of corporations pay no taxes on billions of dollars of profits. A minimum tax rate should be introduced on all corporate profits.

• (1540)

Too many wealthy individuals pay no income tax on large incomes every year. There should be a minimum income tax in such cases as well.

Consideration should be given to charging interest on deferred corporation taxes and to accelerated collection of deferred taxes.

Finally, the entire tax system should be revamped to make it more progressive, i.e. based on the ability to pay.

As I said at the outset, Mr. Hurtig says that his statistics come from impeccable sources, and he enumerated those sources. I wonder if Senator Gigantès, who has done an in-depth study on this matter, has looked at, first of all, the Hurtig statements which I read at the outset and the Hurtig alternatives, and whether he can, at some stage, deal with the presentation made by Mr. Hurtig, because I had the impression that that was really not gone into in depth. I think when he made his presentation, he was limited in time and could not make his full presentation to the committee. Therefore I think it would be important to have someone like Senator Gigantès tell us whether he believes the statements are valid, and what he thinks of the alternatives.

Senator Gigantès: Thank you, senator. The statements are valid, and the facts he gives about the shift of the tax burden from the rich to the less rich is simply a statistical fact. All you have to do is look at it. It is there in the figures of Statistics Canada. That is what people elect a Conservative government to do, or rather those who finance the propaganda that helps elect a Conservative government, or buy the elections through massive advertising, and so on. That is what they elect the Conservative to do. That is not surprising at all.

You will find that what Mr. Hurtig suggests as a means of increasing government revenues without the GST is a cross, in

many ways, between what Mr. Brooks proposes and some of the things I propose and have always proposed in this chamber with respect to decreasing interest rates and increasing taxes on corporate profits. What I added, and which neither Hurtig nor Brooks put in, is in fact the theory or proposal that has now been adopted by the Economic Council of Canada in its latest report, namely if we are to deal with the deficit and with the debt, we should do what the countries have done that have avoided deficit and debt problems on a long-term basis: That is, have perhaps a deficit one year and a surplus the next. Here I am referring to the full-employment countries. There is no other solution, basically. Everything else is much more painful. So what we are looking at here instead of the GST, is a range of options that would decrease interest rates, increase federal and corporate taxes to the American level, and work on full employment.

These are the options and, as I was saying in response to an earlier question from Senator Fairbairn, they are not options that are acceptable to Tories. The picture of the changes in the tax system which Mr. Hurtig outlined for us are exactly what the Tories wanted. We remember Mr. Wilson saying that what this country needs is more rich people. He has done his best through the tax system to increase the number of rich people, and of course, there is a corollary to that: an increase in the number of poor people. Now that the economy is in recession, we will be seeing even more of them.

This recession was supposed to have a soft landing. In my view, the loss of 165,000 manufacturing jobs in 1989, and heaven knows how many there will be in 1990, are not a soft landing. Try to tell that to the people who lost their jobs, particularly those who lost their jobs in the CBC yesterday, and who were told from one minute to the next, "You are out. You don't have a job."

We must consider what it is that Tory governments generally want to do, and that is soak the poor and make the rich richer. That is what Tories are. I cannot blame them. It is the nature of the breed. It is like my dog. He digs holes in the ground. That is fine. I am not comparing a Bouvier to a Tory. However, my dog is a noble animal, but I very seldom feel like calling a Tory a noble animal. Animal, perhaps, but noble, no.

There really are not too many options. If you are a Tory, you do not want to increase taxes on the rich. You do not want to increase corporate taxes, and you certainly do not want to decrease interest rates, because all your friends make a lot of money with high interest rates. You do not want to have job creation programs because those mean a greater role for the government in the economy and, as we all know, that is anathema for Tories.

Therefore, the Tories opted for the GST. This was questioned by Senator Cools, as to why they had opted for the GST. They opted for the GST under two imperatives. One was the imperative of shifting the burden of $4.7 billion, says Brooks, from the shoulders of the manufacturers under the MST, to the shoulders of consumers. That was one imperative. They were determined to do that.

[Senator Gigantès.]

The other imperative was not to put any other weight on their ideological clients, and this they have not done. So they were not about to adopt Liberal solutions. So there we are. They were also constrained by their secret deal over the Free Trade Agreement in keeping interest rates high and, therefore, crippling our exports.

If I may, I will now return to Mr. Brooks. As I said to Senator Castonguay, Senator Teed does not have many problems. She falls asleep easily, and sleeps like a little child. It is wonderful. Many senators, as you can see, have brought radios, and are listening to, I hope, good music, although I have strong suspicions that Senator Macquarrie might be a secret rock fan, enjoying heavy metal stuff. You know, many more might resort to these techniques before I am through—sometime in January. There are simpler, cheaper methods. You can buy little rubber things that you put in your ears, and they cut down the sound. However I find that if you have hair in your ears, as we have in our age group, despite what Dr. Keon says we can do with some machine he was talking about, they are ticklish and not comfortable. Cotton wool is comfortable if you soak it very lightly in olive oil, and if you don't mind smelling like a salad. However, to return to Mr. Brooks:

> **3. The Shift in the Tax Burden on Particular Consumption Goods and Services Resulting from the GST Reforms**
>
> The government estimates that as a result of the GST reforms the consumer price index will increase by 1.25 per cent. However, the burden of the MST varies enormously across goods depending upon how much of the tax falls on business inputs used in manufacturing the good and how much value is added to the good after the manufacturer's level. Moreover, the GST will apply to many goods and services not taxed under the MST. Therefore, replacing the MST with the GST will substantially shift the tax burden among various consumption goods and services.
>
> The input-output model associated with the SPSD/M was used to estimate the shift in effective tax burden for the 40 personal expenditure categories, as well as for the remaining final demand in other sectors.

That is Table 3, and as I say, this is a submission Professor Brooks made to the Banking, Trade and Commerce Committee, and if you ask the clerk of that committee he will let you have a copy. It is good reading. I am trying to tempt your appetite. I am sure the honourable senators opposite are discussing the very last paragraph I read, and debating the merits of the Brooks suggestion for reform versus mine and versus those of Mr. Hurtig. It is heartening to see Tories taking a real interest in public matters and public policy. I am getting a smile from Senator Jack Marshall, who is a nice man.

> Column 4 Table 3 shows the net increase or decrease of federal tax revenues for each consumer expenditure category, taking into account the proposed federal excise tax changes, the repeal of the 13.5 per cent MST, and the implementation of the 7 per cent GST; column 5 shows

the consequential changes to provincial sales tax revenue because of the change in retail prices resulting from the shifting federal tax burden;

Just think of the complexity of the darn thing, when they change the federal tax.

So what this last paragraph says is that this change in the tax system knocks the calculations of provincial taxes into a cocked hat. That is one of the reasons why the provinces were not too happy, and not too cooperative.

Senator Steuart: I would like to ask you, senator, about provincial tax and the problems the federal government has had, as I understand it, in obtaining the cooperation of the provinces in the melding of the taxes. As you know, that would, of course, mean most, if not all, of the provinces widening the base of their tax, and I presume possibly lowering their tax.

However, I have two questions in that regard. First, Quebec was the only province up to this point, as I understand it, that had agreed to meld their tax. However, Quebec is already saying that they do not intend to tax books, or that they are thinking seriously about not taxing books and magazines and so on. I would think that could create a serious problem because if it is to work, the tax has to be exactly the same for storekeepers and for people in business, if they want to charge the tax. My question in that regard is, do you foresee this could happen in many provinces, the provincial government getting tremendous pressure, as it does every now and then, to take the tax off children's clothing, or to take the tax off this or some service? Again, you have a real problem of the two taxes really being melded. The other thing in your research—

● (1550)

Senator Simard: What research do you mean?

Senator Steuart: I wish you would not interrupt because as one gets older one tends to lose one's place, so I have to start all over again. I started off reminding you, Senator Gigantès to talk about the provinces melding their tax and already we see a little trouble in paradise between the government of Quebec—

Senator Simard: You are talking about a melting income tax, harmonizing the tax.

Senator Steuart: Melding does not mean melting.

Senator Simard: Senator Gigantès has confused people enough already.

Senator Steuart: We use that in western Canada.

Senator Simard: Stick to the technical terms.

Senator Steuart: All right. In western Canada we use "melding" or "harmonizing" or getting along well, or not being interrupted, all those kinds of things. Where was I? Speaking of the melting pot, or is it the mosaic you want? In any event, harmonizing the tax.

Senator Simard: Oh.

Senator Steuart: Speaking of harmonizing, there appears already to be trouble in paradise with the Quebec government getting along with the federal government, if it can be considered paradise. There are some of us who think of it as some other location. However, there is trouble. Do you see more trouble down the road if this terrible tax passes and if more provinces decide they will jump in and loot the public purse and loot the taxpayer?

Do you also see a tremendous increase in the revenue for the provinces—we know it will happen with the federal government—if they harmonize, meld, put the taxes one on top of the other, squeeze them together, whatever the word is? Do you believe that there would be a greater burden on the taxpayers than we are now facing and will face if the GST is put on by the federal government alone? Have I made myself clear?

Senator Fairbairn: Clear as a bell.

Senator Steuart: And if I have, I apologize.

Senator Gigantès: What can I say, I am already feeling sufficiently depressed about this tax. You have opened other dark vistas, you and Senator Simard melding. What a horrible thought.

Senator Perrault: Mind-boggling.

Senator Steuart: I like you, I feel for you. Can it be worse than it is?

Senator Perrault: No.

Senator Gigantès: It is a little hard to imagine that it would be worse than it is, but with this government everything is possible. If anything can go wrong, it will, Murphy's law and Murphy's golden rule. Those who have the gold rule! Put those two together, start squeezing people, after melding and harmonizing them, and you may be sure that somehow or other Canadians will be worse off, not the rich, but the poor. Will provincial governments, with unbalanced dates of election, compared with the federal government, be willing to sacrifice points in the popularity polls and seats in the election by following the example of the complexities in the tax set by the federal government? I do not think so. There is a special relationship between the Quebec government and the Tory government.

Senator Steuart: Unholy alliance.

Senator Gigantès: Well, I would not say so. Let us leave those words out. We might upset Senator David when he comes in again.

Senator Olson: Senator Simard, too.

Senator Gigantès: Well, that does not matter if we upset him. He likes being upset.

Senator Simard: No.

Senator Gigantès: No?

Senator Simard: No.

Senator Gigantès: No, earlier he was reciting a mantra. He was saying, "Trudeau, Trudeau, Trudeau", and he felt better.

Of course, anybody would feel better with such a mantra. What can I say, yes, it can get worse and if it can, it will, you may be sure. This is an incompetent government. My deputy leader said that I had told them about their incompetence enough times in the past 16 hours and he said that for the two hours to come I should be a little more scholarly and change subjects. I even was so nice, I will let you know, that I offered them a choice as to the subject.

Senator Fairbairn: And they picked Neil Brooks.

Senator Gigantès: Yes, there was Neil Brooks. I also suggested that I could read some more of the thousands of pages of submissions that I have here complaining about the various aspects of the GST. They were not too sure—

Senator Perrault: Please do read it.

Senator Gigantès: Pardon?

Senator Perrault: We want to hear the letters. Can we hear them, please?

Senator Gigantès: Oh, you will hear some of those, yes, absolutely. Of course, I also said that even if they were bored at times with the general theme, they cannot avoid what is going wrong now because, of course, the Tories got involved. Senator Poitras and I agreed on one thing, that the economy is complex. You cannot look at the GST in only one way, and he could think of several ways, and I added a few more, for example, the GST, the effect it will have on the economy, the side effects, how well will it be managed? Can we trust the government in what it says?

What is the track record of the government in terms of credibility and in terms of confidence, which gets us into why are they as they are, and the Tories were saying earlier, when I was answering Senator Cools and Senator Molgat as to why they picked this particular tax, well, they have no choice. It was their manufacturing friends who paid for their election victory who wanted the tax burden taken off their shoulders. Of course, they did not want it replaced by increasing income tax on the rich or on corporate profits.

What options are left? There are several. One would be decreasing interest rates and increasing the corporate taxes to correspond with those of the United States. The rich do not want that. Another option is to do as I have always said, and now the Economic Council is saying, go for full employment. The countries that have no deficit and no debt problems are countries with full employment policies. However, the Tories do not want that.

That inevitably leads one to ask, what is the structure, the origin of Tory thought? I have a whole collection of briefs here from which I intend to read. I suggest that one of the things I could do for senators opposite is read from this excellent book by Dr. Allerback. This was his doctorate thesis at Columbia. Senator Stewart knew him.

Senator Corbin: Who was that?

Senator Gigantès: Dr. Allerback.

Senator Poitras: In what century?

[Senator Gigantès.]

Senator Gigantès: He is quite recent, sir.

Senator Corbin: In your century, I think.

Senator Cools: Well, Senator Poitras, it has to be this century.

Senator Corbin: Senator Gigantès, are you now leaving the realm, the field of federal-provincial relations or will there still be an opportunity for me to put a question to you? I notice the great interest that Senator Simard had in at least the latest exchange. I was not here all day. I was here last night when you started speaking. I wish to congratulate you on an excellent job. In fact, at 3 o'clock today you made the CBC national news with your unique performance. I extend to you my warmest congratulations, you are fighting a good cause and it is being recognized right across Canada.

● (1600)

On the subject of federal-provincial relations, I am going to read a few quotes and afterwards I would like you to comment on the current state of federal-provincial relations. I do not expect you to relate at length to the Meech Lake exercise. You did so very well earlier this day in the wee hours of the morning. I thought you did quite a thorough and professional job of setting the record straight. That is not the type of federal-provincial relations I would like you to address at this time.

I should like to talk about fiscal matters. I have in my hand an extract from the Synoptic Reports of the Proceedings of the Legislative Assembly of New Brunswick, Volume 2, session of 1972. Guess who was Minister of Finance in New Brunswick in 1972? The Honourable Jean-Maurice Simard. I am going to say very nice things about him, so I would ask him not to get excited. What I have to say is highly positive and highly constructive. I have always had respect for Senator Simard, except during the election period when he would not stay in his court and mind his business. However, that is a thing of the past.

Nevertheless, we are talking about federal-provincial relations. In the course of the presentation of his budget on April 5, 1972, the then Honourable Jean-Maurice Simard, Minister of Finance for New Brunswick said this:

> The past 12 months have seen a great deal of activity in the field of federal-provincial relations. From the point of view of the general public, the most evident item of business has probably been the federal-provincial discussions on changes in the income tax system.

This is very relevant to the current debate. He goes on to say:

> Two years after the introduction of the White Paper on Income Tax Reform, the federal government presented to parliament its revised tax legislation, which was passed late in December. During the year many discussions took place between the federal and provincial governments on the shape of the tax changes, with some concessions . . .

I presume this next comment is an editorial comment on the part of Senator Simard. He could not be perceived as coope-

rating 100 per cent with the federal government—the Liberal government of the day in Ottawa, so he said:

> ... finally being made by Ottawa late in the fall. Among these were changes in the proposed method of taxing co-operatives, ...

Honourable senators will recall that our side of the house presented an important amendment regarding cooperatives and the way the GST affects cooperatives, especially those in the Atlantic region. I repeat:

> Among these changes in the proposed method of taxing co-operatives, which New Brunswick strongly urged because of the important role played by co-operatives in our province.

Of course, New Brunswick urged, but the federal Liberal members of the day—people like Herb Breau, Eymard Corbin, Jean-Eudes Dubé and others from New Brunswick—were the ones in the trenches here in Ottawa fighting for the cooperatives.

Some Hon. Senators: Hear, hear!

Senator Corbin: The Honourable Edgar Benson, Minister of Finance—Gentle Ben—was a man who understood the fabric of this country. He did not have any notions of seamless webs or what have you. He understood that Canada is made up of a variety of fabrics and so on and so forth. I will not get into that, but he had a gut feeling for Canada.

Senator Simard is delighted that I should quote him in this debate.

Senator Simard: Stick to my statement, though.

Senator Corbin: I am trying. It is like the Bible, it is not the kind of a statement you can read and forget about. You have to comment on it.

Senator Gigantès: If Senator Simard was involved, it is memorable stuff.

Senator Corbin: The Honourable Jean-Maurice Simard continued:

> Work and debate on this extremely complex subject continued later than originally estimated. As a result, the province was not able to proceed with its revised tax legislation last autumn, as originally planned. That item of business will be dealt with at this session, so I shall defer any further remarks at this time.

I quote this, Senator Gigantès, to illustrate the state of federal-provincial relations as they existed in those days with a Tory government in New Brunswick, a Liberal administration in Ottawa, and the state of relations today between Ottawa and all of the provinces. There is now a situation where provinces are taking the federal government to court over the GST, something unheard of in the days of Gentle Ben.

Senator Simard continues:

> As a direct consequence of the federal government's income tax changes, which included withdrawal from the estate and gift tax areas, six of the 10 provinces decided to introduce their own provincial succession duty and gift tax Acts. Three other provinces decided to continue, with some modifications, their own succession duty legislation already in effect. As a result of the federal withdrawal and the provinces' subsequent decision to reenter the succession duty field on an individual basis, a great amount of work was required by the six provinces, with technical assistance and advice from federal authorities.

There again is that excellent cooperation between the central government in Ottawa and the provincial government. He continues:

> It was a fast-paced, unique and complex exercise in interprovincial cooperation, but it proved once again that our federal structure is capable of attaining high degrees of effective and cooperative action.

What a beautiful picture. It is so well put by the Honourable Jean-Maurice Simard of those days. But where is he today? Where has the federal cooperation gone?

The provincial ministers of finance wanted a summit with the central government this fall. They were denied that opportunity. Ottawa said no way, no cooperation. The only thing that has been happening in Ottawa is the ramming of this legislation through Parliament.

Before you comment on this, Senator Gigantès, I should like to read two or three other brief quotations from the same speech. Later on Senator Simard said:

> The major item of business concerning federal-provincial financial affairs over the past year has been our continuing discussions on the new federal-provincial fiscal arrangements.

He went on and said that they had achieved objectives satisfactory to most people. Later on in his speech—I am on page 488—he said:

> During the year, negotiations were also initiated on a new method of sharing health costs by the two levels of government.

In the following paragraph he said:

> In the fall of last year, the federal government offered the provinces financial assistance to carry out new capital projects during the winter months. They got those programs under very favourable conditions.

● (1610)

Later on in his speech he said:

> Mr. Speaker, it has been a very productive year for New Brunswick in the field of federal-provincial relations.

Keep in mind that we are talking about a true-blue Tory administration and a gentle, humane Liberal administration in Ottawa. He goes on to say:

> Mr. Speaker, it has been a very productive year for New Brunswick in the field of federal-provincial relations. Although much has been done to establish programs which will benefit our province and its people, there will always remain more to be done.

Those words, Senator Gigantès, were uttered by the Honourable Jean-Maurice Simard, the same person sitting across

the way today with a cold heart, who will not consider the needs of the cooperatives; who is contributing to ramming the GST through the Parliament of Canada. Can you believe it?

Senator Perrault: Shame!

Senator Corbin: Can you believe it?

Senator Murray: Is this a question?

Senator Frith: He just said, "Can you believe it?"

Senator Corbin: Not at all the same person that we knew back in New Brunswick in 1972.

Senator Doody: Answer.

Senator Corbin: As Senator Doody will recognize—

Senator Simard: Perhaps I can comment before Senator Gigantès continues.

Senator Perrault: You do not need to comment, you offer an apology.

Senator Simard: First, I want to thank Senator Corbin for having elevated the quality of debate here this afternoon by quoting a statement that I made in 1972.

Second, I must add—

Senator Frith: Quit when you are ahead.

Senator Simard: —that although we did introduce succession duty after much cooperation, technical assistance and other assistance from Ottawa in those years—in fact, there was great cooperation during those years between New Brunswick and the federal government—two years later we removed it. Even then we were flexible. Having recognized a mistake, we could change our minds. That should be included in our record. We introduced succession duties as the federal government vacated the field, but removed them two years later.

Senator Corbin: Senator Simard, I am not faulting you for having done that.

Senator Simard: I am coming to my point.

Senator Corbin: I am not faulting you, but you did it after K.C. Irving left New Brunswick.

Senator Simard: That did not change our thinking at all. That was not the reason for the change.

Senator Perrault: No.

Senator Simard: That was not the reason for the change. I just thought I would give you a more complete picture of what happened to the succession duties.

Senator Corbin: I can put your whole speech on the record if you wish.

Senator Simard: We were flexible then and we are still flexible now, as we would have been flexible and as, I am sure, the federal government of today would have welcomed possible amendments on September 24 or in the days that followed that date where the debate was cut off.

I have always said that it takes two to tango.

Senator Frith: To tangle?

[Senator Corbin.]

Senator Simard: You cannot do it alone. During those years of 1972, thanks to Richard Hatfield, who was the Premier of New Brunswick at that time and who insisted that we be tolerant, non-partisan and go out of our way to maintain good relations with Ottawa, even though there was a Liberal government in Ottawa, we were able to do all these things. We improved that cooperation. We received a lot from the federal government.

Senator Corbin: Right on.

Senator Perrault: You sure did.

Senator Simard: That helped New Brunswick.

Senator Corbin: Right on.

Senator Perrault: It certainly did.

Senator Simard: That was the main preoccupation of Richard Hatfield when he was Premier of New Brunswick.

Senator Corbin: And the Trudeau government.

Senator Simard: It was hard at times for me to be patient with some of the things that occurred. This is quite contrary to what is happening today. We have a Finance Minister in New Brunswick who never loses an opportunity to knock federal backs—that is, Michael Wilson and the federal government.

Senator Perrault: He is not here to defend himself, so do not attack him.

Senator Simard: That is why the relations are so tense between the two governments presently.

Senator Corbin: Is that so?

Senator Simard: Yes. It takes two to tango.

Senator Frith: To "tango" or "tangle"?

Senator Simard: The Finance Minister of New Brunswick, Mr. Maher, never misses an opportunity to criticize the federal government today. He says things like, "Too bad we are losing $20 million." But the citizens of New Brunswick will gain $20 million because of the GST.

Senator Robertson: No, it is $35 million.

Senator Simard: Is it $35 million? Perhaps he has changed his mind. He never gives us credit. When New Brunswick gets windfall payments for the federal government, as the provinces received for several years, whether as unconditional grants or other federal transfers, Mr. Maher says the provincial government is a good manager.

[*Translation*]

He boasts. Mr. Masse tells him: "So, you have a nice Liberal administration, let us balance our budget"—that is what he has been saying for two years. But if there are some negative adjustments to make, then he says "No, that is awful! The federal government is cutting us back." And when we try to bring under control the annual growth of transfer payments to provinces, as we have been doing for the last couple of years, he comes out with statements like: "What a bad federal government! How bad for consumers!" It gives me pleasure, Senator Gigantès, to echo those comments.

This is why the situation, that had been excellent in 1972, changed considerably when Mr. McKenna came to power. He never lies. Very recently Mr. McKenna blamed my minister, my M.P., Mr. Valcourt, for the Tragedy Rage decision.

He went on and on about Mr. Valcourt's partisanship and his aggressivity! He never gave him credit, for example, for preserving the Acadian Peninsula from an expansion of those same shipyards, nor for all the agreements which benefit the province of New Brunswick. He never gave credit to Mr. Valcourt. I find this quite regrettable because I think it would make for a much better relationship, like we had from 1970 to 1987 under Mr. Richard Hatfield, even if we did not always agree, even if some decisions came down against us at the time. And we even supported the rapatriation of the Constitution, although it was a bad agreement, and all this pleased the people of New Brunswick.

Therefore, Senator Corbin, I think you for having raised the level of debate in this House today. Thank you for having made those points and I fully agree with you when you preach for better co-operation in federal-provincial relations. I would encourage you, and your colleagues, to talk to Mr. McKenna, to talk to your Minister of Finance and to all those who would be tempted and who often succumb to the temptation to criticize unduly our present federal government. Thank you!

Senator Corbin: I thank Senator Simard for these kind words. Personally, I have always held him in high regard except, as I said earlier, at election time—no more tango then, only tangles. But otherwise our relationship has been rather good. But I am disappointed to see Senator Simard claim for himself all the credit for the many successful initiatives which have benefitted New Brunswick at the time of Mr. Hatfield's government.

If there had not been a Trudeau government in Ottawa at the time what would have happened to the Hatfield government? Would these people have stayed in power for so long? This was just to react to the question and the comments of Senator Simard—comments following the question I had asked of Senator Gigantès. Coming back to our subject, would you be so kind, dear colleague Gigantès, to answer my two or three previous questions?

Senator Gigantès: What really moves me in Senator Simard is his Dr. Jekyll personality which he has shown us tonight. Usually, it is Mr. Hyde. I am moved nevertheless. It is nice to see him try and one understands why he shouted earlier "Trudeau, Trudeau", because these were his best years at the time of the Trudeau government. He got everything he wanted.

The federal government allowed him to look good and it is understandable that he would turn into a zen buddhist and preach his faith in Mr. Trudeau, shouting his mantra like he did this morning. Could you not recommend the man who wrote that speech to Mr. Mulroney? It is a much better speech than those the prime minister is making. Where is that young man or that young lady who wrote for you in New Brunswick? Somebody must have written that speech for him, do you not think?

That statement you read, was it not a speech he made? We have to get to the bottom of this, do we not? We must establish the facts because it is a historical event . . .

Senator Corbin: Senator Gigantès, I was quoting the synoptic report of the Proceedings of the New Brunswick Legislature (1972 Session, Volume 2) and the quotes were from page 481 onward. Does it answer your question?

Senator Gigantès: Certainly, you quoted Senator Simard's statements. He had an extraordinary script. I wish his speech writer were here to resume his brilliant work. Maybe Senator Simard could loan him from time to time to Mr. Mulroney and maybe even to me. I am very humble about this. I have always recognized that there are people who write better than I, who speak better than I, who understand better than I and I would be very happy to see that person join us here.

I believe our capital has an absolute need for this person because if there is someone who can put in Senator Simard's mouth the character of Dr. Jekyll instead of that of Mr. Hyde which we have been seeing here all the time, this must be en extraordinary person; we need him or her in this capital. Really, Senator Corbin, since you have a good relationship with Senator Simard, urge him to get this person to come here. Maybe he could ask his guru, his mentor, Mr. Trudeau, when he returns from his trip, to convince this person to come here to moderate Mr. Simard's statements like before. Finally, he has left me. I am trying. It is awful! I miss him already.

So, I will return to the writings of our good professor Neil Brooks who says he used the model prepared by Statistics Canada to determine the tax shift.

Percentage-wise, increase in the cost of men's clothing, 6 per cent; increase in women's and children's clothing, 5.8 per cent; shoes, 6 per cent; gross rents, three tenths of 1 per cent; gross rent paid, 2.49 per cent; hydro, 6.5 per cent; natural gas, 4.9 per cent; other fuels, 5.8 per cent.

He figured out this way how much prices would increase because of the GST. It is very difficult to reconcile these figures arrived at by Mr. Brooks and by the government and which are based on the same data bank. It is very, very difficult to reconcile these results with the government claim that prices would increase by only 1.25 per cent. According to Professor Brooks' figures which I mentioned earlier, the main price increase would result from the increase in administration costs due to the GST which businesses will pass on to consumers.

After those figures, which show that the GST will certainly not be an improvement, let us look at the income tax alternative. He says:

• (1620)

[*English*]

Compared to the proposed GST reforms—and any of you who missed any of this may care to come Tuesday morning when I will be reading it for Senator MacDonald; and if that does not suit you I am prepared to go on on Wednesday—the

income tax alternatives are straightforward. The manufacturers' sales tax would be abolished and most of the lost revenue would be collected through the income tax by increasing the income tax rates. This increase in federal income tax rates would be done simply by increasing the federal surtax rate in order to leave provincial income tax revenues unaffected.

If the MST were abolished and no consumption tax substituted for it, approximately $10.5 billion would have to be raised through the income tax. A calculation by which this amount is obtained is illustrated in Table 4. Tables cannot be described in text. I advise honourable senators to obtain a copy of this document. They will find it enlightening.

In 1991, the manufacturers' sales tax would raise $18.5 billion in revenues. However, if it is abolished, provincial revenues would also decline by about $0.8 billion. Provinces levy their retail sales taxes on the price of goods which includes the MST. If the MST is abolished, the price of goods will drop and thus provincial sales tax revenues will decline. Thus, for the change to revenue neutral to all levels of government $19.3 billion of revenue must be found.

About $2.3 billion of the MST falls on goods purchased by the government sector. If the MST were abolished and the reduced taxes reflected in prices, the government sector would need $2.3 billion less in revenue to finance its purchases.

About $2.3 billion of MST falls on alcoholic beverages, tobacco products and gasoline. There is little reason for reducing the tax burden on these products. Therefore, the relevant excise taxes would be increased to recover this revenue.

● (1630)

If the MST were abolished, refundable sales tax credit could be repealed, saving $0.9 billion. If the MST were abolished and all tax cost reduction passed on directly through prices, the consumer price index would decline by slightly more than two percentage points. This would save the government $1 billion in transfer payments to individuals and the provinces. It would also result in additional income tax collections of $0.2 billion because of reduced tax indexing effects.

Finally, if the MST were abolished, there would be a substantial windfall to corporations. In 1991 over $1.5 billion of the MST would be levied on exports. Since Canadian corporations are price takers in world markets, corporate profits would presumably increase by this amount. Moreover, some large percentage of the MST levied on corporate fixed capital investment likely falls on corporate profits. Therefore, if the MST were abolished, it seems fair to raise the revenue collected through the corporate income tax by $2 billion. This additional revenue from corporations would easily be collected without raising the basic corporate tax rate. The low tax rate for manufacturing and processing credits could be abolished. One of its justifications has always been the additional burden the MST imposes on corporations engaged in manufacturing and processing. So it could be abolished. Other corporate tax incentives might be abolished through loopholes closed. Measures might be taken to increase corporate tax compliance. The large-corporation tax might be increased or a minimum corporate tax might be enacted.

[Senator Gigantès.]

He has a table where he shows all this, Table 4. It is difficult to be precise. Here is an honest economist. The minute he says it is difficult to be precise, my trust in him increases, not like the Department of Finance figures.

Senator Marsden: Neil Brooks is not an economist. He is a tax lawyer.

Senator Gigantès: I am sorry, but he does seem to know his economics. Neil Brooks is a tax lawyer, not an economist. I suspect he has had economics somewhere.

Senator Frith: It is a good thing you are quoting him on a tax matter then.

Senator Gigantès: I am quoting him on a tax matter but he still seems to understand economics pretty well. It is difficult to be precise about the income tax rate schedule that a typical Canadian might face. If an additional $10.5 billion was collected through the income tax, since basic provincial income tax rates vary enormously and since there is now an array of federal and provincial surtaxes on top of the basic tax rates, in our alternative scenario we make the simple assumption that the 3 per cent additional surtax for high income individuals is eliminated and that the over-all surtax is increased from its 1991 legislative value of 5 per cent to 31 per cent, this change is sufficient to raise the required $10.5 billion additional revenue. This would increase the bottom federal income tax rate by 2.7 percentage points, the middle rate by 4.2 percentage points and the top rate by 4.6 percentage points. Those individuals subject to the high income surtax would have their rate increased by less than 4.6 percentage points because of the elimination of the 3 per cent additional surtax on high income individuals. In 1989 the basic provincial rates expressed as a percentage of federal tax were as follows: Alberta, 46.5 per cent; British Columbia, 51.5 per cent; Manitoba, 52 per cent; New Brunswick, 60 per cent; Newfoundland, 61 per cent; Nova Scotia, 56.5 per cent; Ontario, 52 per cent; Prince Edward Island, 57 per cent; Saskatchewan, 50 per cent; Quebec administers its own income tax. On the assumption that the basic provincial rate is 55 per cent and ignoring special federal and provincial surtaxes, Table 5 sets out the federal and combined federal-provincial rates, both under the present system, and the income tax alternative.

On an income of $0 to $27,500, the 1991 legislated 5 per cent federal surtax, the tax combined would be 27.7 per cent. The income tax alternative puts that up to 13.4 per cent. That is combined federal-provincial. On an income from $27,500 to $55,500, the combined federal-provincial bite would be 42.3 per cent with GST on the side and 46.5 per cent through the income tax alternative. For $55,000 and over the combined provincial-federal tax take would be 57.2 per cent and it would be 52 per cent in the income tax alternative which would replace the GST.

The changes in the income tax rates that would be needed to replace the manufacturers' sales tax are more modest. To make this point a number of things might be noted about the

proposed schedule. The highest rate would be about what it was in 1984 when the present government took office. It is more than 10 percentage points lower than the rate in 1981. It is more than 30 percentage points lower than it was throughout the 1960s when Canada experienced its highest rates for growth and lowest unemployment rates—that's the secret, lowest unemployment rates—and is much lower than the average top marginal rate in European countries. This is not something that was written many years ago. This is February, 1990. The shift in the tax burden on particular consumption goods and services resulting from an income tax alternative reform. If the MST were abolished and the revenue loss collected through the income tax, the consumer price index would decrease by 2.27 percentage points as a consequence.

You only have an hour and 20 minutes to put up with me.

Senator Frith: Less than that. Just an hour and a very few minutes.

Senator Gigantès: Don't we break at 6?

Senator Frith: The motion can be made at a quarter to 6.

Senator Gigantès: At a quarter to 6 we are going to break?

Senator Frith: A motion can be made.

Senator Murray: We are so enthralled.

Senator Gigantès: I am most grateful. Senator Lowell Murray, that is an act of kindness on your part, to actually express interest in what I have to say. I mean, he will deny that that is what he was doing, but I will live with this happy thought that secretly he is interested in the Neil Brooks presentation. I will write to Mr. Brooks and tell him. He will be gratified.

We were saying that if the MST were abolished and the revenue loss collected through the income tax, the consumer price index would decrease by 2.7 per cent as a consequence. This assumes, of course, that manufacturers who pay their MST would pass the tax savings on to consumers if it were abolished. This is the one error I find, so far, in Neil Brooks, the assumption, that the manufacturers would pass on the tax savings. Since this is the assumption that the government is making in proposing the GST reforms, it seems reasonable to make the same assumption for the income-tax-alternative reform.

● (1640)

Then he has a Table 6, which uses these same expenditure categories as Table 3 and it illustrates the price decline for various goods and services. Through his income tax techniques for gathering the revenue lost through not applying the GST, Brooks finds that food would decline in price by 1.6 per cent. Home furnishings would decline in price by around 8 per cent. Motor vehicles would decline in price by over 8 per cent. Jewellery and cosmetics would decline in price by over 6 per cent, and, perhaps more significantly, new housing would decline in price by 2.8 per cent.

In Part III, he compares the alternatives:

> The main purpose of this paper is to compare the distributional consequences of the GST reforms and an income tax alternative. However, in spite of, or aside from, the distributional consequences, a number of arguments have been put forward to justify shifting more of the tax burden from income to consumption. To place the distributional consequences of the two alternatives in a wider context, the arguments for or against a tax-mix change will be reviewed briefly. The purpose of this review is not to resolve definitively the various issues at stake in this tax-mix change, but simply to review the various arguments and to expose their empirical and value assumptions. Obviously there is an enormous literature testing these empirical assumptions and elaborating on these value premises, but none of it is reviewed here. The arguments are reviewed only in enough detail to make the point that there is no compelling *a priori* reason for shifting more of the tax burden from income to consumption that would make the distributional consequences irrelevant. Indeed, on the contrary, there are good reasons, even aside from increased fairness, for shifting more of the tax burden from consumption to income.

Section 1 of this part sets out the arguments for and against a tax-mix change from income to consumption: Section 2 compares in detail the distributional effects of the GST reforms and the income tax alternative.

> Arguments For and Against a Tax Mix Change from Income and Consumption
>
> (a) Main arguments for Greater Reliance on Consumption Taxes: Arguments for Replacing the MST with the GST
>
> (i) To Rebalance the Government's Revenue Sources
>
> From 1965 to 1984, the revenue from the manufacturers' sales tax made up a decreasing percentage of total federal government revenues. An argument that is sometimes made for increasing the weight of consumption taxes in the mix of personal taxes is to restore balance in the government's revenue sources. The precise logic of this argument is difficult to discern. Presumably the argument rests on the premise that in 1965, or at some earlier time, the federal government tax mix was "correct"—

This is part, incidentally, of what I call the Conservative illusion and what the book by Mr. Allerback calls a Conservative illusion. There is always some earlier better time. It was all very nice in the past. I have a theory which I hesitate to express and which is that basically this belief in the "good old days" is based on the deterioration of the human body. You will see this very clearly if you read Plato. As he ages, his dialogues change in tone and his belief in a past more glorious, more gentle increases. The older and weaker he gets, the better the good old days look. A more realistic man, Epicurus, said, in the good old days we were all small, brutish, frightened and living in caves. But there it is. Balance the government's tax sources and have them in this mythical past correct balance.

But, of course, without more evidence, the opposite premise, namely that the trend away from consumption taxes at the federal level is leading to the optimal tax mix, is just as plausible.

In judging the "correctness" of the tax mix, one of two obvious standards might be used. First, the tax system is one of the policy instruments the government uses in achieving its stabilization, allocation and redistribution objectives; therefore, the tax mix might be evaluated in terms of how effective it renders the tax system as a policy instrument in achieving these objectives. Unfortunately, those who support increasing reliance on consumption taxes have not specified a policy objective that requires a tax-mix change. By contrast, those who oppose the shift in the tax mix towards consumption have argued that unless substantial revenues are collected through income tax, the effectiveness of the overall tax system in reducing income disparities will be impaired.

Canada's tax mix might also be judged by international standards. In 1987, according to comparative revenue statistics of member countries compiled by the Organization for Economic Cooperation and Development (OECD), Canada collects 28.9 per cent of total taxes from taxes on goods and services.

This is taking federal and provincial together.

> This is slightly below the OECD average of 30.3 per cent. Canada collects substantially more in taxes on personal income than most OECD countries: Canada collects 38.7 per cent of total taxes from taxes on personal income; the OECD average is 30.7 per cent. However, when social security contributions, which in most countries are equivalent to a tax on labour income, are added to direct income taxes, Canada's tax burden on personal income is below the OECD average: 52 per cent of Canada's total taxes are collected from both these sources; the OECD average is 55 per cent. Certainly by international standards, Canada's present tax mix does not look out of line. Nor would it be out of line with the tax mix in other countries if substantial revenues were shifted to either income or consumption taxes.
>
> Although this paper is not the place for an in-depth international tax comparison, two further points might be noted in making a judgment about Canada's tax mix by international standards. First, the United States, with whose retailers Canadian retailers must now compete, places very little reliance on general sales taxes. Governments in the United States collect only 16.7 per cent of total taxes from taxes on goods and services. Second, most of the OECD countries that collect more revenue than Canada from regressive consumption taxes also collect some amount of revenue from various forms of wealth taxes that fall exclusively on the very rich. Canada is one of only two OECD countries that does not have a general tax on wealth or wealth transfers.
>
> (ii) To Increase the Fairness of the Tax System
>
> It is commonly asserted that taxes on consumption are unfair: because consumption as a fraction of income declines as income increases, low-income individuals necessarily devote a larger percentage of their income to such a tax than high-income individuals. However, a number of commentators, economists in particular, have suggested that a tax on consumption is in fact fairer than a tax on income.

[Senator Gigantès.]

• (1650)

> One equity argument sometimes heard in support of taxes on consumption rests on the notion that it is fairer to tax people on the value of the goods and services they take out of the economy (the goods and services they purchase) than the value of the goods and services they contribute (their salaries). Two points might be noted about this argument. First, although taxing consumption might have the connotation of favouring foresight and thrift, in fact, the ultimate purpose of saving is future consumption, and a sceptic might ask, why should wanting to consume in the future have moral primacy over wanting to consume currently?

Senator Olson: I should like to ask a question, Senator Gigantès. You are discussing the matter of fairness of a consumption tax vis-à-vis an income tax. Could you give us your views on the cost of collecting it?

There is going to be an army of tax inspectors and policemen of various kinds. There will be small amounts collected on every transaction, whether it is goods or services. In the part of Canada that I come from, that is one of the main objections to Bill C-62. It is not so much the money. People have said over and over again that they realize the federal government has to reduce the deficit. They are hoping the government will do something about monetary policy so that interest rates will come down. Apparently the government stubbornly refuses to deal with that.

The people who live in my part of Canada realize that the government needs more money, but they do not like to be made slaves of accounting to the federal government or to any government, for that matter. As you know, Alberta has no provincial sales tax.

Perhaps there should be a straight sales tax without all the opportunities for rebates because rebates complicate things greatly. Then we could pass out money to the poor people through the present social welfare system. Would that not be a tremendous improvement over what is in Bill C-62?

Senator Gigantès: Thank you, Senator Olson. I have read studies that have been made about the operational effects of the goods and services tax in other countries. There is no doubt that it is very costly for governments to perceive them, as you pointed out. We are only beginning to scratch the surface of the costs. As you remember, they said it was going to cost some $200 million. The figure is now up to $475 million to pay for the tax police and for setting this up.

There is also the extreme and discriminatory administration burden for the business people. On average, that cost is 9.3 per

cent of sales, but it is 40 times higher for small businesses than for big businesses. Big businesses can computerize and centralize the processing of all this incredible paperwork, whereas in small business, the proprietor has to use his or her time, or if they have to hire a tax accountant to do this extra work, then their costs go up enormously.

Senator Olson: I have read some of the new regulations that the Department of Finance are talking about. They are saying that simplified bookkeeping will be available to smaller businesses—people in the category of under $500,000 gross sales, for example. They attempt to say that this will be streamlined bookkeeping. They can do it with the Department of National Revenue, so they do not have to do a lot of detailed accounting.

There is another problem that comes up, and that is the matter of going back through the commercial system to be eligible for the rebates on all the tax that has been paid up to a certain point. Have you looked at that to see if there is going to be some relief for the smaller businesses?

Senator Gigantès: Senator Olson, we were told by one of the witnesses that small businesses with, say, an income of no more than $30,000 a year would be able to pay a flat 5 per cent and not have to prove anything or keep any paper. However, above that, and before they become large enough to be able to afford the very substantial set-up costs, they will be paying for equipment and continuous administration in a situation where the provinces and the federal government are not in agreement and where an item might be taxed at one rate by the province and another rate by the GST. One province may put its tax on top of the GST and another province might keep it separate. Then there are these absurd categories that no one understands—and everybody wonders how in heavn they got in there—which necessitates that the owner of a business has to learn a 300-page book of regulations. The regulations in this 300-page book are already being changed every day by the Department of Revenue, which cannot make up its mind.

Senator Olson: They do not know what to say.

Senator Gigantès: Exactly. This is a genuine administrative burden. The studies that have been made in Europe rank GST-type taxes as the bête noire of all business. They say if there is anything they would like to be rid of more than anything else, because of the incredible burden of paperwork, it is this kind of tax. There are simpler ways of having a GST. The people want to get rid of this nightmare of paperwork that eats into their free time. In a small business, the time of the proprietor is probably the main asset of the business.

There is no doubt that this is a bad tax. There are alternatives for doing what the government wants to do. I am reading one of them now. I will return to this document:

> Two points might be noted about this argument. First, although taxing consumption might have the connotation of favouring foresight and thrift, in fact, the ultimate purpose of saving is future consumption, and the sceptic might ask, why should wanting to consume in the future have moral primacy over wanting to consume currently? Second, although the way the argument is normally stated the ethical intuition underlying it is not clear, it seems to depend upon a notion that a consumer is using up something.

● (1700)

There has been a fair exchange, which is part of the argument that I used when I say that the only solution to the deficit problem and to the national debt problem is to put people to work so that they will be producing goods and services for the money they receive, which is equal to the money they receive when they work and not receive the same money as they do, or cost society the same amount of money, when they do not work and they do not then produce any goods and services. That produces a terrible drain on the economy. Mr. Brooks goes on to say:

> The goods and services may be gone, but the price of the goods is now in someone else's hands. Moreover, contrary to the implicit assumption underlying the way the argument is normally stating, saving is not more virtuous than consuming. Consumption is not a claim on community resources. It involves an exchange between private individuals after which both are presumably better off.

One has the money and the other has the goods or services, that is all. The goods and services are still there, only they have changed hands. Mr. Brooks goes on to say:

> In introducing the GST, the government has added a twist to this argument by suggesting it is fairer to tax consumption because people have a choice about whether they will save or consume and thus pay the tax. But for low-or even most middle-income people, the option of saving from income is meaningless. They must spend all their income simply to survive at an adequate standard of living.
>
> A second equity argument frequently made to support a shift from income to consumption taxes is that a tax on consumption in effect taxes people on their total income over their lifetime instead of, as with an income tax, their income as measured over some shorter interval of time, usually a year. Although the argument is technical, basically the proponents of this argument attempt to show first that a consumption tax is more likely than an income tax to collect the same amount of tax from two people with the same lifetime income and then to argue the fairness of that result. But even accepting the technical argument, although it is not without its difficulties, the fairness aspect of the argument is not persuasive. It has two elements. First, it is alleged the taxing consumption measures long-term well-being better than income.

Let me repeat this sentence. "It states that it is alleged that taxing consumption measures long-term well-being better than income." Mr. Brooks goes on to say:

> But the notion that only fairness over people's lifetime matters, and not their economic circumstances over relatively short periods, has little merit.

He does not say this, but it is also a dastardly paternalistic attitude that the government knows better than the people about how they should spend their money and when. They are better judges about when the need arises, be it over a lifetime or during a short period of years when a cherished child is put through a special school or given special help in order to achieve career goals that would not be possible otherwise. Mr. Brooks further states:

> Given the enormous changes that can occur over a lifetime, brought on by family instability, economic insecurity, political change and other uncertainties, most people understandably make judgments about their relative economic well-being over a much shorter timeframe. Indeed, comparing the economic circumstances of two individuals over a one-year period is hard enough, let alone over a lifetime.
>
> The second element of this equity argument is that because an income tax taxes the return to saving it discriminates between those who choose to consume in the present and those who choose to save and consume in the future. Again, ignoring the technical difficulties with this argument, the fairness intuition that underlies it is tenuous. Income earned from savings is rarely, if ever, simply compensation for deferred consumption. In many cases income from savings will be a mixture of income from property, human capital and luck. A successful investment in a complex, high-risk business venture, for example, frequently requires considerable managerial input as well as a fair measure of luck. Thus to the extent that what is loosely called income from property is really income from human capital and luck, it is not being double-taxed under an income tax. Also, even assuming that income from savings results primarily from the simple owning of property, holding wealth for most people has value not just as delayed consumption but is itself an act of consumption. It provides them with security, social prestige and power. This intangible consumption is preferred by many people over tangible consumption. But under a sales tax this act of consumption is not taxed.
>
> (iii) To Improve Incentives to Work
>
> A shift to consumption taxes, which will allow for a fall in income taxation, will lead to an increase in work effort, it is sometimes argued.

I have difficulty with this argument and so does he. He goes on to say:

> With lower average and marginal income tax rates, workers will be willing to work longer hours of overtime, more willing to take on responsibility and risk, and might make different career choices. This argument obviously assumes that tax rates have some effect on the incentive to work. Theoretically, workers who bear a lower tax rate might either work less since they need less income to maintain their existing standard of living, or they might work harder since they are able to earn more after-tax income for each hour worked. The empirical studies done to date

[Senator Gigantès.]

> are of little assistance in determining which of these offsetting income and substitution effects in fact predominates.

That is an important paragraph, because it deals with one of the moralizing assumptions and paternalistic assumptions, namely, that you can make people do as you wish through some form of tax. Liberals believe a little more in the free world; Tories only believe in the free world for the rich. I will read this paragraph again. It states:

> A shift to consumption taxes, which will allow for a fall in income taxation, will lead to an increase in work effort, it is sometimes argued. With lower average and marginal income tax rates, workers will be willing to work longer hours of overtime, more willing to take on responsibility and risk, and might make different career choices. This argument obviously assumes that tax rates have some effect on the incentive to work. Theoretically, workers who bear a lower tax rate might work less since they need less income to maintain their existing standard of living, or they might work harder since they are able to earn more after-tax income for each hour worked. The empirical studies done to date are of little assistance in determining which of these offsetting income and substitution effects in fact predominates.

That means that there is no evidence to say that if you lower income taxes and substitute consumption taxes, people will work harder. It does not seem to make any difference. But even aside from this contentious issue, generally, unless workers suffer from some form of fiscal illusion when such a tax mix change is made, shifting the tax burden from income to consumption should have no effect on work incentives. A worker's total effective marginal tax rate does not change if the rate on earnings is lowered but the rate on the goods and services the worker purchases is increased by a corresponding amount.

● (1710)

In other words, it will be taken away from him in one way or another. If it is taken away under the label "income tax" or under the label "consumption tax", what is the difference? The government is putting the hand into the pocket of this worker and taking out the money.

Theoretically, workers who bear a lower tax rate might either work less since they need less income to maintain their existing standard of living, or they might work harder since they are able to earn more after tax-income for each hour worked. Theoretical studies show that there is no difference.

That is to say, workers are left with the same after-tax position whether a tax is collected on their earnings or on the goods and services they consume. Therefore, it is difficult to see why their work habits would change in response to such a shift.

All this, of course, is sheer flummery. It is to find a good excuse to shift the tax burden from the rich manufacturers who pay for the political campaigns of the Tories to poorer people.

Senator Kirby: Senator Gigantès, in light of the economic data which you are now reading, would you care to comment on the following issue? Today, I had a chance to meet with several leading economists who are among the leading economic forecasters in the country. While economic forecasters do not always agree precisely, they certainly agree on the broad outlines of the likely economic future that this country will see in 1991 and 1992.

Depending on which of the leading business economists you talk to, they will tell you that the current recession is going to last until at least the middle of 1991. That is what the more optimistic ones say. The more pessimistic ones say that the recession will continue into the spring of 1992.

Moreover, when you ask them what the cause of the recession is or, in particular, what action needs to be taken to reduce the effects of the recession and to get Canada out of it, they make two fairly telling observations. The first is that the recession will be longer and deeper the longer interest rates stay up. As they point out, it is the reluctance of Canadians to borrow in uncertain times when interest rates are at current levels which is maintaining the recession.

The second item these economists point out is that it is the policy of the Bank of Canada to keep interest rates high until inflation has been wrung completely out of the economy. Again, I point out to honourable senators that these remarks were made by a reasonably representative cross-section of senior industrial and bank economists. Their belief is that the impact of the GST on the rate of inflation will be somewhere between 2 per cent and 2.5 per cent.

In light of the material that you have been reading to the house, would you comment on the fact that we seem to be caught in the following, what some might call, illogical or irrational situation? That is to say, the government proposes to take a policy action which will increase the rate of inflation by 2 per cent to 2.5 per cent. Faced with that increase and the rate of inflation, the Governor of the Bank of Canada maintains the position that he has to keep interest rates high in order to reduce inflation. The fact is that in the opinion of all these leading economists the high interest rate policy is one of the key factors causing the recession, one which will, in fact, lengthen the recession. Therefore, we are in a situation in which the implementation of the GST, combined with the policy of the Governor of the Bank of Canada, will lead to a recession which is likely to be longer and deeper. Indeed, in those circumstances, it is likely to spread into at least the beginning, if not the middle, of 1992. In other words, it will continue for some 15 to 18 months from now.

In light of the data you were reading with respect to marginal tax rates, would you care to comment on the apparent inconsistency of the Minister of Finance pushing a policy which is designed to decrease inflation, the Governor of the Bank of Canada pushing a policy which is designed to decrease inflation and the Prime Minister saying that the purpose of economic policy is to end the recession? Could you attempt to make some sense out of those three fairly contradictory statements? It is fairly clear from talking, as I did earlier today, to these 15 economists that they are unable to make any sense out of the situation.

Senator Gigantès: Thank you for your question, senator. Your economist friends are perfectly right. We are in a recession and the government is increasing taxes. It is taking more money out of the economy. The people who buy have less money with which to buy. Therefore, sales will fall in various industries. Profits will be less. If profits are less, there will be less money to invest. Borrowing for investment is prohibitive, which is one of the causes of the recession. Interest rates are too high.

Because interest rates are too high, our exports have suffered tremendously with a considerable loss of jobs. All these people who have lost jobs in the manufacturing sector, jobs which have disappeared perhaps forever, are truncated customers. Therefore, there is less money coming into the hands of business, less money with which to do more business. That accelerates the recession.

When economists say that the recession might last until the middle of 1991 if they are optimistic, or to the end of 1991 if they are average, or until the end of 1992 if they are pessimistic, what they are saying is that statistically we will see a shift in two successive quarters from decreasing economic activity to increasing economic activity. However, that does not mean that when the time comes to declare the recession over the economy will be back to pre-recession times, or that jobs will be created, and that those who lost their jobs and who do not have money to buy the necessities of life, the luxuries of life or to invest in houses or anything at all will be reabsorbed. In consequence, they drag the economy down.

Just for argument's sake let us say that it gets to the point where it has fallen for several quarters at a total of 6 percentage points of gross domestic product. Then, in two successive quarters let us say it stops falling and grows by one-tenth of 1 per cent in each of those two successive quarters. That signals the end of the recession, but we are still 5.8 percentage points below what we were before. We are growing again, but we are growing from the bottom of the well, and it is a very difficult circumstance.

• (1720)

You asked me how to reconcile the contradictory policies of the government, and Senator Simard laughs and I can well understand. If I were in his place, I would laugh. He has been a Minister of Finance. He thinks it is very funny that anyone is being asked to reconcile the irreconcilable. I can fully understand. If he were still Minister of Finance for New Brunswick, he would be meeting with his fellow provincial Finance Ministers and saying, "Michael Wilson and John Crow and Brian Mulroney have been collectively mad. Démonciel, as he says in French, and it is. Here is the Minister of Finance about to take money out of the pockets of consumers with a new tax. You do not do that in a recession because it accelerates the recession. Nevertheless, he is about to do that with a new tax that will be inflationary.

It is misleading when the Department of Finance says, "The inflationary consequence of the tax will be a one-time 1.25 per cent." All the witnesses disputed that. The Department of Finance was not prepared to show us the assumptions of how they calculated that. Also, we must not forget the extra costs to business people for setting up and for administering this tax for the government. The average extra cost is 9.3 per cent of sales. It will be passed on, and it will have an inflationary effect. If you think that the Governor of the Bank of Canada would freak out at an increase of 1.25 or 2.5 per cent, what then will he do when the increase is not 1.25 or 2.5 per cent, but is more, because the administrative costs of this tax are being passed on to the consumer?

I do not know if a reasonable finance minister or a governor of the central bank would do what Mr. Wilson and Mr. Crow are doing, and to have the Prime Minister say in those circumstances that his policies are designed to take us out of the recession faster is aberrant. You say to yourself, "What is he talking about?" There must be legions of economists, like those you heard us read from this morning, who are pinching one another and saying, "Is this for real? Are these guys—"

So let us return. To repeat:

> . . . workers are left in the same after-tax position whether a tax is collected on their earnings or on the goods and services they consume; therefore, it is difficult to see why their work habits would change in response to such a shift. Moreover, some analysts argue that since a general consumption tax does not have an effect upon income that it saves currently, it is therefore economically equivalent to a tax on wages alone. According to this view, a revenue-neutral switch from an income tax to a consumption tax requires higher effective marginal tax rates on wages, thereby perhaps discouraging work effort.

Would senators like me to read that again? It is a fairly complex argument, but it is a good one.

Senator Doody: Wait for the movie. I would rather wait for the movie.

Senator Gigantès: Do you think I could get a government grant to do this movie? I will star you, put you right in there, in the middle.

Senator Doody: If you promise to do it in some other country.

Senator Gigantès: Front row centre, as the great tax expert. Actually you would do so much better than either the Prime Minister or the Leader of the Government in the Senate because people would trust you, which they cannot do with others. What a nice nature you have! You are all ready to start talking movie production with me. Recommend me to Telefilm, put me in the hands of Madame Louise Beaudoin, but do not tell her that I am a federalist because she would not give me a cent.

> Finally, even if it could be shown that a tax mix change would cause people to work harder, it is not obvious that this would be a socially desirable result. Unless it can be shown that the level of income taxation has distorted individuals' labour decisions, then providing incentives for them to choose to work over leisure involves the government in making social judgements that override an individual's own assessment of the weafare he or she gains from working.

You see here one of the basic contradictions of Conservatism. Conservatives scream that an individual's freedom to make his own economic decisions should prevail. However, what we are seeing here is a Conservative government restricting the economic freedom, and therefore the free will of people, and saying instead that the government will decide how the people will work and what they will do.

The next heading in the Brooks report is:

> "To Improve Incentives to Save"
>
> One of the primary arguments that the government has advanced for the goods and services tax is that as a tax on consumption instead of income it will lead to a higher level of private savings—

—and that adds a tax on consumption, instead of on income—

> —and thus a higher level of capital formation, (that is, plant and equipment), and ultimately a higher standard of living for all Canadians. Unfortunately, every link in this chain of argument is open to serious question.

I am glad to say that Mr. Brooks is about to enumerate his questions.

> First, there is little evidence that savings are too low in Canada.

We have this obsession that if the Japanese save 150 per cent, so should we.

> Certainly by international standards Canada's savings rate is quite high.

I would recommend to senators opposite that they borrow this book from the library and they look at the tables here that show that, indeed, we are doing pretty well in terms of savings, and that, on average, we are better than the European Economic Community, and we are certainly better than the United States. Only Japan is ahead of us.

> Moreover, whether collectively a society should save more and consume less is at the end of the day a value judgement. The trade-off implicit in increasing savings means a transfer of consumption from the current generation to subsequent generations.

Notice none of our splendid economic masters who are friends of the Conservative Party intend to deny themselves the luxury of cars or private shares. No, no, it is the working people they want to exploit and take their money so they can invest the money of the workers instead of investing their own. That is why we have unions. Solidarity forever, yes, sir.

● (1730)

> The ethical judgement underlying this tradeoff might seem uncontentious, particularly if it is being made by current generation and if it involved reduced current consumption for those who are otherwise well-off. However, just as likely, the present consumption that is forgone will be that of poor people to whom the government transfer payments might be made or that of those who benefit from public health services and education.

Remember what I was saying earlier about this new wonderful fashion of disentangling the health service giving Billy Vander Zalm full authority to do to the health service in British Columbia exactly as he wishes, abolishing, in other words, equality of this very vital, very central, very essential service throughout Canada for the people of this country. Save a few bucks for the rich. And, of course, not only will health services be hit but education also and then there will be moaning and gnashing of teeth about our workforce not being as well trained. Look at how the countries which have well-trained workforces spend for their training. Germany is terribly impressive. It is three or four times higher than the rate of spending of our enterprises.

Senator Fairbairn: Senator Gigantès, I wonder if I could ask you a very brief question? As you were just saying how the people who are on the lower-income level of the scale are being most severely hurt, could you give us your views on how effective the tax credit that is being proposed under the GST will truly be for people who are at the lower end of the income scale? It is the government's view that this will equalize or completely compensate them for the money they will have to spend, the extra money as a result of this tax, whereas it has been suggested by a number of groups that this tax credit will fall far short of what it will actually cost the poorer people in their daily living item by item if this tax should go through.

Senator Gigantès: I am glad you asked this question. Let us take the example of a university student with an income of $7,000 with a 7 per cent GST—take a university student in Quebec. There is 7 per cent plus another 8 per cent on top. That is 15 per cent, but actually it is on $107. Another 7 per cent on $107 gives you a higher tax than that. It is 15.49, but let us call it 15.5 per cent. So out of $7,000 a university student is going to be paying taxes on rent, on clothes, and, as I was saying earlier, most of the university students live on cafeteria food. They buy one can of yogurt and that is taxed. They buy a wrapped sandwich and that is taxed. They buy a pizza. Often if they are good and conscientious students, they do not have time to go home and cook.

Remember, the rule is, if it is hot, it is taxable. They have to equip themselves with a kitchen if they are going to avoid the cost of that tax. So $7,000 gives you more than $1,000 in tax. That student is going to receive in Quebec four times 67, in other words, $248. That student is going to pay $760 more tax than a student now pays. They are going to subtract from that that portion of the $748 that corresponds to the manufacturers' sales tax, the hidden tax, the student pays before. Well, we have seen that part of this manufacturers' sales tax goes on exports. Therefore, the student does not pay it. It is on goods that are exported.

We have seen that there are other items of this manufacturers' sales tax that do not go towards the Canadian consumer. For instance, industries are taxed on inputs to construct new buildings or to buy new equipment, and that does not reach that student, not immediately. Therefore, expressing this in the most generous terms for the government, this student will pay $500 more in tax than before and when you have $7,000 a year, and when most of that $7,000 goes on rent—about $5,000—$500 is a quarter of the money a student has to live on. It will not work.

We have another category which is in many ways also possibly more tragic. Our research people use various other statistics about the claims that mothers make for child tax

credit. How many of these mothers who are poor actually make the claim?

Senator Fairbairn: Exactly.

Senator Gigantès: Eighty-five per cent.

Wonderful coverage. Eighty-five per cent. How many out of the 15 per cent? How about these poor people who are too sick, too tired, too stoned, too whatever—

Senator Fairbairn: Or illiterate.

Senator Gigantès: —or illiterate, who do not now fill in the necessary paperwork to get the child tax credit? And, of course, they have not filed an income tax because they are below the taxable levels. We are asked to believe that somehow all of these good Tories will be running around finding these suffering mothers and pressing $248 into their hands in four equal segments. I do not think so.

In other countries where this same sort of tax prevails, it has not happened. They have not been rescued. They have been allowed to stay there and rot in their poverty and misery feeling friendless, helpless and bringing up children who will grow up feeling friendless and helpless to be the children of yet another generation, and to harm our society.

Senator Fairbairn: I have another question just following along on what you had said. I wonder whether you would agree with my contention that there has been in this country already over the last several years, through negligence, a lack of focusing on these 15 per cent, or whatever the percentage may be, in terms of literacy. Illiteracy in Canada is much higher than that. But because we have failed to focus on this level, we are solidifying an underclass in our society that, once established and once being supported in a way such as is now common across Canada with the food banks and these kinds of things that never used to exist in our country—once this underclass is established, it will be incredibly difficult to eradicate it and it will require incredibly sensitive and compassionate policies to prevent generation after generation of young people coming through this same process.

I am wondering whether this is something that you yourself see, or have seen in all the research you have done on employment and everything?

Senator Gigantès: You will remember also, Senator Fairbairn, when we were doing the youth report under the able and wonderful chairmanship of our friend, Jacques Hébert, we found that in this city of Ottawa—and this is back in 1985—fat city, they call it in the rest of Canada, there are over 400 youngsters sleeping outside at night in the winter without any shelter at all. They are looking for a hot grate to sleep on, freezing in somebody's doorway. This is in Fat City.

● (1740)

People say that I knock on Tories. There is another member of the youth committee, and you may remember that that member of the youth committee proposed as a solution to youth unemployment that people who hired domestics be allowed to deduct the wages they pay to those domestics. That senator, who is here in this chamber right now, was saying that this was a solution to youth unemployment. Turn our young into housemaids. That is an underclass, if you look at the sociological history of servants in Britain or France in the last century and before. All you see is misery, resentment, hatred and the reduction of the gastily class antagonisms that exist in Britain and which undermine the capacity of that country to grow. There is much hatred that exists there. That is because mother, grandmother and great-grandmother were expoited.

Senator Fairbairn: The distance between the rich and the poor.

Senator Gigantès: That is right. We have a senator here who wanted to bring this back into this country, where people came to escape from it.

If you are a Tory, you do not feel happy unless you have an underclass. I am not at all surprised when they neglect the 15 per cent because that is being a Tory. There is no charity.

BUSINESS OF THE SENATE

MOTION TO ADJOURN

Hon. Royce Frith (Deputy Leader of the Opposition): Honourable senators, I rise not to interrupt or change Senator Gigantès' status, who, I suppose, has broken some sort of record, having spoken for 18 hours in this debate.

I rise to present the following to you, which has been agreed upon by Senator Doody and myself.

It being after 5:45 o'clock on Thursday, I propose to move, pursuant to Rule P-1(a), that the Senate adjourn. By the terms of that rule, the sitting is thereby automatically suspended until 2 p.m. tomorrow.

A motion tomorrow after 5 p.m., pursuant to Rule P-2, would suspend the sitting until 2 p.m. Monday next. In the result, there would be three hours of sitting tomorrow between 2 p.m. and 5 p.m. and then suspension for the weekend. In that specific context, the leaderships see no reason why tomorrow's three hours should not take place between 9 a.m. and 12 noon.

We propose, therefore, with leave of the Senate that the effect of today's—that is Thursday's—provisional Rule P-1(a) motion will be to permit a motion pursuant to provisional Rule P-2 to be made after 12 noon tomorrow, December 7, rather than not until after 5 p.m.

Honourable senators, if leave is granted, I will move that motion.

The Hon. the Acting Speaker: Honourable senators, is leave granted?

Some Hon. Senators: Agreed.

Senator Frith: Honourable senators, pursuant to Rule P-1(a), I move that the Senate do now adjourn. The effect of that is automatically to suspend the sitting until tomorrow at 2 p.m. However, because of what we have agreed upon, it will be at 9 a.m. tomorrow. I intend to withdraw the motion tomorrow.

The Hon. the Acting Speaker: Honourable senators, the Senate is now suspended until 9 o'clock tomorrow morning.

QUESTION OF PRIVILEGE

Hon. Philippe D. Gigantès: Honourable senators, it is not yet 6 o'clock. You need unanimous consent and I did not give it. I told you I wanted to speak until 6 p.m.

I now rise on a question of privilege. This is the second time within a couple of weeks that I have refused unanimous consent and it was disregarded. The rights and privileges of a senator include the right to refuse unanimous consent.

Some Hon. Senators: You agreed.

Senator Gigantès: You agreed; I did not. You need unanimous consent to adjourn ahead of time.

Senator Frith: We have to come back at 2 p.m. tomorrow then.

Senator Gigantès: Let me speak until 6 o'clock and I will withdraw my objection.

Senator Doody: We had an agreement with your leader.

Senator Gigantès: Senator Frith, you should warn me of these things. I will agree.

The Hon. the Acting Speaker: Honourable senators, is it agreed that we suspend the sitting of the Senate?

Some Hon. Senators: Agreed.

The sitting of the Senate was suspended until 9 a.m., December 7, 1990.

[*Editor's Note: For continuation of proceedings see Issue No. 115M.*]

THE SENATE

Thursday, November 29, 1990

[*Editor's Note: Continuation of proceedings from Issue No. 115L.*]

The sitting of the Senate was resumed at 9 a.m., Friday, December 7, 1990, the Acting Speaker in the Chair.

BUSINESS OF THE SENATE

MOTION TO ADJOURN WITHDRAWN

Hon. Royce Frith (Deputy Leader of the Opposition): Honourable senators, I am not rising in the debate, but, as the senator who moved the motion last night under Rule P-1(a), to withdraw that motion pursuant to its terms.

The Hon. the Acting Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Motion withdrawn.

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE ACT
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMEND—MOTION FOR THIRD READING—DEBATE RESUMED

Hon. Philippe Deane Gigantès: As I was saying yesterday before I was so rudely interrupted—

Hon. Royce Frith (Deputy Leader of the Opposition): By me!

Senator Gigantès: —by Senator Frith—

Senator Frith: The word "rudely" always seems to go with the word "interrupted". You never hear anyone say, "before I was politely interrupted".

Senator Gigantès: I was part way through reading, for your benefit, this excellent study by Mr. Neil Brooks, who provides one of the many alternatives. I will recapitulate this later and give you a clear, very slow explanation of exactly what alternatives to the GST are available. I will be very slow in both English and French because obviously yesterday I was having some problems communicating with Senator Poitras and Senator Simard.

Hon. Jean-Maurice Simard: Don't you start something this morning!

Senator Gigantès: So there are no doubts in anyone's mind about what I am saying, I will speak very slowly and very carefully.

Senator Frith: I do not want the metaphor taken too seriously, but is there not a saying about "sleeping dogs"?

Senator Gigantès: By the way, I was feeling very invigorated after my speech yesterday and had a marvellous dinner with someone who is arguably the most beautiful girl in the country, my 11-year old niece. She did not think much of what we were doing.

An Hon. Senator: Nor do we!

Senator Gigantès: Yesterday we were talking about improving incentives to save. I think we should go over that particular part of the text of Mr. Brooks, because, as he says—I can wait until you finish talking because I think it is important for you to understand this.

Senator Doody: You have lost your audience!

[*Translation*]

Senator Gigantès: Senator Poitras, please, pay attention, because you are always complaining that we have no alternatives. We do. Just listen!

[*English*]

I will repeat three of the paragraphs because they were important, and I had been interrupted yesterday.

> One of the primary arguments that the government has advanced for the goods and services tax is that as a tax on consumption instead of income it will lead to a higher level of private savings, and thus a higher level of capital formation (that is, plant end equipment), and ultimately a higher standard of living for all Canadians.

This is Senator Poitras' argument. Again he is missing the answer, and later he is going to tell me that I have not proposed any alternatives. As I was saying:

> . . . as a tax on consumption instead of income it will lead to a higher level of private savings, and thus a higher level of capital formation—

Is that not part of the lies your side is spreading around the country?

> —(that is, plant and equipment), and ultimately a higher standard of living for all Canadians.

Hon. Jean-Marie Poitras: Don't tell me you are already tired without even having had a question!

Senator Gigantès: Would you like to ask a question?

> Unfortunately, every link in this chain of argument is open to serious question.

That is important for members opposite to understand because you cannot fool everyone. People out there do the calculations and expose the flummery of your arguments.

> First, there is little evidence that savings are too low in Canada.

Yesterday I pointed out that somewhere in my book—which you can borrow from the library if you are too much of a tightwad to buy a copy. It will be no skin off my nose, because I have donated the royalties to a scholarship fund, but my publisher would be happy if you bought a copy of my book.

Hon. Eymard G. Corbin: Senator Gigantès, may I ask you to explain the expression you have just used, "no skin off my nose"? What does it mean? I have never heard that before.

Senator Gigantès: Tightwad?

Senator Corbin: You used the expression "no skin off my nose". Did I hear you correctly?

Senator Gigantès: Yes.

Senator Corbin: What does it mean?

Senator Gigantès: The expression "no skin off my nose" means that it does not affect me at all. It is a British expression, which first appeared in Shakespeare in the Merry Wives of Windsor.

There is a table in my book which gives OECD figures that show that Canada's rate of savings as a proportion of GDP are higher than average in the 21 countries of the OECD and certainly higher than the United States. We are second only to Japan. Mr. Brooks has obviously looked at the same figures because he says:

> Certainly by international standards Canada's savings rate is quite high. Moreover, whether collectively a society should save more and consume less is at the end of the day a value judgement.

When he says "at the end of the day", Mr. Brooks was obviously listening to various people on the other side, notably, the honourable leader. I am mellowing this morning. I even used the word "honourable" when referring to Senator Murray. He has a habit of saying "at the end of the day". Mr. Brooks is talking about the end of the day too.

> . . . whether collectively a society should save more and consume less is at the end of the day a value judgement. The trade-off implicit in increasing savings means a transfer of consumption from the current generation to subsequent generations.

Starve now for the sake of your grandchildren.

> The ethical judgement underlying this trade-off might seem uncontentious, particularly if it is being made by the current generation and if it involves reduced current consumption for those who are otherwise well-off.

Like Senator Poitras.

> However, just as likely, the present consumption that is foregone will be that of poor people to whom government transfer payments might be made or that of those who benefit from public health services and education.

[Senator Gigantès.]

As I was pointing out yesterday, there is a serious movement among respectable, "bien pensants" Conservatives to shift more funds toward private education and to allow a private, parallel health care system for the rich with the best doctors, nurses and technicians. As a result, there will be two classes of health care. We do that by the disentanglement method that has led Billy Vander Zalm and other Tory premiers to put their sticky fingers, and those of their friends, into the huge medicare pie.

• (0910)

I am sorry that Senator Castonguay is not here, but I have not missed his change of view from when he was Minister of Health Care to now that he is president of an insurance company. Who makes hugh profits out of private health care insurance? The insurance companies. Senator Castonguay did not allow insurance companies to participate in the health care system that he was setting up so admirably in Quebec when he was Minister, but now that he is pesident of a huge financial group that is big in insurance, he is in favour—come on, come on, I am provoking—of allowing private health insurance, through which the rich can buy a policy, possibly from his group thus further enriching it, so that there will be private hospitals taking care of the likes of Senator Poitras—to whom I wish the best of health forever.

I hope you never need a doctor or a hospital, senator. You are a wonderful man, even though you are bigoted about those of us whose mothers did not have the privilege of being here to give us birth, and therefore we did not have that special sanctity that geographic location confers. Ah well! I will have to live under that burden.

Mr. Brooks continues:

> If it is these latter members of the current generation—

that is, the poor.

You do not meet them where you live, honourable members opposite, and if you did you would probably say, "Soyez respectable", as Madame Lavoie-Roux said yesterday. By the way, that is the last refuge of the Conservatives. They say, "It is bad manners to eat" or, "You are not being respectable. Don't put a piece of tangerine in your mouth. Oh, how very shocking!"

Senator Poitras: You would not understand that.

Senator Gigantès: I understand compassion. I understand the need of the poor to be helped and I think that is a little more important than worrying whether the great stone-faced Senator Castonguay, who is already a monument while he is still alive, or even yourself or somebody on the other side will say to me that I should not put a piece of tangerine in my mouth. By the way, I have a considerable supply of pieces of tangerine and I will put them in my mouth whenever I feel like it, whether you like it or not. If any of you want any, send over a page and I will be generous and give you some.

Senator Corbin: Senator Gigantès, did I understand you correctly to say that you were admonished by Senator Thérèse Lavoie-Roux for drinking water or something?

Senator Gigantès: No. She thought I was not respectable. She said, "Soyez respectable." Perhaps she meant, "Soyez respectueux", because I was being a little feisty in laying into Senator Poitras and Senator Castonguay and others on the other side.

Senator Corbin: I see. That is the same Thérèse Lavoie-Roux, the same Honourable Senator Lavoie-Roux, who, for a whole hour before she got up in the Senate and said that, was stretched on two chairs here; her noble body was stretched on two chairs while you were talking, and she was dozing away. I wonder if there was any respectability in that? These people cannot have it both ways, Senator Gigantès.

Senator Poitras: Wait until she is here.

Senator Doyle: At least she was not playing the kazoo!

Senator Corbin: Do you want to make a speech? Senator Gigantès, I would suggest that you take it easy, and do not be embarrassed by whatever admonitions they want to make to you. I have a list of 20 breaches of protocol and decorum that these people have committed since you started speaking. So go ahead, do your thing, and do not be intimidated. However, I would also suggest that you not overly provoke them, because they could become dangerous.

Senator Gigantès: First, I should like to say that I think that Senator Thérèse Lavoie-Roux sleeping by herself on two chairs is perfectly respectable, as far as I am concerned. There is nothing disrespectable about a married lady sleeping alone on two chairs. Now, the other thing I would like is for you to explain to me, sir, in what way you think our colleagues opposite might become dangerous.

Senator Corbin: I beg your pardon?

Senator Gigantès: You said I should not provoke them too much because they might become dangerous. I would like to hear from you in which way you think they might become dangerous so I could judge for my own self whether this is real danger or not.

Senator Corbin: By that, I mean do not extend their power of retention in the face of all the proofs and facts you are bringing to us in this house, in terms of the GST being bad legislation. They can take only so much of that. As you noticed yesterday, I put certain facts on the record and Senator Simard jumped to his feet and made a speech. I would not want them to have to interrupt your speech any more than they have in the past few days. That is what I meant by not overly provoking them. I am not afraid of the facts, but there are some facts they just cannot take. So take it easy on them.

Senator Gigantès: Well, thank you. I see you are recalling me to my duties as the teacher I once was, and I must be faithful to the lessons I must preach. Regardless of the quality of the class, I must make an attempt to see that the lesson is absorbed.

What we are talking about here, and what Mr. Brooks is very convincingly knocking on the head, is this standard Tory argument that it is better for the poor to save rather than consume. He says that:

> If it is these latter members of the current generation who are affected by government policy designed to reduce current consumption, then the value judgement becomes more problematic.
>
> Second, even if the social judgement were made that private savings should be increased, it is unlikely that relieving more of the return to savings from tax would have that effect.

I repeat:

> . . . it is unlikely that relieving more of the return to savings from tax would have that effect.

He continues:

> It is well known in economic theory that a decrease in taxes on income from saving can either increase or decrease savings.

This may sound like a paradox, but life is pretty paradoxical.

> Based on the empirical studies, although the magnitude of the effects of tax on savings remains a matter of controversy, the best evidence is that at most it is modest.

Am I talking slowly enough for you, Senator Poitras?

> In particular, since our present income tax already provides substantial incentives for savings, for example by providing tax assistance for saving for retirement, a shift in the tax mix towards greater revenue from the sales tax could at the very best have a marginal effect—

"Marginal" means small in this instance, because there is "marginal" used in another sense in economics, and as the uppermost tax bracket that would hit you.

> . . . a shift in the tax mix towards greater revenue from the sales tax could at the very best have a marginal effect in increasing personal savings. The argument that a tax mix change can have little effect on savings is supported by the fact that there appears to be no correlation between, for example, the percentage of revenues a country collects in taxes on goods and services and its savings rate. Japan, for example, collects a small percentage of its revenues from sales tax—

They have just introduced a 3.3 per cent sales tax, which is driving business people in Japan absolutely around the bend. Even though they are very good at figuring and have computers, it does make life difficult. Even though Japan derives a very small percentage of its revenue from sales taxes, it has the highest rate of private savings of any of the developed countries.

● (0920)

> Also, in the United States, somewhat to the embarrassment of economists who argued that there is a strong correlation between after-tax rates of returns and savings, in recent years the savings rate has fallen at the same time that marginal tax rates have been lowered and real interest rates have increased.

Senator Poitras, the experience in the United States shows that even though the income rates have fallen and interest rates have increased, the savings rate has also fallen in the

United States. So where is this correlation that if money is taken away from people every time they buy something they will prefer not to buy and will save the money.

> Third, even if a tax mix change in favour of consumption increased personal savings somewhat, the effect on total savings in the economy would be trivial since personal savings are only a small percentage of total savings.

Total savings include retained earnings by corporations. Savings also include Canada Pension Plan and Quebec Pension Plan contributions. Contributions towards unemployment insurance and accident insurance are also considered savings. Payments on insurance policies are considered savings. In economic terms and in statistical terms, those are the majority of savings in a country. It is not only personal savings that make the difference.

> Moreover, even if the private rate of savings were to increase, it is not clear that investment would increase. To raise domestic productivity, the additional savings would have to result in increased business capital formation in Canada. But in a small, open economy like Canada's, there is likely little connection between domestic savings and domestic investment since domestic interest rates vary directly with international interest rates.

There is a fairly well-founded rumour going around that Power Corporation is selling off all its remaining assets and getting into a liquid position. Where do you think it is parking its money? It is parking it in Europe in écus and Swiss francs.

Senator Haidasz: Shame!

Senator Gigantès: I do not know if it is a shame.

Senator Haidasz: It should be invested in Canada.

Senator Gigantès: One must not ask capital to have patriotism.

Senator Stanbury: Or emotion.

Senator Gigantès: Or emotion. Absolutely not. Who knows, but perhaps when artificial intelligence is perfected we can enter emotion, shame, patriotism and humanity factors into the computer and perhaps the computer will make decisions that are more beneficial to the general welfare than the hearts of Tory capitalists. There have been good capitalists, but they are either Liberals or crypto-Liberals.

Senator Turner: No integrity.

Senator Gigantès: Integrity! Let us not use words that we do not understand, senator.

Senator Haidasz: What happened to corporate citizenship, senator?

Senator Gigantès: That is the only citizenship they accept in their hearts, the citizenship of their corporations. Corporate citizenship is an aptly coined phrase.

Senator Haidasz: Good corporate citizenship.

Senator Gigantès: Good corporate citizenship. They would say, as it was said in that marvelous movie, *Wall Street*, by Michael Douglas, "Greed is good, greed is right. It is what builds fortunes." Unfortunately, it builds fortunes but does not necessarily build nations. That is why people have invented governments, because if everything had been left to private greed, nations would not have been built and we would still be in caves dodging sabre-toothed tigers with mellifluous accents.

By the way, senators may remember that line in *My Fair Lady* about the dreadful Hungarian. I do not want to say anything bad about Hungarians, so I will replace "Hungarian" with the word "vulgarian".

Senator Frith: Zoltan Karpathy.

Senator Gigantès: "Zoltan Mulroney" is what I am talking about. "Zoltan Mulroney oozing charm from every pore, oils his way across the floor." That is the feeling I have every time I see him.

> But in a small, open economy like Canada's, there is likely little connection between domestic savings and domestic investment since domestic interest rates vary directly with international interest rates.

Power Corporation will probably take all its money and invest it in Europe, where it thinks the new Marshall Plan fueled by West German energy will create great opportunities for increasing that money, and we will never see it again.

> If domestic savings increase, domestic interest rates might fall in the short term . . .

If there is an abundance of money to lend, then the "rent" paid to borrow it goes down; interest rates are "rent".

Senator Haidasz: Honourable senators may have heard that Phil Esposito received tens of millions of dollars to invest in a National Hockey League franchise in Tampa, Florida. I hear that the Ottawa Senators club also got a National Hockey League franchise yesterday. We should be happy about that. They will be called the Ottawa Senators.

Senator Stanbury: The fighting Senators.

Senator Haidasz: Yes. We are giving them an example of how to fight during the debate on the GST.

However, the club and the organizers should be congratulated and we wish them all a very successful hockey season here in Ottawa. They do not have an arena or the land on which to build one. Perhaps Power Corporation could finance the Ottawa Senators' club or lend them some of the millions of dollars that Senator Gigantès suggests may go to Europe so that they could buy the land and build a modern hockey arena.

Senator Gigantès: Senator Bonnell brought up this issue yesterday and I pointed out that, if they have the usual problems of a start-up team, they will not be brilliant during the first few seasons. If the cost of the ticket is increased because of GST, and the cost of every hot dog, can of beer, and of the hotel which they will no doubt have—with picture windows looking onto the arena so it can be seen what the occupants of those rooms are doing if the hockey game gets dull, they may have a rocky road. They may be unable to fill the seats; they may not have sufficient spectators and may have a problem with making enough money to be able to afford what is necessary for a hockey team, which is the

purchase of better players. But as for the arena, I would suggest to the owners not to rush, because if Mr. Mulroney continues destroying the country as he is, the Parliament buildings might be available, because there will be no Canadian Parliament. There may be no Canada. And the House of Commons is probably large enough to house a rink.

• (0930)

Prime Minister Mulroney, by the way, said that he would welcome a new set of senators to Ottawa. He said that the last bunch wasn't any good. He says he doesn't like the old fogies in the upper chamber.

Senator Stewart: That puts Senator Oliver in his place.

Senator Gigantès: Where is Senator Johnson or Senator Teed?

Senator Stewart: They should be up on a question of privilege.

Senator Gigantès: Brian Mulroney is calling them old fogies.

Senator Molgat: Qui a fait cette déclaration?

Senator Gigantès: Brian Mulroney.

At any rate, this is a digression from what I was about to say. There is absolutely no proof that shifting the tax mix towards a consumption tax, which will increase the share of government revenues through indirect taxation on consumption and lessen the amount of government revenues taken through income tax, will increase savings. If domestic demand for savings outstrips supply, and interest rates are pushed appreciably higher than international rates, foreign funds will flow into Canada in search of high returns.

The point made here is important. If there is an increase in savings in Canada, there will be an oversupply or a larger supply of money to lend. As I was saying when I was reading from my book, when supply increases in any commodity, its price falls. Therefore, our interest rates will fall below international rates and Canadian investors, like the power corporations faced with a low return on funds at home, will simply invest abroad. That is good corporate citizenship. It may not be good Canadian citizenship, but we are not talking about Canadian citizenship, we are talking about Tories. The only citizenship they recognize is corporate citizenship.

Conversely, if domestic demand for savings outstrips supply and interest rates are high, then foreign funds will come into Canada. I was making that point when I was reading my book on an earlier occasion. On the wonders of globalization and of the money market, if we have a globalized money market, then sticking labels on funds and saying that they are Canadian or foreign does not make sense. Savings in Canada, because we are such a small country, really have nothing to do with the amount of investment and capital formation, plants and equipment that will come to Canada. What will bring plants and equipment here is the natural resources we have that can be used.

If we did not have this fool's deal that we made in the form of the Free Trade Agreement, we would have better capital formation in Canada than we now have. But we threw away our trump cards. We gave away our natural resources for a mess of pottage. Thus, notwithstanding the domestic savings rate, the increasing internationalization of financial markets effectively caps the domestic cost of capital.

To continue with this report, it states:

> Finally, shifting the tax mix from savings to consumption can at best have only an indirect effect on savings. In contrast, reducing budget deficits directly increases net personal savings. Consequently, the main positive effect on savings and growth will come from successfully reducing budget deficits using either the income tax or a new consumption tax.

The point that Mr. Brooks is making is that consumption tax is not any better at reducing the deficit than income tax. A little later I will be discussing alternatives to the GST and I will make the point, as I have before—and I must keep making it until everyone understands it—that the only way to reduce deficits and the national debt is to reduce unemployment. Through repetition, I finally made the Economic Council of Canada understand that.

Senator Stewart: They are relatively receptive to new ideas at the Economic Council.

Senator Gigantès: Probably because there are not many rich people there. Judith Maxwell is a fine person and, as far as I know, she is not a corporate citizen. She is only a Canadian citizen.

Another argument that is being given for introducing the GST is to reduce opportunities for evading tax. As we saw earlier when I was presenting information on what happened in countries that have a sort of GST in Europe, tax evasion is not reduced. That is simply an illusion.

> It is sometimes asserted that a tax mix change would reduce the amount of income that illegally escapes tax. A number of reasons are offered for this result: since marginal income tax rates can be lowered if more of the tax burden is shifted to consumption taxes, the incentive to evade income tax is reduced; a broad-based sales tax is easier to enforce than an income tax . . .

• (0940)

Senator Simard will probably get up and yell at me because he has misunderstood something I was saying, because he is not paying attention. He is wasting his time talking to Senator Lowell Murray. Everyone knows that it is a waste of time talking to Lowell Murray. He does not have anything to say that is in any way useful to this country. Look what he has done with his various statements, and in particular his insulting statements about provincial premiers during the Meech Lake Accord, which cornered them into having to react, and therefore sank the deal.

Senator Stewart: But he knew how to instruct the legislature of Manitoba to break its rules, and indeed the laws of the province.

Senator Stanbury: He has experience in breaking the rules.

Senator Gigantès: He has, that is right. He has used that experience, of course, with Senator Charbonneau, whom they still call Speaker on the other side.

Yesterday Senator Bonnell was pointing out that he might have a whole new career as a referee in the National Hockey League, helping the team called the "Ottawa Senators". Senator Bonnell was suggesting that he might run off with the puck and put it in the opposing team's net, forgetting his status as a referee, and using his usual partisan tactics by himself.

A number of reasons are offered for the expectation that a consumption tax will reduce tax evasion at the income tax level. It is easier to enforce, and therefore you can catch people trying to evade.

[*Translation*]

Good morning, dear Senator Tremblay! I missed you. I am so glad you are here. You are really very nice and very quick, a lot quicker than the rest of your colleagues. I would like them to imitate you. Senator Bolduc is very nice also. All those who have never doubted the quality of Quebec's senior civil servants should think about it. We have two magnificent specimens here. They are really more impressive than the specimens from Quebec's business sector.

Hon. Arthur Tremblay: Senator Gigantès, "Timeo Danaos et dona ferentis" (I fear the Greeks, especially when they are bringing presents). I guess that apply also to compliments!

Senator Gigantès: No, dear senator, because my compliments are like scorpions; there is always something at the end. I am keeping that for later on. This morning, as I was saying, I am feeling particularly well.

I was asked yesterday, when I ended: what gave you the stamina to hold for 18 hours? I answered: Senator Simard. Senator Fairbairn asked me if, at the end, I had difficulty to focus. She used the expression "Focus your sight", and I said:

[*English*]

Focus your sight. It is only when I look at Senator Simard. So bless you for being here. You truly quintuple my strength, at least to begin with. As you go on it gets stronger and stronger. If only they would keep you here forever, I could speak forever.

Senator Simard: You have read enough, Senator MacEachen? I cannot blame you. I wish we could all leave.

Senator Gigantès: Senator MacEachen does not have to listen to me. You are the ones who have to provide a quorum. All of us except me, can leave. For a three hour stretch, I do not need the help of my friends for questions. Not yet; not yet.

Senator Frith: Even when Senator Simard is smiling, you might be all right.

Senator Stanbury: You can ask questions, though. That is all right.

[*Translation*]

Senator David: That is against the rules.

Sénateur Gigantès: What? Giving me a piece of paper? He told me that one of them has his fly open. You have sent me many notes like that when I was talking. I do not know who is mischievous enough on your side to play such a trick, like a grade 3 kid. I myself am in grade 4. I remember that in grade 3, we used to send little notes to the teacher saying that his fly was not closed. We thought it was very funny to see the teacher trying to button himself up.

[Senator Stanbury.]

I was always told that when you talk to a public with "short attention span", like you, you have to relieve pressure by changing subjects once in a while. I cannot talk to you about economy for longer than 30 seconds. It would not sink in, Senator Simard.

Senator Simard: You are perfectly able to talk more than 30 seconds. You are an expert.

[*English*]

Jack of all trades, master of none.

Please focus on something. Focus.

Senator Gigantès: On you? I will spoil my eyesight.

Senator Simard: Focus.

Senator Gigantès: I am focusing on the text. It is a very important text.

Senator Simard: Focus on the clock.

Senator Gigantès:

> . . . even this simplistic economic model of evasion behaviour ignores the fact that higher tax rates increase the cost of evasion in two ways. First, an increase in the tax rate increases the penalty for evading, since fines are typically proportional to unpaid tax. Second, an increase in the tax rate increases the incentive for the tax department to audit; for a given level of under-reporting, a higher tax rate increases the total tax and penalty collected from an audit.

Mr. Brooks is saying that if you really want to catch tax evaders, a high income tax rate is a better investment for revenuers, a better investment in tax police than it is for a 7 per cent consumption tax.

> On balance, recent studies have found that the costs of noncompliance associated with an increase in tax rates outweigh the benefits, so that an increase in the tax rate should in theory actually increase compliance. A number of recent empirical studies have failed to find any relationship between tax rates and compliance.

I think they would probably find an inverse relationship between compliance and party affiliation. If you are a Tory, you dodge taxes, generally. You find ways of paying as little as possible.

Senator Turner: Are you saying they are not honest?

Senator Gigantès: Let us not use a vocabulary that they do not understand. Please, Senator, you keep coming back at me with words like, "integrity", and "honesty". We are talking to Tories now.

Senator Turner: That is what I was taught when I was a young lad; to be honest and truthful, and have a lots of integrity. That is what makes the world go round.

Senator Gigantès: Senator, you are a Liberal.

Senator Turner: I knew there was a difference.

Senator Gigantès: Yes, there is.

> The claim that if there are two somewhat equal tax bases—the income and consumption bases—individuals who are inclined to evade taxes will find it more difficult to evade both instead of just one has a plausible ring to it. However, even if this is the case, the revenue gains would be marginal at best. Self-employed people who evade the income tax will also presumably evade the goods and services tax. Although some sales tax will have been levied on their business inputs it will in many cases not be significant. It seems indisputable that if the government were to devote the additional resources it will use in administrating the goods and services tax to increasing compliance with the income tax, much more revenue would be raised from the underground economy.

If you are trying to recover evasion on 27 per cent, you are making more money than trying to recover evasion on 7 per cent. That is simple logic. So why are the Tories doing this? They are doing it, as we said yesterday, because the GST shifts the burden from manufacturers to consumers and to poorer people. They are doing it because, having decided to shift the burden, they do not want to contemplate the alternatives such as the one Neil Brooks proposes, because those are alternatives which are anathema to the Tory philosophy.

● (0950

To increase the export competitiveness of Canadian business. That is another item in favour of the GST as propounded by the Tories.

> A shift in the tax mix from income to consumption has been advocated as a way of increasing Canada's export competitiveness. This argument is presumably premised on the observation that a consumption tax like the GST is imposed on all imports but rebated on all exports. However, this characteristic of the GST cannot encourage exports or finalize imports. Foreign goods that Canadian exports compete with obviously do not bear the Canadian GST. Further, while imports will bear the tax, so will all goods produced in Canada. The point is that, in terms of its effect on a country's trade balance, a consumption tax that is imposed on imports and not exports is equivalent to not having such a tax at all.
>
> A slightly more sophisticated version of this argument suggests that, since an income tax is borne directly by all capital and labour in Canada, and must be reflected in prices, whereas a goods and services tax can be removed from exported goods, raising more revenue through the goods and services tax would increase Canada's export competitiveness by decreasing the income tax burden on exported goods. But if the tax is lifted from exports, the revenue must be made up, presumably by being levied on domestic goods—

Right? You no longer collect the $1.5 billion that Mr. Brooks tells us is collected on exported goods, and you do not want to lower the general tax take. You wil, therefore, take it on domestic goods.

> —and most analysts argue that any increased cost of Canadian goods would be compensated for in the exchange value of the Canadian dollar. That is to say, any improvement in Canada's export competitiveness by changing the tax mix would be offset by an appreciation in the exchange value of the Canadian dollar. This conclusion reflects a widely accepted theorem of international trade, namely, that under certain realistic conditions a general tax on consumption is equivalent to a general tax on production, the only difference being the exchange rate. The only way that a tax mix change can increase Canada's competitive position is if workers are prepared to take a drop in real wages. It has not worked in other countries.

I realize that must be very disappointing for the ladies and gentlemen opposite, for whom the secret of success is to grind the faces of the poor and make the workers take less for the work they do, but there it is. They will fight back, and I do not blame them. I will be here on this side saying, "I go along with you, give it to them."

This is another of these lovely arguments, to encourage highly-skilled Canadians to remain in Canada. If you increase the consumption tax, you will encourage them to remain in Canada.

> If the tax burden is shifted from the income to the consumption tax, the argument goes, then income tax rates can be lowered and highly skilled and paid Canadians will be encouraged to remain in Canada.

Earlier in this paper, which I hope you will receive from the Clerk of the Banking, Trade and Commerce Committee, Mr. Brooks demonstrated with figures that came from the OECD, that to some extent the total tax burden in Canada is lower when compared to the average of taxes imposed in various OECD countries. It is certainly lower than in most of the countries to which our skilled workers would want to go.

There are other factors, as well. Do you really think that a skilled Canadian worker would like to go to the United States and give up medicare? He would need phrenological care, as do some members opposite, if he were prepared to go to the United States and face the vagaries of a catastrophic major illness; or,in order to avoid it, pay about $2,000 for each family member to have medical insurance coverage equal to that here in Canada.

Gosh, they are starting early in the other house. Actually, they are lazy people. We have already been at it for an hour.

> If the tax burden is shifted from the income to the consumption tax, the argument goes, then income tax rates can be lowered and highly skilled and paid Canadians will be encouraged to remain in Canada.

Another reflection of this is corporate citizenship, which is what we were talking about earlier. The good people across the way who concocted this tax believe that all Canadians think as they do, and that the tax rate is the only thing that matters. I

would like to let them in on a secret. The vast majority of Canadians find more to love in Canada than the tax rate. They would not leave this country for another country. This is a beautiful country, a sweet country. Canada does not deserve Brian Mulroney.

> Even when the question is whether a country should increase its overall tax burden in order to finance public services, the concern about the effect this might have on research scientists, engineers and medical doctors leaving the country is frequently overstated. However, in the context of a tax mix change it has absolutely no validity.

Think of it. Mr. Brooks is saying it is a false use of the argument to say that if you decrease income tax rates, you will keep skilled workers here. It is a false use of the argument when you are in a situation in which you are simply shifting the tax burden from one form of tax to another. What the Tories are saying is if we take the same amount of money but more out of your left pocket than your right pocket, you will want to stay in Canada. Whereas if we take the same amount but more out of your right pocket than your left pocket, you will not want to stay in Canada. In terms of economic reasoning, it takes infantilism to believe that.

> International labour movements are not the result of marginal decisions: people either migrate or they do not. Consequently, in deciding whether to migrate, a taxpayer's average effective rate is what is significant, not his or her marginal rate. Although a revenue and distributionally neutral tax change from an income to a consumption base might reduce a taxpayer's marginal tax rate, by definition it will not change the overall amount of tax he or she pays.

It is just a question of into which pocket the government dips its hand.

• (1000)

Here are Mr. Brooks' arguments for greater reliance on income taxes—arguments for replacing the manufacturers' sales tax with an income tax alternative. Members opposite keep saying that no alternatives have been presented. Of course there are alternatives, but none that a Tory can stomach. The first argument of Mr. Brooks has to do with regressivity. He says:

> The major criticism of consumption taxes is that they are regressive. Low-income individuals consume a greater percentage of their income than high-income individuals. Consequently, the effective rate of a tax on consumption declines as income increases. This is illustrated in Table 17; column 4 of that table shows that with the GST, federal commodity taxes will be 7.1 per cent of a low-income family's income, but only 3.1 per cent of a high-income family's income.

That table is constructed from the same data base used by Statistics Canada and the Department of Finance, so we are not talking about different figures or a different data base. We are not comparing apples and oranges; they are all good, Canadian apples with no Tory worms in them.

[Senator Gigantès.]

Hon. Charles Turner: Is that something like Campeau building a house in Austria?

Senator Gigantès: In Austria?

Senator Turner: Yes.

Senator Gigantès: Are you talking about the Mr. Campeau who bit off more junk bonds than he could chew?

Senator Turner: That is true.

Senator Gigantès: Austria welcomes him.

That table and the figures that the Department of Finance uses shows:

> . . . federal commodity taxes will be 7.1 per cent of a low-income family's income, but only 3.1 per cent of a high-income family's income. Moreover, a shift in the tax mix from income to consumption shifts the typical taxpayer's burden to different parts of his or her life span. Relying more on consumption taxes burdens people at the stage in their life when they are consuming, not when they are saving.

I would like to repeat that sentence.

> Relying more on consumption taxes burdens people at the stage in their life when they are consuming, not when they are saving.

Young couples starting out in life and trying to establish themselves live on tight budgets, as do students. They spend every bit of money they have. They have not reached the stage when they can start saving. They are still trying to acquire the tools with which they will eventually make themselves able to save, and we are making it harder for them to acquire those tools by imposing a consumption tax upon them. As Mr. Brooks says:

> Thus it results in people paying more when they are starting out in life—

It is amazing how much I agree with this man. In fact, I often find myself stopping at the end of a sentence to interpret it, only to return to the text and find that he has given the same interpretation. Yesterday, I found out how much I was being misunderstood verbally by Senator Poitras, who obviously had problems with my foreign accent, whether I spoke in French or English, and Senator Simard, who has problems with comprehension, period, which necessitates slow repetition.

As I was saying, Mr. Brooks also said that a consumption tax results in people paying more when they are starting out in life and borrowing against future income.

Hon. Richard J. Stanbury: Senator Gigantès, I wonder if I might ask a question. You made a good point about the proportionately greater cost to young people when they consume almost everything they earn. The same thing would be true of the elderly who are in a poverty situation, having to spend everything they receive in the way of pension or other income they might have. Should we not make a distinction between young people and the elderly who have no concern about poverty or financial problems, compared to those who are in a poorer situation? It is a question of the proportion of

income that has to be spent on consumption rather than the absolute dollars spent. Is that a fair analysis of the situation?

Senator Gigantès: That is a perfectly fair analysis of the situation, Senator Stanbury, and thank you for touching upon this point. The fact is that, among young people and old, retired people, along with that large segment of society, the working poor, the proportion of their income spent on consumption is huge. In fact, they spend much of their income on consumption, and they will be hard hit by this tax.

I remember reading an article in the *Globe and Mail* about an admirable immigrant who had the misfortune of not being born in this land and who would have, because of that, offended the sensibilities of Senator Poitras. She probably has as bad an accent as I do. She had three children and worked in a Chicken Villa rather than go on welfare. She would have been better off on welfare, but her pride would not let her take it. She was bringing up three children by buying second-hand clothes, repairing those clothes herself and working extra shifts at minimum wage to earn extra money. A very admirable person! She spent every penny she had on consumption—every penny! Now she will be taxed for every penny of that by this consumption tax.

• (1010)

Senator Stanbury: Which means, I suppose, that she will be able to buy 7 percent less for her three children and for herself than she was able to buy under earlier circumstances without the GST. It is not just that everything will cost more; it is the deprivation that is involved in reducing the disposable income, or the income that can be used to purchase actual goods.

Senator Gigantès: You are quite right. The argument is often made by people opposite that a person like that should take into account the reduction in the price of certain items because the manufacturers' sales tax will be taken off. However, if you look at the list of those items, not all of those items are inputs into what a poor person buys. Also, if you take into account whatever GST tax rebates that person will receive, it turns out, as Mr. Brooks was pointing out earlier, that, in the best of circumstances, the poor person who spends all of his or her income on consumption will be paying 4.9 per cent more, and that is after allowing for the rebates and after allowing for the lower price—if the lowering in the price is passed, which is something to be wondered at. It is not very common that a reduction in tax is passed on to the consumers. The fruits of such a reduction are generally kept as part of the earnings of the corporate citizens. They keep it in the corporation so they can take it and invest it in Austria, or wherever.

The consumption tax taxes people less when they are in their big earning years and saving. It taxes them more when they are more vulnerable, at the beginning of their working life, and at the end of their working life or beyond. As Mr. Brooks says:

> To most people this shift of taxes likely seems illogical and unfair. In effect, the tax burden is shifted away from the time in their life when people have the greatest ability to pay and to the time in their life when they have the least ability to pay.

I must repeat this because it affects poor people, the less well off, who represent the majority. With a consumption tax:

> . . . the tax burden is shifted away from the time in their life when people have the greatest ability to pay and to the time in their life when they have the least ability to pay.

This just happens to be a true fact. I know it does not matter a damn to this government, but it is a fact. Does anybody have any questions? No? Then I will continue:

> The government concedes the regressivity of the goods and services tax—

It admits it!

> —but it argues that this regressivity can be offset by refundable sales tax credits for people at the lower income levels. However, there are a number of problems with this attempt to remove the regressivity of the tax. First, the refundable credit can remove the regressivity of the tax only up to the point where the maximum credit is paid. At the point where the credit begins to phase out (at $24,800 under the government's proposal) and beyond the tax remains regressive.

In other words, the lower-middle class gets it in the neck once more, as usual. I should also point out that that group does not emigrate; even thought they get it in the neck, the great middle class of Canada stays loyal to this country because they are Canadian citizens, not corporate citizens.

Senator Corbin: Senator Gigantès, may I put a question to you? You are saying that the citizens of this country are getting it in the neck, but they are also concerned about the way they are being used, with reference to a promised tax credit. For example, I have here in my hands a letter dated October 3, 1990. It is signed, and my correspondent says:

> The Conservative Party, itself, is treading a very thin line, the anger of the Canadian public is very close to the surface. The present government has used subterfuge under the guise of leadership which is unforgiveable.

And I particularly draw your attention to the following sentence:

> The present government's promise, received in September of a tax credit or rebate—

Where are you, Senator Gigantès?

Senator Gigantès: I am right here. I am picking up some garbage.

Senator Corbin: I could not see you.

Senator Gigantès: Don't worry about me.

Senator Corbin: I hope you are listening.

Senator Gigantès: Absolutely. My ears are very sensitive to your voice.

Senator Corbin: All right. I will begin that sentence again:

> The present government's promise received in September of a tax credit or rebate in December 90 and April 91

> smacks of a pay-off to citizens and is an insult to our intelligence.

I wonder if you would care to comment on that, along with the statement you have just made that they are getting it in the neck? I conclude from this quote that they are more profoundly hurt by the insult than by anything else, and I would like to have your views on that matter.

Senator Gigantès: Well, obviously that letter is from a fine Canadian citizen, one of those I was talking about in the majority who do not think of Canada simply as a tax system but who love this country and who do, quite properly, feel insulted when this government opposite, well known for its addiction to manipulative techniques of advertising, tries them once again. They use techniques which are best illustrated, if you like, by the Prime Minister himself. Remember the sacred trust? The pensions of the old are a sacred trust. However, what does he do as soon as he gets into office? He tries to de-index those pensions. It took that wonderfully courageous old Canadian lady telling him face to face on the steps of Parliament what a prevaricating, mendacious departure it was from the path of rectitude for him to retreat. He did not retreat immediately, but when the polls showed him that he had to retreat, he did so, and it was not done out of conscience, regret or shame for having been so manipulative.

● (1020)

After all, this is the man who shook Joe Clark's hand and said, "I'm right behind you"—with a knife which he planted in Mr. Clark's back. I have never forgotten that. Even when I have disagreed with statements made by Mr. Clark, I have never had a doubt in my mind that he cares about Canada. I cannot say the same about the Prime Minister or many other Tories. I trust in and believe that Mr. Clark cares about Canada. I do not feel that way about Brian Mulroney.

Why is the Prime Minister's standing at 3 per cent in Alberta? Because the people of Alberta are not fools. Why is he generally at 14 per cent in the country? Quebeckers are loyal to him temporarily and he is benefitting from a wave of lying propaganda on behalf of the separatists who see him as a very precious tool for achieving their ends. After all, when will they again get a Canadian Prime Minister who is prepared to accept and use their vocabulary when misleading the people of Quebec. Of course they support him. Daniel Latouche, Pierre Bourgeault and company, and many other groups support Mulroney. Who else have they got to support? He is their best tool, their best implement. He has delivered. If Quebec did not have separatists dominating its media, Mulroney would be at 3 per cent even there. The people of Quebec are being systematically misinformed, deliberately misinformed, and as soon as they realize that this is misinformation, the polls will shift and Mulroney will plummet even in that province.

It will not be the type of failure that your publishing venture suffered, Senator Simard. You are no one to talk to anyone about publishing, that is for sure. We would never accept your advice on it because all it would lead to would be catastrophe. We heard yesterday it was federal help and cooperation that helped your province when you were Minister of Finance. If you had not been helped out of the hole, your province would have been in terrible trouble when you were Minister of Finance.

The Business Council on National Issues produced a four-page insert for the press at the bidding of the Mulroney government when it was losing the battle for public opinion. Perhaps that was not the most effective piece of propaganda on their part. There were letters written by chief executive officers to their staff, telling them they would lose their jobs if the free trade deal does not go through, which was the opposite of the truth. They have lost their jobs because the trade deal went through. They scared poor people. The Business Council on National Issues produced this insert in which there was the infamous questions and answers, a concoction of lies. The most striking one of all was one in which Tom d'Aquino, who wrote that dreadful document, stated: "We will use the Free Trade Agreement as a pretext to ask for a reduction in social services". The answer was, of course, no. The minute the Free Trade Agreement was signed, Mr. Thibeault, President of the Canadian Manufacturers' Association and Tom d'Aquino, President of the Business Council on National Issues, and all their ilk, said that we have to cut the social services. What does that mean? It means cutting the pensions of the old, cutting unemployment insurance and hitting people when their corporate citizen bosses have decided to take the money and put it in Mexico or wherever, and throw thousands of families into the streets. Of course, we must cut their unemployment insurance at that time.

That is why, Senator Corbin, the person who wrote to you does not believe what this government says and is insulted that the government should think that it can once more fool the people of Canada. You can fool all of the people some of the time, and some of the people all of the time, but you cannot fool all of the people all of the time. Of course, if you are a congenital liar, you think that you can, but it finally catches up with you and you pay for it. What is unfortunate is that it cannot catch up with Mulroney until two years from now, and those two years are enough for the country to self-destruct through his terrible, awful, absurd—

[*Translation*]

Senator Chaput-Rolland, you can go complain to Quebec journalists. I do not have to ask you to refrain from telling the truth. You do not tell it usually. Go write something on the Wailing Wall, Senator.

Senator Hébert: You have scared her, she is gone.

Senator Gigantès: No, I did not scare her, I hope she will say in an article or an interview that she hates me more than you. Since she said that you are the one she hates most amongst the Liberals, you are unsufferable!

[*English*]

> The government concedes the regressivity of the goods and services tax, but it argues that this regressivity can be offset by refundable sales tax credits for people at the lower income levels.

Even if this were true, there are a number of problems with this attempt to remove the regressivity of the tax.

• (1030)

Before we get to his definition of these problems, I would like to say that even if this were true it is not going to be true for the 15 per cent who do not claim the child tax credit. They will not claim it because they are illiterate, they do not know about it, or they are too poor or too sick. Honourable senators, these are not small numbers. Fifteen per cent do not claim the child tax credit. We are talking about tens of thousands of people who will not get these sales tax credits because they cannot go about collecting them. They do not know how. There is no provision for helping these people.

They are the very poor, the most vulnerable. People like single mothers who do not claim the child tax credit will not be claiming the credit for the sales tax. They will be paying an extra 7 per cent on the very little that they buy. They will be able to consume 7 per cent less. In effect, it means that they will be able to eat 7 per cent less, and already they are malnourished. They will have to make their children do with holes in their winter boots a little longer.

There is no provision to help them. But why should they be helped? They are poor. The good Lord wants them to be poor. If he did not want them to be poor, he would have made them corporate citizens instead of Canadian citizens.

Let us go to what Mr. Brooks thinks are the problems with the government's attempt to remove the regressivity tax. I come back to a point that stimulated my friend, the Hon. Eymard Corbin, to read that letter from one of his neighbours.

> First, the refundable credit can remove the regressivity of the tax only up to the point where the maximum credit is paid. At the point where the credit begins to phase out (at $24,800 under the government's proposal) and beyond the tax remains regressive.

Honourable senators, an income of $24,800 is no longer rich. That means that your secretaries are not going to get the refund. It means that most people are not going to get the refund. The lower-middle class and the middle-middle class, who are the pillars of any society and who already bear the major part of the tax burden, are going to get hit with the full unalloyed 7 per cent extra. Congratulations. This is really a sweet thing to do for them. Make it easier for the rich, hit the middle class and hit the poor. But then, if people vote in a Tory government, that is what happens.

> Consequently, no matter how generous the credit, middle-income earners will pay a larger percentage of their income in the tax than high-income earners. Again, this can be seen in Table 17; column 5 shows that if the refundable credit is regarded as a direct refund of the GST, federal commodity taxes are progressive up to the $35,000 to $45,000 family income group, but are regressive over higher income groups. And families in the highest income groups still pay less of their income in federal commodity taxes (3.1 per cent) than families in the lowest income group (4.2 per cent). There is no logic to placing the maximum burden of a new tax on people with middle incomes, particularly since studies have shown that they were the ones most adversely affected by the 1988 personal income tax reforms.

This is what I was saying a little earlier. The burden of tax has been shifted onto these people. Now an extra 7 per cent burden has been placed upon them. That is wonderful, but, of course, what do senators opposite care? If they cared, they would not be Tories. And if they care and they are sitting on the other side of the chamber, they are crypto-Liberals. They are not really Tories.

> Second, the proposed refundable sales tax credit is itself inadequate to remove the regressivity of the federal sales tax . . . The credit does not fully compensate many low-income families for the increase in the sales tax burden they will bear under the GST. Most notably, the credit begins to phase out for many individuals and families living below the poverty line, particularly those living in large cities.

The poverty level in Toronto is a high one compared with what it is in a small village.

Senator Kirby: Would the honourable senator permit a question?

Senator Gigantès: Certainly.

Senator Kirby: Given the subject now under discussion and given the impact of the GST on people with low and fixed incomes, I wonder whether he would mind commenting on a letter I received from a woman named Anne Parkhill. She lives in a small community in northern Ontario. I received this letter two days ago. I will read just an excerpt from it which bears directly on the point that Senator Gigantès is making.

> This is just a letter to thank you for all of your hard work, dedication and the many sacrifices that you have made to try and stop the most regressive tax this country has ever seen. It is heartwarming to know that someone at least took the time to listen to average Canadians and take to heart and to mind exactly what they were saying: That Canadians do not want the GST.
>
> We as a country are in a recession whether the Conservative government knows it or not and for some Canadians the situation is getting worse and worse all the time. I speak of those people on fixed incomes who see no hope in sight of which I am one. Maybe the Conservatives should try and live on less than $550.00 a month which I am required to do.
>
> We have a great country here and the tyranny that is being transgressed upon the Senate as well as the House of Commons makes one wonder with all the freedom and democracy that is taking place around the world what is happening to this country? Where is all the arrogance coming from? What has happened to the idea that Canada is a country governed for and on behalf of its people and not so that the government of the day makes itself look good?

> Anyway, thank you Mr. Kirby for putting up the good fight on behalf of the Canadian people. It is good to know that there are some people who are willing to listen, who do care and are compassionate as well as understanding to the plight of average to poor Canadians.

• (1040)

Many of us on both sides of this chamber have been receiving comments like that. I think they speak quite eloquently and passionately about the impact the GST will have on people living on low and fixed incomes. As Mrs. Parkhill says, she is living on less than $550 a month as it is.

Because this is precisely the subject you were on, I wonder if you might comment in practical terms on the impact of a 7 per cent sales tax and with unindexed tax credits, which will decline in real terms by 3 per cent a year, will have on someone like Mrs. Parkhill? As she points out in her letter, she is already at the point where she is struggling to survive. I thought you might want to comment on this particular case because it is a very clear example of an average Canadian who has taken the time and trouble to write to the Senate and tell us they appreciate the fight which all of us are putting up on their behalf. The letter also explains in some detail precisely why they are opposed to the tax and the impact it will have and why we are fighting it.

What do you think the impact of the GST and in particular the tax credits will be on Mrs. Parkhill as the years roll by?

Senator Gigantès: Thank you very much for reading that letter, senator. You will excuse me, I must move this because I will trip over it and people opposite will think I am wobbly. One of them actually told someone in the media yesterday that I was glassy-eyed and wobbly.

Senator Doody: We were the ones who were glassy-eyed.

Senator Gigantès: That is exactly what I told the media. The opposition members were glassy-eyed and wobbly, I was not.

Senator Doyle: We are going to get in the *Guinness Book of Records* for having listened to you.

Senator Gigantès: You should. However, it should be contested if you phrase it that way. You should say "for having sat through" because you do not listen.

Senator Doyle: We do.

Senator Gigantès: Maybe you do but I don't think Senator Poitras always listens carefully. If he had, he would not have totally reversed the meaning of the praise I was pouring on the former—

Senator Poitras: You can stop. I don't listen anymore.

Senator Gigantès: There you are. He does not listen. He thinks he can get up and take potshots and when he gets some back he says, "I don't listen anymore." You may not listen anymore but that is not going to stop me from reminding you of your pettiness in making that comment that I was not born here. That was petty, small, bigoted—

Senator Hébert: And racist.

[Senator Kirby.]

Senator Gigantès: —and racist. Senator Beaudoin would prefer the word "ethnicity" rather than "racist".

Mrs. Parkhill—

Senator Hébert: I hope she was born here.

Senator Gigantès: It would not make any difference to Tories because she is poor and the poor don't count.

Mrs. Parkhill is the kind of person who will suffer most from this tax because, as I was pointing out yesterday, we are not only talking about a 7 per cent increase, we are talking about the phenomena which has been seen in Europe of increased administrative costs for all small businesses because of the GST. Why should the Mom and Pop store where she goes to get her supplies absorb that cost? It will pass it on to its customers. She will be paying more than 7 per cent, probably up to 10. That means she will have $55 less a year.

Now, $55 less a year for honourable senators opposite is not even a good lunch at their favourite restaurant. It is not even a good bottle of wine. It is not even a necktie. But for Mrs. Parkhill it is 36 days of doing without because she spends every penny of her $550 a month. She is at the limit and you may be sure at $550 a month she is malnourished. Either she will eat 10 per cent less each day or she will only be able to live part of the year, not for the last 36 and a half days.

Since there are things she cannot compress, like her rent, and the rent probably takes up most of that $550, she is going to have to eat less, she is going to have to heat her abode less, she is going to have to go out in winter boots that let in water. She will be sick more often and be a bigger burden on our health services than before.

Of course, this is a typical example of Tory stupidity, unless there is a plan in the back of their minds, and I will come to that. If we continue with our health services because the public will not let the government cut them, we are going to pay much more as taxpayers towards the health of Mrs. Parkhill, which will be aggravated by this cut in her income, than the $55 that will be squeezed out of her by this infamous tax.

Of course, if the Tories have their way and continue privatizing medicare, well then, she can die unattended because she is not one of the elect. If she were, she would not be poor. If she is poor she is undeserving. That is basic to Tory thinking. If you are poor, you are undeserving.

I wish Mrs. Parkhill every bit of good luck if she is to survive the next two years under an unfeeling and dreadful government headed by a man who has no conscience and no patriotism. Worst of all, he has no useful skills for this country. If you write to her, Senator Kirby, give her my sympathy and thank her for the encouraging words she has given us. Let's get back to Mr. Brooks:

> (3) As has been noted many times, because the credit is only partially indexed (for inflation over 3 per cent), it will lose its value over time. The National Council of Welfare has estimated that within two years after enactment 100,000 families will lose the credit and by the fifth year 700,000 familes will have lost it—

• (1050)

For certain, during this Tory term, 100,000 families will suffer, because of this tax, within three years. God help us if they stay five years; 700,000 families. That is nearly one and a half million people who will be worse off, because of this one Tory measure. They will have lost their protection, because inflation will have eroded the real value of the threshold at which it begins to phase out.

> Even though the goods and services tax will continue to be imposed on the inflationary price of goods, by the fifth year the government will be paying $700 million less to low-income families in removing the regressivity of the tax.

Is this fair, to take that $700 million out of the hide of the poor instead of, as the author of this paper, Neil Brooks, suggests, increasing a little, just a little, the taxes of the rich? And by how much would the rich be hit if the proposed income tax increases were made? He told us the highest income families would be paying $300 more a year. What is $300 more a year? Five neckties for Senator Poitras. That is all it is. But no, we cannot increase the taxes of our corporate citizens, we must increase the taxes of our Canadian citizens. That is what we must do. That is what this government is asking us to do.

Then there are people who have been brainwashed. You don't like that word, Madame? They have been brainwashed by this government into thinking that we here in the Senate are wrong to oppose this wicked tax, that we are wrong to defend the interests of these hundreds of thousands of people who will see their income eroded by this wicked tax, to defend Mrs. Parkhill, who is going to have to cut her food and the heat in her house and her capacity to go out of that house and not sink in the depression in which the underprivileged sink, because of this wicked tax.

Senator Turner: The tax is $1,400 on a $20,000 car, the average person's purchase.

Senator Gigantès: Yes, as you say.

Neil Brooks writes:

> Finally, and perhaps more fundamentally, it does seem strange to impose a tax on low-income individuals and then give them a credit to offset it.

Why impose it to start with?

> For one thing this adds substantial complexity to the tax transfer system.

I am going to answer Mr. Brooks right now before I continue. He seems to be a little more trusting and naive than I am. The reason this tax has been put there is thatthe corporate citizenry wants it. It does not matter what the consequences are. They don't care about the complexity. In fact the complexity will give them an argument afterwards for suggesting that more of these transfers be cut because they are too expensive to administer. So let's draw a few more people off the poverty cliff, let a few more of them sink.

Mr. Brooks says:

> [This tax] imposes additional administrative costs on the government and increases compliance costs for low-income individuals.
>
> Claiming the credit not only requires them to make relatively complex computations (similar to computations that many taxpayers make mistakes on in their tax returns), but also requires them to file a significant amount of paperwork. To illustrate the problems with just one aspect of the compensation package, the limited rebate of the GST on lower-priced new housing will result in somewhat different effects in different areas, because of variations in housing prices. In addition, distinguishing between major renovations and minor repairs will lead to endless problems. Most important, the refundable sales tax credit leaves low-income individuals much more vulnerable to political misunderstandings and whim. The credit is highly visible, while the additional GST that low-income individuals pay will tend not to be noticed.

This is a typical, typical Mulroney ploy. The credit is more visible than the tax. They put their hand in your hip pocket and rob your wallet, and they give a small portion of it back in your outstretched hand in the front. You have seen what they have given you, but you have not noticed that they have removed money from your wallet. This is a typical, absolutely typical, Mulroney ploy.

Mr. Brooks continues:

> This might result in provinces feeling less urgency to maintain the real value of social security payments and the federal government feeling less pressure to enact and enrich other programs to assist low-income individuals.
>
> To avoid the Adverse Macroeconomic Effects of Introducing a GST:
>
> A good deal of uncertainty surrounds the macroeconomic effects of introducing the GST. Although the government is predicting only a 1.25 per cent rise in the consumer price level, this estimate is based upon a number of highly optimistic assumptions: that manufacturers will pass forward tax reductions, that businesses will not attempt to increase prices to protect themselves from, or take advantage of, uncertainty relating to the effects of the tax, and that labour will be prepared to take a one-time decline in real wage rates. Under an income tax alternative, not only would all these adverse macroeconomic effects of the GST be avoided, but the rate of inflation as measured by the Consumer Price Index would decrease by more than 2 percentage points. This relative price deflation could lead to a decrease in interest rates and thus the deficit.

The calculations behind this argument are arithmetically irrevocable. One has to ask, again, if replacing the manufacturers' sales tax with a modest increase in income tax rates, as Neil Brooks suggests, is going to give the government the revenue it wants and create less distortion and not hit the poor and bring down interest rates by 2 percentage points, why is the government not taking this route insteand of taking the

route of a consumption tax? Look at what Neil Brooks is saying. He rids the corporate citizenship of this manufacturers' sales tax that they do not like. He rids our exports of the tax burden that we are told is robbing us of jobs, and it is also going to bring inflation, it is going to bring down the consumer price index by 2 per cent, which should allow or in fact induce the Governor of the Bank of Canada to bring down interest rates.

• (1100)

So why don't they want to do that? We have to ask this question. Why does this government opposite not want to follow a course that will bring down interest rates? Does anybody know? Can there be any explanation other than that government and the corporate citizens it represents, because they are the only ones it represents, like high interest rates because they have money to lend? Can any senator suggest a different course?

They keep asking about an alternative. I am giving you a very well calculated alternative based on the same figures they are using, produced by Neil Brooks, a great tax lawyer. Nobody has been able to sink his calculations. If they run out of arguments, all they do is say things like, "You are eating a piece of tangerine," or they scream "Be respectable." When they run out of arguments, they get on a high horse and try to be huffy and offended, but they cannot answer these important questions. Here is an alternative. You will raise the same amount of revenue. You will get rid of the ill-effects of the MST, and exports will no longer be burdened. The burden on the rich will be $300 a year, which is nothing, absolutely nothing. Maybe I'm wrong because for the rich every penny counts. The burden on the rich would be $300 a year and it would save the poor from having an extra burden placed upon them.

Why are they not accepting the Neil Brooks suggestion? They have not shot it down. The Department of Finance has not said that its calculations are wrong. The honourable senators opposite refuse to read it. Why do they refuse to read? It is because it does not go with their gut feeling that the way to do things is to soak the poor. They are afraid of a precedent which might increase, by a little, $300 a year, the taxes of someone like Senator Poitras. Nothing! A mere flea bite! They are not prepared to do it. They do not want to adopt a solution that will decrease interest rates. They do not want to adopt a solution that would decrease the consumer price index by 2 percentage points. What would that do? It would help us get out of the recession faster. No doubt about it. It would keep us from getting into a new recession. It would give us a longer breathing space between recessions, bacause the majority of businesses in this country operate on a revolving loan, and when things go bad they have to shut down because they are always on the margin.

I recently built a house and I came to know a number of subcontractors. I used them and paid them for their services. I am devastated by the number of them who have gone under. My chief contractor and several of his subcontractors have gone under. These are people I have met. They are not statistics. They are nice, good, honest workers who gave me excellent service. They have gone under. Why? Interest rates killed them. They are too high.

So, here is a solution that would reduce inflation by 2 percentage points, which would be a good inducement to reduce interest rates, if Mr. Crowe is telling the truth when he says he is keeping interest rates up because he wants to reduce inflation. But no, the Tories don't want to adopt this solution, even though it would only cost rich Tories, even rich Liberals, even rich New Democrats—and there are more of them than we think—$300 extra a year to make life just a little bit easier for a Mrs. Parkhill who is going to have to reduce her food intake because she cannot reduce her rent, reduce the heat in her apartment in the winter, and not be able to buy that necessary pair of winter boots so she can get out. No, that is not to be. I don't know why I am wasting my time making such an argument to Tories.

Mrs. Brooks says:

> A good deal of uncertainty surrounds the macroeconomic effects of introducing the GST.

The Tory government does not look at figures that in any way go against the holy precepts of Conservatism, which are essentially "Don't bug me, I'm well off. Accept. Tug your forelock, shut up, take lower wages, make maidservants out of your daughters, valets out of your sons. Lts's have servants and let's have the wages of domestics tax-deductible," as one of the senators opposite suggested to the astonishment of her colleagues on the Special Committee on Youth. Yes, one of your colleagues suggested that. What this country needs are more scullery maids, and not only should this country have more scullery maids but their wages should be tax-deductible. Part of the wages, about half the tax bracket of that particular senator, should be paid by the taxpayers in general. She can afford to pay a scullery maid on her own but, no, half of it must be paid by the taxpayer and, of course, through a consumption tax, part of the wages of that scullery maid will be paid, according to that senator, by the scullery maid. "Let us have more scullery maids. That is how to solve youth unemployment," says one of the honourable senators opposite to her colleagues on the Youth Committee.

Believe me, children don't want to be your servants; they don't want to be anybody's servants. They don't accept the corporate ethic of Monseigneur Castonguay who, when he runs out of arguments, lectures someone on this side about eating tangerines. Since when did he become an arbiter of etiquette?

You want the children of Canadian citizens to become scullery maids, and you want the tax system to pay for part of their wages. That is Tory heaven. That is what Tories think the country is all about; and if it is not the way they want it they will take their marbles and go and invest them in Mexico where workers are paid $1.49 an hour. In their great stupidity they don't understand that a worker who is paid $1.49 an hour cannot buy the product of the good corporate overlord who produces expensive products somewhere else. If they go on like

that they will impoverish their customers in rich countries. It is strange to live in this day and age and see that Tory mentality, Rambonomics, are still where they wer, right in their gut. They have not changed. Marx said that the very rich are self-destructive. I had hopes that they had learned a bit, and most of the time they appear as if they had, but then came Reagan. But at least with Mr. Reagan there is the excuse that there was a time when he was handsome, I suppose, and he appeared in many B movies, once with a chimpanzee. The chimpanzee stole the show.

• (1110)

Senator Stanbury: Bonzo!

Senator Gigantès: Bonzo! So the Americans—and we imitate them—go and elect the acolyte of Bonzo as president. We imitated them.

Senator Hébert: We elect Bonzo.

Senator Gigantès: We elect an Irish Bonzo, a dreadful vulgarian who oozes—I must find another word besides charm—smarm from every pore and oils his way across the floor. That's what we do. This is very alarming. The good corporate citizens opposite have brought the media communications. If you think that the CBC would have lasted many more terms under the Tory government, you are wrong. They want media they own. You don't lay down the lines too strongly if you own a particular newspaper or radio or TV station; you just don't hire the people who don't think as you do. The corporate citizens who owned the *Globe and Mail* got tired of having that obstreperous, stubborn, difficult, opinionated man across the way who ran an honest newspaper, and they replaced him with one of their own, a dinosaur, and they are spoiling a paper. This is what is so worrisome. The power of manipulation of television with the absolutely enormous admirable public oration skills of some senators opposite are putting democracy in danger.

Look at the last election campaign in the United States in 1988. At the end of the election did we know what the positions of either candidate were? No, we did not. From both sides all we were fed was a collection of scurrilous, vicious ad hominem attacks concocted by the manipulators of the media, who also own all those private stations and on which they can put anything they want so that they confuse the public. They attain power to make the daughters of citizens who are not corporate citizens into scullery maids on tax-deductible wages. This is basically in their guts. This is where they come from. This is the kind of people they are across the way, amd I don't want any questions. I am in full fight now. When I want a question I will let you know.

The next subheading in Mr. Brooks' report is "To Avoid the Administrative and Compliance Costs of Implementing the GST".

Senator Teed: He said he was in full flight!

Senator Gigantès: You have not heard anything yet, Senator Teed. I will be going on for days unless Mr. MacEachen forbids me. So if you dislike this, ask him about it.

Senator Simard: It is a good time to adjourn.

Senator Gigantès: It is a good time to adjourn?

Senator Corbin: Senator Gigantès, may I ask you a pertinent question?

Senator Simard: He said no questions.

Senator Corbin: You said you would remain in full flight for days, or words to that effect, unless Mr. MacEachen forbids you. Have you considered the possibility of a coup, a putch, or some intervention by members on the other side which would have the effect of preventing you from continuing your remarks? What would you do in those circumstances?

Senator Gigantès: I would not be surprised. After all, they have established the principle that the referee picks up the ball and runs over the goal vine and scores a touchdown for one of the teams. This is, in effect, what they did.

Senator Stanbury: Several times.

Senator Gigantès: Several times. Let us remember, it was a perfectly understood rule and tradition that no vote would take place in the Senate—I see Senator Simard is itching to intervene and I will so enjoy it, bless his heart. The ringing of the bells simply signals that there will be a vote. The time of the vote is the time fixed by the two whips. That was the principele. That was the rule. Rules can be changed by agreement. They were in the other house, not by a coup. The Liberal Speaker in the other house, as we saw yesterday—

[*Translation*]

Senator Simard: Honorable Senators, I would like to remind this chamber, if I may, that liberal Senator Gigantès has told and promised us a moment ago he would not entertain any more questions. Even in the Opposition, he and his party break their promises every day. He just told us he would not accept any more questions. And within five seconds, Senator Corbin stood up, started another flight of oratory precisely to break a promise and try to answer the question.

Senator Corbin: He said he would answer any bright question.

Senator Simard: Maybe so. I said and I want to keep my promise that I would never ask you any question.

I make a statement. I hope the new editors, who are also ex editors of "Cité Libre" will want to publish this statement in their next issue, which Senator Hébert is so proud of by the way. I remind you, for the record, that the only thing mentioned in today's newspapers about Senator's Gigantès 24 hours long speech is the fact that he did not go to pee! Of course, the newspapers could not mention the alternatives to GST proposed by the Liberal Party. There are not any. Senator Gigantès, like all his old colleagues, has also mentioned some alternatives suggested par Dr Woods. So far, and it is 11:20, Friday morning, after more than 24 hours listening to Senator Gigantès' remarks, the Grits have not come forward with any alternative to the GST. They do not have any position on the subject, and they do not have any position on almost anything for that matter. That is why we look so much

forward to next Tuesday, when Jean Chrétien, surely newly elected in Beauséjour, will want to start letting Canadians know what his alternatives and propositions are. We wish it. We are anxious to see him do it.

But the point I wanted to make is that Senator Gigantès has failed to convince the press that he really had something to say. The only thing they remember is that he did not go to the toilet or that he might have gone at 11 o'clock yesterday morning. Even on that point, the press does not agree. Senator Gigantès, I ask you to take advantage of the 30 minutes you have left to tell us what is the position of the Liberal Party regarding the alternatives to the GST, the timetable, etc. I wish you good luck. I wish you will survive these ill-assorted and inconsistent remarks. He has tried to cover almost every aspect of life, from literature to military strategy, to taxation. He has said nothing that could let us know whether he is for or against the GST, to which extent and above all, the alternatives. Good luck, Senator Gigantès, that is all I can wish you this morning.

Senator Gigantès: That is very kind of you. I accept these wishes. I have not read the newspapers yet, but I suppose one of the reasons why they only mention that I did not pee for 17 hours and 45 minutes is that it really takes a miracle to be able to listen to some of your remarks and not pee.

• (1120)

[*English*]

He started it. I was not saying anything. He started it. He brought the issue up. As I told all of you yesterday, if you give me a shot, you will get one right back—and I am not sexist at all; whatever the sex on the other side, give me a shot and you will get one back in the mouth. I can take them. I love taking them. But I give them right back. I enjoy the fight; I really do.

I thought all this morning I was explaining an alternative, but I must summarize because Senator Simard wants me to give a Liberal Party position on the GST. We have two more years to go.

Senator Simard: An alternative, an official alternative.

Senator Gigantès: We have two more years to go between now and the election.

Senator Stanbury: Terrible years!

Senator Gigantès: Two terrible years. We do not know what the circumstances are going to be, and the degree of the catastrophe; nevertheless, I am prepared to give you an alternative, and I am prepared to bet good money that the main features of what I will propose will be in the Liberal Party policy platform for the election in Canada two years from now, if you have not destroyed the country between now and then.

Senator Stanbury: They have already destroyed it.

Senator Gigantès: Well, if they do not totally, finally destroy it, and if Quebec has not walked out in despair over the incompetence of the people opposite. That is an underlying factor. They seem to like Mr. Mulroney, but they see the place going to pieces. They see terrible abuses of policy and a terrible lack of intelligence.

So what is the purpose of a tax reform? It should be fair. It should collect money. We should put an end to the deficit, if possible, and we should also reduce the debt as soon as possible as a percentage of the gross domestic product. We should therefore make the gross domestic product increase at a faster rate.

The first thing that I can tell you is that this goods and services tax will be wiped out by the Liberal Party when it comes to power. You want policy? I promise you this. It is unequivocal.

The next priority for the Liberal Party after it comes to power will be to move towards a full employment policy. Every unemployed person in this country costs the society exactly as much as that unemployed person received from his or her employer when he or she was working. When these people were working and receiving $15,640 a year on average—these are the 1989 figures—they were producing $15,640 worth of goods and services. That is what it means. You are paid for what you produce and that $15,640 of goods and services is an addition to the gross domestic product—in other words, an addition to the tax base that does not now exist. What we are now doing is paying all these unemployed people the same amount of money they were paid when they were working, and we are paying them to do nothing.

So our first movement will be towards full employment. If you want to know exactly how that can be done, read my book. If you do not want to read it, I will read it for you on tape and give you the tape. Of course, you will say it is a bad book. You do not know. You have not looked at it. I will make an exception for you, Senator Simard. Authors do not like to give copies of their books free. Publishers do not like it when we give copies of our books free, but I will go to a bookstore and I will buy a copy of my book—at full price, so that my publisher does not mind—and I will give you the copy.

Senator Simard: Do you want to ruin my vacation, my Christmas holidays? Wait for January after the GST goes through, and perhaps we will think about it.

Senator Gigantès: So we will abolish the GST and we will institute a full employment policy. A full employment policy will give increases in revenue to the government sufficient to stop it being in a deficit position. Those are the two basic pillars of the Liberal economic policy in the next Liberal administration.

• (1130)

Hon. Paul David: Senator Gigantès, may I ask you what your scheme is for full employment. What is your policy? Do you mean that you will put everybody on construction at the expense of the government? Who will pay for that, and what is the scheme?

Senator Gigantès: You are an incredible lot. You tell us that we have no alternatives to offer, nothing to suggest. I take the trouble to put my vocal cords at risk and read to you in detail precisely how a full-employment policy would be implemented.

I told you that the proposals I was making had been studied by the Economic Council of Canada, and by Informetrica. Both are reputable think-tanks. The Economic Council of Canada is funded by the government and run by an appointee of Mr. Mulroney, Mrs. Judith Maxwell. In her latest report to the Economic Council of Canada she adopted my basic thesis, which is that we absolutely cannot do away with the deficit and thus eventually do away with the debt if we do not have a full-employment policy. She adopted my main comparative argument, which is that the countries that have a full-employment policy do best in terms of reducing the deficit by reducing unemployment and thus reducing the debt. It is a long argument. We are talking about a 200-page book. In this session I have only some 30 minutes left. I cannot read the whole book.

You senators opposite accuse us of not having alternatives. When I give an alternative, you will not listen. This, of course, is typical manipulation of the facts. You do not want to hear whether or not we have an alternative. In fact, you prefer not to hear our alternatives because all you want to do is parrot the lines, which is effective from the point of view of cheap publicity and effective within an overworked press that does not have the time to inform itself sufficiently. We do have alternatives. Read a little. It does not do any harm. Reading is not bad for you.

How a full-employment policy can be implemented in this country and at the same time be used to improve the skills of our working force and train young people to escape the jobs they have and go to better jobs is contained in my book in detail. For God's sake read it! If you do not read it, do not tell me I have not given you the details. It is your fault.

Senator Simard: It is too bad Trudeau did not have those policies in his years when inflation and unemployment were at double-digit figures. Did Mr. Trudeau have those policies? Did he put them into practice?

Senator Gigantès: No. I had not worked them out yet.

Senator Simard: Is this a new invention?

Senator Gigantès: It is not a new invention. Others have thought of it.

Senator Simard: Is it the product of a fertile imagination?

Senator Gigantès: It is not a fertile imagination, it is arithmetic. Of course, when you were Minister of Finance of New Brunswick you demonstrated that arithmetic was not one of your favourite subjects. When you were Minister of Finance you demonstrated that you were not capable without the help of people such as Senator Corbin who was then a Liberal member of Parliament from New Brunswick. You could not make both ends meet without help from the federal government, which was Liberal.

All I am pointing out is that you ask a question, you are given the answer and then you say that you have not been given an answer. It reminds me of a particular comedy in which there was a boxer who was not particularly good. He was going into the ring with another boxer who was clobbering him with left hooks, and he was saying, "He does not have a left jab." I have given you the answer and you do not want to hear it because all you want to do, because it is easier and the press is lazy or overworked, is to say that we do not have an alternative. We do have an alternative, but you do not want to hear it.

I will continue with the alternatives. First, abolish the GST. Second, install a full-employment policy. There are many foreign models of how it can be done. All countries with a full-employment policy do well. This is typical know-nothing Tory behaviour. It does not suit them to listen, because if they listen they will perhaps feel a tiny smidgen more uncomfortable about lying as to what alternatives we have. Like Senator Poitras, it is much easier not to listen.

Senator Hébert: Senator David asked you a question and then he does not listen.

Senator Gigantès: Senator David asked me a question about full employment. For hours I read the details of exactly what that is, but they do not want to hear.

After those two principal features of a future Liberal economic policy for this country—that is, abolish the consumption tax, the GST, and concentrate on full-employment measures—we will then look at tax reform. Tax reform should and will feature corporate tax profits at the same level as those in the United States—not below, as they are here. They will feature graduated income taxes slightly higher than those we presently have here, and they will be lowered as the deficit is lowered. There you have it in full detail, and I bet that will be found in the Liberal platform. I will now repeat it in French for those of you who do not understand my accent in English. Perhaps you will not understand my accent in French either.

[*Translation*]

So I bet you the economic policy of the next liberal government will be as follows. If Canada still exists in two years, if you do not have destroyed it until then, I do not know.

See, you do not want to listen. You ask questions and you do not want answers. You want to go on parrotting and repeating these slogans which the incompetent apprentice sorcerer who is the leader of the government whispers into you hears, this fellow who destroyed the Meech Lake Accord, him and his chief, because of their incompetence and their stupidity . . .

Senator Simard: What are you drinking now?

Senator Gigantès: Only water, my dear friend. I leave those strong drinks to your colleagues on the other side. And you have plenty of drunkards on your side. As for yourself, I would ask you to go sniff at truffles. To give you a break!

Senator Simard: I will read you a letter which most of the senators have received. It is dated October 17 and could not be more current. It relates much more to the TPS than those remarks of Senator Gigantès about Meech Lake, the debt of the Liberal Party and his future policies in an eventual liberal government in 2015. It is really current. It is an urgent letter sent to all Sears' customers. It is signed by W.J. Hilton.

• (1140)

[*English*]

Dear Customer:

As we prepare to send you this catalogue, legislation for the proposed Goods and Services Tax is still before the Senate. No one knows for certain if it will become law. If it does not, the existing Federal Sales Tax . . . will remain in force.

This presents us with a problem!

The selling prices of many items in this book have already been reduced by the identified amount of Federal Sales Tax (see page three).

Senator Buckwold, I thought you would like this line. I will repeat it for you.

The selling prices of many items in this book have already been reduced by the identified amount of Federal Sales Tax . . .

If the FST is not eliminated—

Senator Buckwold: I have a question. Did the senator say "many items" or "all items"?

Senator Simard: I said "many items".

Senator Buckwold: "Many items"—we always said there would be many items reduced. I just wanted Senator Simard to know that all items will not be reduced.

Senator Simard: I did not write this letter. It goes on to state:

If the FST is not eliminated on January 1, the cost of these items to Sears will be increased accordingly and the selling prices printed in the catalogue will have to be adjusted. Of course if that happens, it will also mean the 7% GST will not be added to the selling price.

We'll make every attempt to ensure that you are notified of any price increase when you place your order and hope you will bear with us as we try to cope with this uncertain situation.

That letter was written a few weeks ago. We have now completed the first week of December. We are three weeks away from January 1. I think that senators opposite have shown much irresponsibility over the last three months.

Senator Stanbury: Who has?

Senator Simard: Canadians hope that you will come to your senses soon and allow this house to vote.

Senator Hébert: What is the question?

Senator Kenny: What is the question?

Senator Simard: This is a further demonstration of Liberal irresponsibility that we have been subjected to over the last couple of days by Senator Gigantès. If this is not filibustering, boy, I don't know what is. Senators opposite have already delayed the sending of cheques to Canadians—

Senator Corbin: What cheques?

[Senator Simard.]

Senator Simard: The first instalment of the refundable tax credit. That means $80 million for New Brunswick alone, and this is just before the Christmas season.

I hope that senators opposite will allow us to vote. I, for one, am prepared to sit until January 1, but that will not be good enough for the people who wrote this letter and their customers, as well as people who are expecting their cheques. Why does Senator Gigantès not put an end to his foolishness and tell his colleagues to do the same?

Senator Kenny: Is that the question?

Senator Gigantès: Is that the question? Are you asking why I do not put an end to my foolishness? Is that the question?

Senator Simard: That is the first question I am going to ask.

Senator Gigantès: I will wait for the other one.

Senator Simard: The other one is: Why don't you come to your senses?

Senator Stanbury: That is our question to you.

Senator Simard: Please save this house from—

Senator Gigantès: Please what?

Senator Simard: Save this house . . .

[*Translation*]

Please save this house from promises about policies of a future government, hypothetical in 2000 or 2015. And since Senator Gigantès tells us he has alternatives today, are they the results of a recent study or did he own the truth when he was writing Mr Trudeau's speeches? Or did M. Trudeau himself not rejected Senator Gigantès' theories? But if someone lives in the past, it is Senator Gigantès, whose sole reason to live, whose sole reason to continue his debates in the house is to praise a guy who precisely represents the past, Mr. Trudeau.

Senator Corbin, I ask you to think about that over the week end.

Senator Corbin: I can think about it now if you want to get back to your seat. But I will not do it because it would be considered as a speech and I intend to do that later on.

[*English*]

Senator Gigantès: Honourable senators, I have the floor. If any senator wants to intervene, please ask for my permission. Otherwise, senators opposite will say that I am relinquishing the floor. I do not want to lose my place, because I have several more days in which to tell Tories how terrible they are. Please proceed, Senator Buckwold. I still have the floor.

POINT OF ORDER

Hon. Sidney L. Buckwold: Honourable senators, on a point of order, I am asking the Speaker if it is all right if I correct one of the statements made by Senator Simard.

The Hon. the Acting Speaker: First Senator Gigantès must approve. He has the floor.

Hon. Philippe Deane Gigantès: I have approved an intervention by Senator Buckwold. I will then approve an intervention from Senator Corbin.

Hon. Eymard G. Corbin: On a point of order, our rules state that if a senator misquotes another senator, the misquoted senator has the right to re-establish the facts on the record. If that is what Senator Buckwold intends to do, he is perfectly in order, in my opinion.

Senator Buckwold: I did not want in any way to interfere or possibly disrupt the important message being passed on by Senator Gigantès—one that I think we want to listen to with great care.

I wanted to correct an impression made by Senator Simard, because I see that we have a lone reporter sitting in the gallery and I do not want a statement to go out to the effect that Sears has suddenly reduced its prices by the amount of the present manufactures' sales tax. What they have said is that they have adjusted their prices to reflect the removal of the federal sales tax where applicable and then, in very small print, and in a very low voice, Senator Simard said that 7 per cent will be added to the price.

Everyone agrees that there will be some price reductions, but—

Hon. Jean-Maurice Simard: "Many", not "some".

Senator Buckwold: Yes, many price reductions before the tax is added, sure. But the end result of what the consumer has to put into his pocket or take out of his pocket, is that he is going to be paying more. You check the Sears catalogue and you will find—

Senator Simard: Which page?

Senator Buckwold: Any page you want to read, but get the one with the big print. Let us say that you go to the ladies' underwear, a very interesting department.

Senator Gigantès: I am sure the ladies would object, though.

Senator Buckwold: No, I am going to say one thing about ladies' underwear—it is not coming down, it is going up. Because there is no manufacturers' sales tax on ladies clothing at the present time, there is nothing to bring it down. Anything that is not taxed, and that is a large number of items in the Sears catalogue, will go up, not down, when you add the 7 per cent. We have already been told that the price of clothing, children's wear, footwear, will go up. This will happen to a lot of things.

• (1150)

I just wanted to make it clear so that we do not get a story in the press that Senator Simard, that great authority on the GST, is saying that Sears are reducing prices and the Senate, by delaying, is costing consumers money. That is nonsense. There will be some price reductions, but except for a few big-ticket items the consumer will be paying more. That is why the Government itself says there will be an inflationary factor in the GST.

Senator Simard: Honourable senators—

Senator Gigantès: No, no. You have to ask me. Sit down, Senator Simard. I have the floor. You do not have the floor. I will give you the floor if you ask me.

Senator Simard: May I have the floor?

Senator Gigantès: Yes, certainly, you can have the floor.

Senator Simard: You see all the things we have to do to get our message to people. I have to seek the permission of Senator Gigantès even after I have received the permission of Senator Corbin. I wish you guys would get together.

Senator Corbin: Do you want another point of order, Senator Simard?

Senator Simard: Give me two minutes.

Senator Corbin: Now or later? I suggest that you are interrupting Senator Gigantès' speech, and nothing else. You are not contributing anything at all to the Debate. Why not just sit down and listen to Senator Gigantès?

Senator Simard: That is a very subjective statement but that is another thing.

Senator Buckwold, you say that by and large items in the Sears catalogue and others will go up in price. Some will go down, some will go up, but generally, you say they will go up.

Senator Buckwold: When you add the tax to the posted price the end result will be a higher price.

Senator Simard: I accept that. I think I heard you right. What I do not accept is this. Last week you were very happy to quote a document by the Department of Finance saying that three provinces would be paying less taxes and seven would be paying more, or vice versa. Did you read that statement?

Senator Buckwold: Yes.

Senator Simard: You were happy to read that statement?

Senator Buckwold: Right.

Senator Simard: It demonstrated that the tax was revenue neutral. Right. So if it is revenue neutral, and we know the old tax was on products and now is applied to goods and services, how can your statement be true? On the one hand you say it is revenue neutral; and on the other, since we are adding services as taxable items, that must mean the price of goods will come down. How do you reconcile these two statements?

Senator Buckwold: Senator Simard, you sat on that committee and although you and I did not always agree, I always said that you were very intelligent and observant and understood what went on, although you did not always express it that way.

The fact is there are many other aspects to the net revenue results of the GST. The cost of inventory rebates is in the millions of dollars. The cost of running the system will be hundreds of millions of dollars. There is the employment of three or four thousand extra people. The cost of promoting the tax. The net result is in the first year it is revenue neutral, but believe me, many people think it will be higher. The Government itself says, and I dispute this figure, that the inflationary

factor will be 1.25 per cent. You say it is zero. Labour economists say it is 3 to 3.5 per cent.

You are basing your conclusion of revenue neutrality on the fact that everyone will drop their prices to the full extent of the present manufacturers' sales tax. You know that is not the case. As a wholesale merchant I know that is not the case. I can say right here it is not likely that our company is going to reduce its prices fully when the government is only going to pay us 8.1 per cent instead of the 13.5 per cent as a rebate for the sales tax we pay.

All I am saying is that the premise that all prices are suddenly going to drop to the full extent, to the last decimal point, and be reflected in the final selling price is just inaccurate. Most people in business know this.

The second aspect, and we have talked about this before, is the inflationary effect of labour. I have read about some labour contracts which already have built into them the effects of the GST on prices, and that will mean higher wages.

When you add the two together, no economist says prices will not go up. The argument is simply about how much, and that is the answer I have for you.

Senator Simard: Let me try something—

Senator Gigantès: No, you have to ask me for permission to talk to him.

Senator Simard: Then I would like to adjourn the debate.

Senator Buckwold: Honourable senators, I have concluded my point of order.

MOTION FOR THIRD READING—DEBATE RESUMED

Senator Gigantès: Honourable senators, I will promise that I will make an attempt on Monday to come back to this issue. However, I would like to point out that we have heard today Senator Simard and Senator David asking what is the Liberal alternative to the GST. How would we achieve full employment?

I want to point out that I have covered those issues in full detail. I have read the documents and given all the numbers. I told them what the documents are. In a sort of fit of incredible generosity I even promised to buy a copy of my book in a bookstore and give it to Senator Simard so he can see in detail, with all the costs, how full employment can be implemented. Adopting a full employment policy, as the Economic Council of Canada now says, finally following my suggestion, is the only way to reduce the deficit and the debt in the long run.

• (1200)

What the demonstration made today by the Tories proves is that they do not want to hear that there is a Liberal alternative, because they want to go on parroting their propaganda line that there is not. And when they ask, "do you have an alternative?" and you tell them the alternative, they then say, "So you do not have an alternative." That is infantile behaviour. Maybe I can understand and forgive that on the part of Senator Simard, but on the part of Senator David, a man of science, I find it peculiar.

Some Hon. Senator: Hear, hear!

Senator Gigantès: I have not finished yet. Anytime now we are going to adjourn. I would like to wish you all a happy and restful weekend. I know that I have a very difficult task to perform on Monday, because after three attempts I cannot manage to get some obvious facts into your comprehension. Maybe you understand; maybe what you are doing is dishonest propaganda. As I said, from Senator Simard that does not surprise me, but from Senator David it shocks me, because this is a man of science whom we all respect. It truly shocks me, sir, that you parrot the inane phrenological statements of the gentleman on your left.

I can understand that Senator Poitras does not want to listen, because he is one of those whom I call, not a Canadian citizen, but a corporate citizen.

After Monday, I hope the press listens. There is a Liberal alternative. We give the Liberal alternative and you keep parroting that there is not one.

Thank you very much. See you Monday.

Hon. Royce Frith (Deputy Leader of the Opposition): Honourable senators, pursuant to provisional rule P-2, and the unanimous consent given yesterday to move such a motion on this day, December 7, after 12 noon—

Senator MacEachen: Are you going to move, "I see strangers", or are you going to move one of the others?

Senator Frith: I move that the Senate do now adjourn.

The Hon. the Acting Speaker: Honourable senators, pursuant to the order adopted yesterday, which Senator Frith moves, seconded by Senator Doody, which is, that the Senate do now adjourn. The Senate is now accordingly suspended until Monday, December 10 at 2 o'clock in the afternoon.

The sitting of the Senate was suspended until Monday, December 10, 1990, at 2 p.m.

[*Editor's Note: For continuation of proceedings see issue No. 115 N.*]

THE SENATE

Thursday, November 29, 1990

[*Editor's Note: Continuation of proceedings from Issue No. 115 M.*]

The sitting of the Senate was resumed at 2:10 p.m., Monday, December 10, 1990, the Speaker in the Chair.

BUSINESS OF THE SENATE

ADJOURNMENT MOTION WITHDRAWN

Hon. Royce Frith (Deputy Leader of the Opposition): Honourable senators, on Friday I moved a motion under Rule P-2, which provides for the senator moving a motion to withdraw it on the Monday when the sitting is resumed, and I do so.

PRIVILEGE

Hon. Sidney L. Buckwold: Honourable senators, I rise on a question of privilege.

Honourable senators, as reported in the press, it seems that remarks made by myself and my seatmate, Senator van Roggen, did not meet with the approval of many, or of some, and certainly I stand to express an apology if anything that was said by myself or Senator van Roggen offended anyone who heard or read what was said.

I want to say quite clearly that nothing was meant to offend anyone. If any person was offended, I personally apologize, and I have been authorized by Senator van Roggen to apologize on his behalf. He feels as badly as I do that objection was taken to what was said.

THE LATE HONOURABLE HENRY D. HICKS

TRIBUTES

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I rise with great sadness to record the death on the weekend of our former colleague, The Honourable Henry Hicks.

Nine months ago we honoured Henry Hicks on the occasion of his 75th birthday and his retirement from the Senate. We saw him off to a retirement which we were confident would be long, happy and productive. He was in good health and spirits. He had lost none of his intellectual vigour. He had years ahead of him to pursue his various avocations and the hobbies which he enjoyed, and he had just married again. All of us rejoiced in the good fortune and the agreeable future that seemed to be his, and we shared his obvious happiness and good humour.

The end came yesterday—suddenly, tragically and cruelly. Both Henry and his wife, Rosalie, were killed in an automobile accident in Nova Scotia, their life together in retirement cut short. Our sympathy goes out to their families in their great loss at this time of shock and sadness.

Our former colleague was, as some of us noted in the tributes we paid to him last February, a man of many parts: Rhodes scholar, soldier, minister of the Crown, Premier, Leader of the Liberal Party of Nova Scotia, President of Dalhousie University, and member of the Senate for 18 years. His career has been unmatched by anyone in our lifetime. Henry Hicks leaves behind a respected name, a host of friends and a brilliant example of public service for future generations of Nova Scotians and Canadians to admire and try to emulate.

Hon. Allan J. MacEachen (Leader of the Opposition): Honourable senators, it is with sadness that I rise to pay my respects to the memory of our late friend and former colleague, the Honourable Henry Hicks. As Senator Murray said, we did pay tribute to him and recounted in detail his career on February 21 of this year. At that time we recounted his diversified career in law, politics, education, in the provincial assembly and in the Senate of Canada. But I think we dealt particularly with his lively personality and interest in life, which he expressed in a number of ways, including that of cabinetmaking and the hobby, if one might call it that, of philately. He was one of the foremost philatelists in this country and had built up some valuable collections which he disposed of at a profit, and we used to amuse ourselves in reminding Henry of that.

On that occasion, after having recounted his career, I said:

> Honourable senators, that is all I want to say, except to wish Senator Hicks many years of happiness and long life. As we know, Henry was recently married and we are glad to see his new wife in the gallery today. We wish both of them much happiness and long life.

Well, I think the events of yesterday show to all of us how precarious our grip is upon this life and how impossible it is to predict with any certainty the future of anyone's happiness. I certainly was greatly shocked to be told last evening that Henry and his wife had been killed in a road accident. Like Senator Murray, I want to extend to his family—his brother, who lives in Ottawa, and his children—my condolences. To the family of his late wife I also extend my condolences.

Hon. John Buchanan: Mr. Speaker and honourable senators, I rise to join with Senator Murray and Senator MacEachen in expressing my deep sympathy at the passing of Senator Henry Hicks and his wife, Rosalie, known by all of her friends simply as "Hummie". I found out about this tragedy yesterday in speaking to mutual friends of ours in the Annapolis Valley, where Henry and Hummie had been visiting

yesterday afternoon. Within a matter of three or four hours, my wife was speaking to those people and found out about the highway accident.

I knew Henry Hicks very well for over 25 years. Although of different political persuasions, we were always very close friends. For over 20 years, I suppose, there would not have been a week that I did not speak to Henry. He had a permanent parking spot in the Province House lot and he would either be in speaking to myself or someone else. Or, as Senator MacEachen said, he might be in speaking with our provincial driver, Jack Wheatley, trading stamps in their respected collections.

Henry Hicks was an interesting man. As Senator Murray has said, he was a lawyer, a soldier, an MLA, a cabinet minister, Premier of Nova Scotia, a member of the Senate of Canada, an educator—what a variety in a career spanning well over 50 years.

Thus, I stand this afternoon to express deep sympathy on behalf of myself and other members of this chamber on the tragic death of an outstanding Nova Scotian and his dear wife.

Hon. Senators: Hear, hear.

Hon. B. Alasdair Graham: Honourable senators, I had the honour to be summoned to this chamber on the same day as the late Senator Hicks, that being April 27, 1972. In fact, I was sworn into the Senate on the same day as Henry, as he was called by everyone who knew him well, along with the Honourable George McIlraith and the late Senator Margaret Norrie.

Henry was my friend and colleague. For a time he was my leader, my premier, and, indeed, on occasion, he was my mentor.

One thing about Senator Hicks was that no matter how tough or complicated the issue, he had an opinion, as we all know, and he voiced it, even if he knew he was in the lonely minority. He never avoided the tough decisions. We always knew where he stood. He was one of the most perceptive individuals I have ever known. He was naturally inquisitive. He was always on the hunt for new information, whether it had to do with general knowledge or a specific topic of world significance and importance or, indeed, just a tidbit.

Henry Hicks was an enthusiastic debater. He was partisan in politics but not necessarily partisan on the big issues. He was a man of great commonsense, and the common good was always his first priority. He had a great sense of humour. His loud chuckles will probably echo and re-echo in these corridors for a long time to come.

Henry's record as a member of the armed forces in World War II, as an educator, as a university president, as a minister, as a leader, as a premier, and as a senator are well documented. His death and that of his wife, Hummie, and, indeed, the two other deaths which occurred as a result of this tragic accident yesterday, cause us much sadness, in this chamber and indeed in Nova Scotia and in many areas of the country. I join with all honourable senators in extending to all concerned an expression of deep regret.

Hon. Senators: Hear, hear.

Hon. John B. Stewart: Honourable senators, I want to associate myself with the remarks made by Senators Murray and MacEachen, as followed by Senators Buchanan and Graham. There is not much that remains to be said. However, I have two or three points that I would like to make.

I think everyone recognized that Senator Henry Hicks was a man of extraordinary ability. He had the political misfortune to come to the premiership of Nova Scotia just when the fortunes of the Liberal Party were ebbing, and ebbing fast. There were those who said that this was a great misfortune for the province. On the other hand, his departure from provincial politics meant that he was available to become, first, Dean of Arts and Science at Dalhousie University, and then President of that university. What was politics' loss was great gain fro higher education in Nova Scotia. I remember talking to some friends who are on the faculty of that university. They said quite candidly that they had been appalled when Henry Hicks was appointed president, but that they had had to withdraw all the expressions of uncertainty that they had uttered, because he turned out to be an unusually good president. In fact, they referred to him as a great president of the university, a man who laid the foundation for a revival of the university in the latter part of this century, and, indeed, the foundation for a great future in the coming century.

As Senator Graham has said, Henry Hicks was a man of strong opinions. He was always prepared to share his opinions. What I found delightful about him was that after the argument was over, if he felt he had not come out all that well, he was prepared to say so. It was a most attractive quality. It bespoke the greatness of the man.

Henry Hicks was a man of sound understanding, a kind of old-fashioned understanding of the principles of constitutional government. He was prepared to explain his views whenever the occasion presented itself. I do not think there is any question that the people of Nova Scotia, regardless of their political persuasion, will agree that his death is a tragedy and a great loss.

Hon. Senators: Hear, hear.

EXCISE TAX ACT
CRIMINAL CODE
CUSTOMS ACT
CUSTOMS TARIFF
EXCISE ACT
INCOME TAX ACT
STATISTICS ACT
TAX COURT OF CANADA ACT

BILL TO AMEND—MOTION FOR THIRD READING—MOTION TO ADJOURN DEBATE

Hon. Philippe Deane Gigantès: Honourable senators, because of Senator Hicks' death, I do not have my heart in this debate. Therefore, I move, seconded by Senator Frith:

That, pursuant to Provisional Rule P-3(a), the debate on which I was speaking be now adjourned.

The Hon. The Speaker: It was moved by Senator Gigantès, seconded by Senator Frith:

That pursuant to Provisional Rule P-3(a), the debate be now adjourned.

Is it your pleasure, honourable senators, to adopt the motion?

Some Hon. Senators: Agreed.

Some Hon. Senators: No.

The Hon. the Speaker: Those in favour of the motion will please say yea?

Some Hon. Senators: Yea.

The Hon. the Speaker: Those opposed to the motion please say nay?

Some Hon. Senators: Nay.

The Hon. the Speaker: In my opinion the nays have it.

And two senators having risen.

DIVISION DEFERRED

Hon. William J. Petten: Pursuant to Provisional Rule P-3(a), I request that the division be deferred until 5:45 p.m. on the next sitting day.

The Hon. the Speaker: Honourable senators, the division is deferred until tomorrow at 5:45 p.m.

● (1420)

DISTINGUISHED VISITOR IN GALLERY

Hon. Noel A. Kinsella: Honourable senators, today, December 10, is the International Day for Human Rights. It was on December 10, 1948, that the General Assembly of the United Nations adopted the Universal Declaration of Human Rights—-

Senator Frith: Honourable senator, I want to hear what you are saying; take as long as you like, but I just wonder if the senator is rising on just other business, on a point of privilege or—

Senator Kinsella: A question of privilege. I wish to present to honourable senators a distinguished Canadian in the gallery.

Honourable senators, it was on this day in 1948 when the General Assembly of the United Nations adopted the Universal Declaration of Human Rights, an instrument described by some as the international Magna Carta of all mankind, a common standard of achievement, by reference to which the conduct of governments can and will be judged. Honourable senators, a distinguished Canadian was the architect of the Universal Declaration of Human Rights, and that Canadian was Professor John Humphrey, who, honourable senators, I am delighted to be able to advise you now sits in the gallery.

Some Hon. Senators: Hear, hear.

BUSINESS OF THE SENATE

Hon. Lowell Murray (Leader of the Government and Minister of State for Federal-Provincial Relations): Honourable senators, I rise simply to remind you that when a division is requested pursuant to Provisional Rule P-3.(a), the Senate shall proceed to consider other regular business. I presume, therefore, your Honour will call for the next order.

CANADIAN LAWS OFFSHORE APPLICATION ACT

BILL TO AMEND—THIRD READING

On the Order:

Third reading of the Bill C-39, An Act to apply federal laws and provincial laws to offshore areas and to amend certain Acts in consequence thereof.—(*Honourable Senator Nurgitz*).

Hon. Gerald R. Ottenheimer: Honourable senators, I move that this bill be now read the third time.

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

Hon. Senators: Agreed.

Motion agreed to and bill read third time and passed.

COPYRIGHT ACT

BILL TO AMEND—THIRD READING—DEBATE ADJOURNED

On the Order:

Resuming the debate on the motion of the Honourable Senator Marsden, seconded by the Honourable Senator Gigantès, for the third reading of the Bill S-8, An Act to amend the Copyright Act.—(*Honourable Senator Frith*).

Hon. Royce Frith (Deputy Leader of the Opposition): Honourable senators, I want to speak on this order. Senator Marsden, who is not here yet, I am sure thought I would never get around to doing so.

Honourable senators will remember that this order dealing with Bill S-8, which honourable senators will find in their desks, has to be understood in the context of the amendments to the Copyright Act that were proposed by this government. Those amendments deal particularly with the question of creative rights which, although existing for many years, had not been enforced. In particular, I am referring to the rights of authors, painters and other creative artists.

As previous debates on this bill and this order demonstrate, as recorded in the *Debates of the Senate*, there is no doubt that the reform that was introduced by this government to the Copyright Act was long overdue.

Honourable senators, just to summarize, the context is as follows: although the creative rights for example of an author have existed for many years, they were seriously affected by the arrival of the widespread ability to copy. We now take for granted the ability to make numerous copies of any document that comes into our hands. In fact, for many years in our own offices, and certainly in our schools, commercial offices and

industrial offices, there was a device that used to print copies called a Gestetner; then there was mimeographing and then, of course, photocopying.

The arrival of photocopying, with all the advantage it represented over and above the ability to copy as it then existed was a revolution and, in fact, illustrated the principles of Alvin Toffler's, *Future Shock*.

Of course, it takes time for technology to settle in and for society to adapt to such an advance in the technological revolution. I am always struck by the point made by Mr. McLuhan in his book *The Gutenberg Galaxy*, when he pointed out that when Gutenberg invented the printing press, he did not understand the revolution that he was launching because, as McLuhan says, we tend to go through life, and society tends to advance by looking at its progress in a rearview mirror. It sees what was, and not the dimension of what might lie ahead.

Gutenberg invented the printing press to solve a particular problem. The problem he was solving was the fact that monks copying out the Bible and other scriptures had to each copy the introduction, those beautiful forms that we see—and there is a word for that. What is the word for the beautiful coloured writing you see when you open a very old Bible?

Senator Kinsella: Illuminations.

Senator Frith: Illuminations, thank you. Each illumination had to be copied by one monk, and if several copies were required, they had to be made by several monks, or the same monk had to copy the same illumination over and over again. In order to solve that problem, Gutenberg came up with the idea of making a copy—what today would be called an offset—of the illumination and, of course, all the calligraphy that went into the whole book, thereby saving the monks from the chore of doing it over and over again.

• (1430)

What Gutenberg did not realize, of course, is that he was creating a total revolution in human communications. This led to the publishing industry, newspapers, and everything else that today we take for granted. Therefore, copyright, an English word that is easily understood as the right to copy, became what is known as intellectual property. In French it is *les droits d'auteur*, which is equally explicit and articulate and would, of course, translate literally as "the right of the author".

I do not want to go into the history of how copyright developed but it did develop in a system analogous to the principle behind all inventions and creativity, namely, that the state should protect the rights of creators for a certain period of time in order to encourage creativity. That is the concept behind patent law, which is there to encourage inventors to invent products or devices which will benefit society. In exchange, society says to the inventor that it will allow him or her a period of 50 years, as the case may be, of protection during which they will have the sole right to produce this invention or license its production. The same applies to the copyright inherent in a painting, in a story, or in print, and those of you who have had anything to do with copyright law will know that the basic principle is that the right is in the text and not in the idea. In the same way, the right of an invention is in the actual specifications or particulars that describe it rather than in the article itself.

Let us jump ahead a number of centuries to the advance of copying ability through Xerox and other copying devices, and see what the position is from the point of view of an author. If I had been an author before photocopying came about, I would have had some protection because it was difficult at that time for people to make copies. If I wrote a book, I assigned the copyright to a publisher, and the publisher paid me so much per copy sold for that copyright. While it is true that people could make copies of that book before photocopying came along, it was a pretty messy business. Someone could sit at a typewriter and copy it out, but how would he make copies? He would have to have done it in the same way as was done when I first started practicing law, namely by using carbon paper.

At that time, if you wanted to change the wording of a statement of claim, or a deed, or something of that kind, you had to retype the whole thing. We had nothing like the kind of production we have today where you use a mouse on the computer and just wipe out the part you do not want.

So if I had been an author and I had written a book or any other printed article before photocopying came along, I wpi;d have had a pretty good idea that my rights would be protected. Yes, they could have been infringed, but at that time it was a lot of trouble to copy things by making carbons. As well, many of you will remember the Gestetner method when you would wind up with blue ink all over your fingers if you were trying to make copies of things. It was generally a messy and very difficult business.

Then all of a sudden, along comes photocopying and the advancement of photocopying machines. People can now take my book which has been published—and for which, admittedly, I have received some payment—opened it up and reproduced it—not type it out but reproduce it by making photocopies of the exact wording and the exact page from the book published by the publisher to whom I gave my copyright and who is paying me. For what is he paying me? For the sale of the book. He is not paying me for photocopies that are being made all over the place.

Suddenly this photocopying is happening all over the place. People can do it in their homes if they have photocopiers. It is done in schools, it is done in office towers; it is done everywhere. Of course, in every instance that that was done, there was an infringement on my copyright.

What, then, is my recourse as an author? I could try and chase down everyone who tried to photocopy my work and, if I could find them, I could take legal action to enforce my copyright. That could be done to any of us. I doubt whether there is a single person in the Senate today, and perhaps very few above the age of 15 in the city of Ottawa or in the country of Canada, who have not at some time infringed on copyright by making a photocopy of a protected work. My only recourse as an author was—and is—to try and track all of these

millions of people down and tell them they owe me three cents or four cents or something for my copyright.

What, then, of the composers of songs and the people who write the words for songs? They have protection. Why? Because they were faced with the same problem years and years ago. We read today about the problems between great composers, Mozart and others, and their publishers, but the copyright was understood and the copies were made by the publishers.

● (1440)

Of course, hit songs became an important part of our life. Perhaps not many of you are as old as I am, but I remember when the most successful and widespread method of distributing songs—and let us just stick to popular songs—was through music publishers. Honourable senators may remember that, around the old piano, there was always what was called sheet music. The sheet music was put together by a music publisher who had his or her stable of songwriters. For example, a man like Irving Berlin would have had no protection for his compositions without publishers.

So was born what became known as the greatest friend ever to musical composers and songwriters, ASCAP, which stands for the American Society for Composers, Authors and Publishers. If you were a songwriter, you would join ASCAP. The publisher was a member, as you were, and you made agreements as to, for example, how many cents you would get for each copy of your music.

There were also song pluggers, who would sit in places like Macy's and Gimbel's in New York, and in Eaton's and Simpson's in Toronto. These chaps would play their pianos in public places and plug the song or the sheet music.

Then people stopped buying sheet music to put on the old piano in the living room and started buying records. This created a problem for the authors, composers and performers. Incidentally, the Canadian version of ASCAP is CAPAC, which stands for Canadian Association of Publishers, Authors and Composers. Thereafter, the money came in through the sale of records. That did not create a serious problem for the copyright owner because the distribution of records through record stores was controllable, auditable, visible and supervisable, if that is an acceptable word.

It then became popular to listen to these records on the radio rather than to buy them. Of course, having a record played on the radio helped your sales at the record store, but it did not get you anything for the performance. This is a very important stage in the development of copyright as it relates to Bill S-8. I say that because the reaction of the radio station owners to the suggestion that they would have to pay a copyright fee to the copyright owner for the playing of the work on the radio was the same as the reaction we are getting now from the people who find that they may have to pay a copyright fee for copying printed works. The radio stations said, "We can't keep track of that. How can we do that? Every time we play a record, we have to find out who the author is, and so on." Eventually it was negotiated between CAPAC and BMI—

Senator Barootes: ASCAP.

Senator Frith: ASCAP is the U.S. organization and CAPAC is the Canadian organization. I am talking now about Canada. It was negotiated that a certain fee would be paid based on gross revenue. I shall not go into the details but the Copyright Appeal Board endorsed the procedure on an overall basis.

That is the setting of the scene when this government did something that was an improvement, in my view as a lawyer, and as one who has been involved with copyright and broadcasting. The government decided to come forward with amendments to the Copyright Act, and I am on record as supporting that initiative. The government brought forward Part I in its efforts to amend the Copyright Act. Under Part I, authors faced with this uncontrollable technical ability to copy written works were given the opportunity to enforce their copyright without having to run around to every individual user in order to enforce their creative rights. Those are the key words in understanding the *dramatis personae* or the players in this field; the users, large and small, of printed copyright and the uncontrolled ability of others to copy.

Here was the problem: How could this be done? I shall not get into the technicalities, but let us assume that all of us here are authors and that we do our work individually and separately. We cannot track down every use that is made of our written work, so we want to get together to try and enforce our rights. The essence of the difficulty is that that would be considered a combination in restraint of trade. We would be getting together in order to establish an association to set up reprography. That association could be considered a combination in restraint of trade, if there were enough of us. Of course, if there were not enough, it would not be effective. Our objective would be to approach the departments of education, just as CAPAC and BMI approached the radio station owners, and say to them, "Look, you can use our copyright, but you have to sit down and negotiate a fee with us in order to do so." However, they could then turn around and say: "But that would be in restraint of trade because what your are doing is throttling competition."

● (1450)

What is the essence of Part I of the Copyright Act? The essence of it is that it is not a combination in restraint of trade to form associations to enforce copyright in written works. I shall limit my remarks to written works at the moment for purposes of illustration. That was the state of affairs when the bill was passed, and that is the state of affairs now.

What is the reason for Bill S-8? Bill S-8 is sponsored by our colleague, Senator Marsden, who, as senators will remember, is a university professor. She has spent most of her life in education and is a very well-known and distinguished member of the educational community in Canada. She herself, along with her colleagues, has experienced the difficulties that arise when there are revolutionary changes in society such as the

one we are now facing; namely, that we can no longer continue to refuse to acknowledge that creative rights exist. We can no longer simply abuse those creative rights. It is in this larger social context that society wants to encourage creative rights, and it does so by giving protection to the creators and allowing them to receive a decent and fair compensation for their creative efforts.

However, this comes as a terrible shock to a lot of us, including many of us in the educational community. The educational community says such things as: "Do you mean that if I am in the middle of teaching something and I want to make a photocopy of a publication or write an excerpt from it on the board, I am breaking copyright?" The answer is: "Yes, unless you have the permission of the copyright owner, the person who created it, you are breaking copyright." That is why I come back to these arguments, which have such a familiar ring to me.

The essence of all of these arguments is the same as that of the arguments we heard years ago when radio and television stations took the position: "It would be nice to be able to protect copyright owners but it is too much trouble, it is too difficult, it is technically impossible" and so on. All of those things were said. The problem was solved through negotiation, and that is exactly what Part I of the Copyright Act is trying to elicit. But it does create these problems.

What does Senator Marsden intend to do with this bill? Let us look for a moment at what she wants to accomplish. All regimes or schemes for the collective enforcement of copyright contain exemptions, particular situations that require negotiation. What is the problem in this case? The problem is that essentially the exemptions are to be in Part II of this legislation, and Part II has not yet been passed. I do not even think it has been introduced in the other place.

Senator Marsden and the interests that she represents—and they are substantial and important ones, dealing directly with the education of our society—hope that there will be exemptions for educational use. Let me pause here for a moment to state the general problem with exemptions.

The argument that is made usually goes like this: "But you really can't expect our educational system to bear the costs of paying these creators their rights. We admit that they have these rights. We admit that they should be paid. We admit that they are entitled to a fair return for their efforts, but in the name of the education of our children, they ought not to be paid." What are we doing? We are saying to these creators, those who write the textbooks that are so important, for example, to our children, or other material that the schools decide to use: "Look, you have decided to create these written works for the benefit of society. We admit that they are for the benefit of society because we want to use them, but we don't want to pay you for them."

What we are saying, in effect, is: "Would you mind subsidizing the educational system? Would you mind our using your works for the education of society without our paying for it?" We are really asking them to give up their right to be paid for their contribution to the educational system.

We would not say to the principal of a school that he should not be paid; nor would we suggest to a teacher that he or she should not be paid. We are not about to say to the contractors who build the schools or to the suppliers who supply them that, in the name of the education of our children, they should not be paid. We would never say to the contractor: "You don't expect us to pay for the school you built, do you? It is for our children." We would never say to a teacher: "How can you be asking for a raise? How can you ask to be paid at all? You are doing this for our children. You realize that we have to raise the money from the taxpayers in order to educate our children. You don't expect us to pay for it, do you?" Do the paper companies ever say: "Oh, sorry, never thought of it—of course not. We don't expect you to pay for this." Do we ever think the contractor should say: "No, no, I won't even send you a bill"? Do we ever expect the teachers to say: "I never thought of it. When you put it that way, why would I expect a raise when what I am doing is for the education of our children?"

However, that is what we are asking the creative writers to do. We are saying to them: "Don't you understand how difficult it is to pay you? We have never paid you before. We have trampled all over your rights and have never paid you and now you are asking to be paid. Now we have to get this money out of the taxpayer in order to educate our children, and it is all because you insist on being paid like everybody else—full price for full services."

This brings us to the whole question of exemptions, which are supposed to be dealt with in Part II of the legislation. I can tell I am boring many of you with my remarks. However, that diminishes neither my enthusiasm nor my passion for the protection of the rights of our creators and the need for all of society as users to pay for the creative efforts and works of our authors and others, just as we pay everybody else for their contributions to society. Thus, I now wish to move the adjournment of the debate on this order.

Hon. Philippe Deane Gigantès: Before that is done, I wish to ask a question of Senator Frith. I fully sympathize with the point of view that he has raised. It is unfair to ask all authors, literary as opposed to textbook, since authors of textbooks generally make money—and I do not write literature so I am not involved in this—to permit works, or parts of them, which are discussed in a literature class. They may be be copied by students to whom such works have been assigned.

Before the photocopier students would have to secure a copy somehow. Libraries never had enough copies for students, but they would secure a copy, read it, make notes and perhaps even use one another's notes. More copies of the book were not bought than they are now.

Once the photocopier came into being, students would go to a library and copy, for example, part of a collection of short stories. Their colleagues would then photocopy the photocopy, thus giving all a copy of the text to take home. You are asking them to break a very old habit. When I went to university in

1967 this was a habit which prevailed. It is a habit which has gone on for a good long time. We are now asking that the habit be broken. How will it be broken? As I was saying before the deputy leader so rudely interrupted me—

Senator Frith: As I said last time, interruptions are always rude. When did you last hear someone say, "Before I was so politely interrupted . . ."?

Senator Gigantès: I thought that most of the interruptions which were made during my long speech were extremely useful.

You are proposing to break a well-entrenched habit of students. If a lengthy work is involved, it may cost more to photocopy it than to buy it. Yet, there is a problem with the finances of students involved here. How do you propose to address that problem? What can be done when a student says, "In this collection of short stories, I need to study this particular one. The book costs $25. Yet, the short story which is ten pages long will cost but $1 to photocopy"? Admittedly, the student, technically, is stealing the royalties due to the author of the book. How do you propose to solve this problem? There are many students who do not have much money.

Senator Frith: The simple answer is by negotiating. The honourable senator raises the same questions as those raised about records. "How can we deal with them when we only play one cut, or this one or that one?" It can be done by negotiating and raising exactly the kind of questions which Senator Gigantès has raised. Incidentally, I am not proposing this. It is in place now. There are associations in existence which can start negotiations. They are called collectives. They are now legitimate, which they were not until this government brought in Part I. The answer is that you hold negotiations. You do what has been done in other fields: you make sure that all the difficult questions are raised—and Senator Gigantès' question is a classic example of the kind of question a user would raise. The creative collective would say, "We have an idea on that. We thought we would do this and make the adjustment this way or that way". If the matter cannot be worked out, it can be taken to the Copyright Appeal Board, which is exactly what is done elsewhere.

The shock of all this is that society has never really addressed this matter in the past. The question of performing rights has been addressed. Yet, the question of composition rights concerning music has not been addressed.

The essence of Senator Marsden's bill is not so much the question of exemptions, but her understandable impatience in this matter. I support her in her impatience, as do most government members, I believe. I know that Senator Poitras and other members of the government with whom I have spoken support fully Senator Marsden's impatience with the delay in the passage of Part II. It would deal with the exemptions. In effect, what she is asking for in Bill S-8 is an anticipatory exemption. In effect, she wants to say, "I want an exemption now". Speaking for the constituency which I represent in this small context—that is, the creators—I would say, "But you are going to take all my bargaining rights away when I start to negotiate exemptions under Part II. It will already have been granted".

I would like to leave my remarks at that point as I adjourn the debate. I do so in order to avoid going over the background again. I will then tighten up the focus. The next time I deal with this matter, I will deal with the following questions: Why do we not have Part II yet? I ask this question now, because I hope the members opposite who are interested in this bill will consult their colleagues in the government, particularly the Minister of Communications, Marcel Masse, in order to join in the debate.

If Part II is passed in the near future, I think Senator Marsden will be satisfied. As long as she knows we will soon have Part II, we can sit down, and the educational community can negotiate exemptions. However, if she has to keep waiting and waiting for Part II, she will want to have her bill passed, which will, in effect, give her the something in advance. My problem with that, as I say, is that it might put the creators in the position of having their case settled before they even get down to the bargaining table.

For the other main point I want to address, I refer honourable senators to the very useful study done by Consumer and Corporate Affairs on the question of copyright. In fact, I cannot offhand think of any subject which has been so well researched, and which research is so available, as the research done by this government and the previous government on the question of copyright. There were a large number of proposals, drafts and suggestions. The one I refer honourable senators to on this particular question, namely, exemptions under the Copyright Act as enacted by Part I, is a study done by Dennis N. Magnusson and Victor Nabhan. It is part of a series called "Copyright Revision Studies." Its title is "Exemptions under the Canadian Copyright Act". Incidentally, Mr. Magnusson is at the faculty of law of Queen's University and Mr. Nabham is at the faculty of law of Laval University. This part deals with exemptions.

I do not want to give away the plot and say the butler did it. However, essentially the result of the studies done by the department is that there should not be educational exemptions. However, that is something for negotiation under Part II, when it comes along.

I would like to tighten the focus of Bill S-8 on the question of educational exemptions under the Copyright Act as it now stands and the relationship between Bill S-8 and the studies which have been done on the subject of exemptions, particularly educational exemptions under the Copyright Act. Therefore, honourable senators, I move the adjournment of the debate on this order.

Senator Bosa: Would the honourable senator entertain a question?

The explanatory note of Bill S-8 states:

> The purpose of this amendment is to exempt from copyright infringement certain activities that are carried out for educational purposes in circumstances where a

licence is not obtainable on reasonable terms and conditions.

Could the honourable gentleman give us an idea of what he considers to be "not obtainable on reasonable terms and conditions"?

Senator Frith: I will be dealing with this when I speak to the next order. However, that is the problem. One can see, I hope, from what I said, that there should be negotiations for a licence. The negotiations take place between the users, which in this case will be the educational institutions, and the collectives, and they will be negotiating a licence. The problem I see with Bill S-8 is that it will say: they do not have to get a licence, if they can say it is "not obtainable on reasonable terms and conditions." The question is, and I will have quite a bit to say about this, who decides what is reasonable?

If one says to the user, "If you do not think the terms are reasonable, you can go ahead and break the law and not get a licence." Why would they then negotiate? They would just say, "Sorry, I do not think that is reasonable". You would never get anywhere with negotiations, if one side is able to say that they do not think the other is reasonable, and, thereby, can get away without a licence.

That is a good question on which to leave the matter, as we adjourn the debate on this wintry afternoon.

Senator Bosa: Does Senator Frith not have a specific example to give us, so that we could learn what is meant by "on reasonable terms and conditions"?

Senator Frith: Yes, I can give you an example. Let us suppose that Senator Bosa, who has experience in the insurance business, has the rights to a certain area for a company. No one is able to represent that company in that area other than himself unless he licenses them. Suppose they come to him and they say, "Senator Bosa, I would like everything east of Yonge Street". Senator Bosa then says, "All right, it will cost you so much". They then say, "I don't think that's reasonable, so I am going to go ahead and do it anyway". Is that a good example?

Senator Bosa: It is.

Senator Frith: I move the adjournment of the debate.

On motion of Senator Frith, debate adjourned.

BUSINESS OF THE SENATE

Hon. C. William Doody (Deputy Leader of the Government): I move that all remaining Orders stand and that the Senate do now adjourn.

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

Hon. Senators: Agreed.

The Senate adjourned until tomorrow at 2 p.m.