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(HANSARD)

Wednesday, March 20, 1996

THE HONOURABLE GILDAS L. MOLGAT
SPEAKER

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THE SENATE

Wednesday, March 20, 1996

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

[English]

Prayers.

GUN CONTROL LEGISLATION

[Translation]

PRESENTATION OF PETITION

SENATOR'S STATEMENT

Hon. Terry Stratton: Honourable senators, I have the honour to present a petition of the undersigned citizens of Canada numbering 51. They humbly showeth that Bill C-68, a bill concerning firearms and other weapons, is unwarranted and unnecessary legislation which needlessly targets law-abiding Canadians and which attacks the very foundation of the democratic principles of this country.

QUESTION PERIOD

QUESTION PERIOD

TIME TAKEN BY GOVERNMENT TO PONDER ANSWERS

Hon. Pierre Claude Nolin: Honourable senators, my statement today could just as easily be termed a question directed to the Leader of the Government. It will consist in a statement based on figures from the 1st session of this legislature. The senators on this side asked 537 questions of you. Of those 537, you deferred answering 334, or 62 per cent. Of the 334 that were delayed, there are still 74 without answers. Some have been around for over a year, including one that dates from December 15, 1994 and another from February 28, 1995.

NATIONAL DEFENCE

SEARCH AND RESCUE—DECISION TO DELAY PURCHASE
OF REPLACEMENT HELICOPTERS—GOVERNMENT POSITION

[English]

Hon. Gerald J. Comeau: Honourable senators, my question is for the Leader of the Government in the Senate. Senators on this side of the chamber were shocked by the startling revelation by her colleague the Minister of National Defence that he has delayed a decision regarding the purchase of shipborne helicopters for yet another year. The current fleet of shipborne helicopters, the Sea Kings, is aged and decrepit. They require 30 hours of maintenance work per every one hour of flying time at an annual cost of \$42 million. Not only is this equipment costing Canadian taxpayers far too much money to maintain, they are simply not safe.

ROUTINE PROCEEDINGS

THIRTEENTH CONFERENCE OF COMMONWEALTH SPEAKERS AND PRESIDING OFFICERS

REPORT TABLED

The Hon. the Speaker: Honourable senators, I have the honour to table the report of the Thirteenth Conference of Commonwealth Speakers and Presiding Officers held in Nicosia, Cyprus, from January 3 to 6, 1996.

[Translation]

Honourable senators, where is the logic in delaying a decision that could provide our armed forces personnel with proper and safe equipment? Can the Leader of the Government explain what possible rationale she and her government have used to justify this decision which could have dire consequences?

INTERNATIONAL ASSEMBLY OF FRENCH-SPEAKING PARLIAMENTARIANS

MEETING HELD IN HANOI, VIETNAM—
REPORT OF CANADIAN SECTION TABLED

Hon. Pierre De Bané: Honourable senators, pursuant to Rule 23(6), I have the honour to table, in both official languages, the report of the Canadian section of the Assemblée internationale des parlementaires de langue française, as well as the financial report on the meeting of the AIPLF executive held in Hanoi, Vietnam, on February 4 and 5, 1996.

Hon. Joyce Fairbairn (Leader of the Government): Honourable senators, my honourable friend will know that the Minister of National Defence has been involved, as have most other ministers, in the budget measures taken by this government over the last three years. It is clear that this government will renew its commitments to replace equipment, including, very definitely, the Sea Kings. I know the honourable senator disagrees, but the Minister of National Defence and the government have confidence in the Sea King helicopters at this point in time, and the decision for a replacement has not yet been taken. However, I do not believe it is the intent of the Minister of National Defence to delay unduly his decision.

Senator Comeau: Honourable senators, the Leader of the Government says that the Minister of National Defence has confidence in the Sea Kings. Between November 1993 and June 1994, there were 47 incidents involving the Sea Kings. Add to

that the number that have gone down in the last 18 months, including the crash last April near Saint John, New Brunswick that took the lives of the pilot and co-pilot. The Leader of the Government in the Senate and the Minister of National Defence are trying to convince Canadians that the Sea Kings are safe and that we should have confidence in them. That is absurd. Will the Leader of the Government in the Senate, who sits in the cabinet with the Minister of National Defence, impress upon her colleague the urgency of the situation? Will she make that commitment to us, to this chamber and to the Canadian national defence people today?

Senator Fairbairn: Honourable senators, I will certainly convey the views of the honourable senator to my colleague the Minister of National Defence as quickly as I can.

INVITATION EXTENDED TO MINISTER TO ACCOMPANY SEARCH
AND RESCUE CREW ON MISSION—GOVERNMENT POSITION

Hon. Brenda M. Robertson: Honourable senators, my supplementary question on this issue is directed to the Leader of the Government in the Senate.

A question has been asked of me by maritimers, and to date I have not been able to answer it. I should like to put the question to the Leader of the Government in the hope that she will get an answer to me for my constituents. It relates to the safety and to the concerns we all have with respect to the Sea King helicopters.

Will the Prime Minister accept an invitation to accompany the search and rescue team in the Atlantic on one of its expeditions? He would not be able to do so in an emergency because he could not get there fast enough. However, would he agree to accept an invitation to accompany the search and rescue Atlantic staff on a simulated rescue mission during a severe North Atlantic storm? There is no sense in going out when the weather is good. If he went out in one of these storms, he would understand and experience first-hand the terrifying conditions under which these staff members must work. I would like an answer to this question, please.

Hon. Joyce Fairbairn (Leader of the Government): Honourable senators, obviously I cannot give my honourable friend an answer at this moment, nor can I speak for the Prime Minister on this matter. I understand the concern expressed to the honourable senator by her constituents, and I will transmit the question. The honourable senator will understand that this is an extraordinary question. The Prime Minister might choose to send me; I do not know.

Senator Robertson: Surely, no leader would ask staff to do things that he or she would not be prepared to do himself or herself.

• (1420)

Senator Fairbairn: Honourable senators, I suppose my honourable friend can consider me as a staff person to the Prime Minister. I do not know whether he would choose to delegate me to do such a thing. However, apart from that, I wish to assure the honourable senator that the concern of the government on this

issue is very real. I will take her questions and the questions of the Honourable Senator Comeau directly to the Minister of National Defence. As well, I will convey my honourable friend's question to the Prime Minister and his office.

HUMAN RIGHTS

CURRENT CHINA-TAIWAN RELATIONS—USE OF MULTILATERAL
FORA TO COMMUNICATE CONCERNS—GOVERNMENT POSITION

Hon. Consiglio Di Nino: Honourable senators, my question is also for the Leader of the Government in the Senate. Before I ask the question, I would like to remind her that in the government's white paper on foreign policy released in February of 1995, the government stated:

Canadian efforts to support human rights will rely on a variety of means including dialogue and coordination efforts through multilateral fora.

Can the honourable minister please tell us what efforts and what actions her government has taken to use multilateral fora, such as La Francophonie and the Commonwealth, to indicate the government's grave concerns over the dangerous escalation of the situation in Taiwan and the worsening state of human rights in China?

Hon. Joyce Fairbairn (Leader of the Government): Honourable senators, the government has taken its concerns about the escalation of tension in the Taiwan Strait directly to the Chinese authorities. These deep concerns have been expressed directly to the Chinese ambassador here in Ottawa. We have also made our concerns known in both Beijing and Taipei. Those concerns which are ongoing are being strongly expressed.

Senator Di Nino: If it is appropriate, could the minister supply us with copies of the representations made by our government? That would help to reassure me as to the concerns that I have about that area.

Surely the minister would agree that her government's policy of "de-linking" trade and human rights is stifling Canada's ability to voice with some measure of authority its concerns, criticisms, and condemnations of human rights violations by our trading partners, especially the bullies who govern China, who repeatedly fail to respect international standards of human rights and even basic democratic principles.

Would you not agree with that, Madam Minister?

Senator Fairbairn: Honourable senators, no, I do not agree. I believe that our persistent contacts with China may have extended our ability to talk with them and to express in the strongest possible terms our dismay and our concern about the activities that are under way there at this point in time.

I cannot guarantee to my friend that I can give him a piece of paper expressing those concerns, because, as I said, they have been conveyed directly and orally. I will check. However, I can assure him that they have been made in the most vigorous and appropriate way.

CURRENT CHINA-TAIWAN RELATIONS—RECONSIDERATION
OF TRADE SANCTIONS—GOVERNMENT POSITION

Hon. A. Raynell Andreychuk: Honourable senators, I would like to follow up with a supplementary question to the Leader of the Government in the Senate. Constructive dialogue and quiet diplomacy are certainly where we should start on our concerns with regard to human rights, and I respect the Prime Minister's right to start there.

Could the minister tell us what success there has been as a result of these interventions that, she says, have occurred with the Chinese authorities, given that, in fact, the Chinese are not using quiet diplomacy in the Taiwan Strait to save face; rather they are using intimidation. Why would we continue a policy that is not bearing fruit?

Hon. Joyce Fairbairn (Leader of the Government): Honourable senators, I suppose we could argue whether or not such policies are bearing fruit. This is a very difficult and high-risk game that is going on in the Taiwan Strait. It is not only the voice of Canada that is making representations to China but the voices of people and leaders throughout the world.

The judgment of whether or not our policy is working has to be left to each one of us. While tensions remain high, there has not been engagement. Given the history of that area and the fact that, to this point in time, there has been no engagement may be an indication of the pressure on China to listen to what the rest of the world is saying vis-à-vis its activities.

Of course, Canada would never claim that it alone has stopped an invasion or an engagement in the Taiwan Strait, but it has been a very strong voice among other voices in the world that have been telling China that these activities are not acceptable.

RECONSIDERATION OF SYSTEM OF SELECTION EMPLOYED TO
PROTECT CANADIAN BUSINESSES TRADING OVERSEAS—
GOVERNMENT POSITION

Hon. A. Raynell Andreychuk: I do not believe there are too many other countries that have indicated that they would not use other means to put forward their positions on human rights in China, whereas, in fact, we have said that we would not even consider resorting to trade sanctions or other means.

My question is not particularly with respect to the fact that the Taiwan Strait issue has not escalated. In fact, the Chinese are doing exactly what they said they would do, and it is a process of intimidation, very much like the intimidation that occurred during the United Nations conference on women in Beijing. In other words, their agenda is intact. They continue to intimidate and escalate, and they are not taking into account multilateral rules or influences.

Under those circumstances, I am asking particularly for an analysis as to why the Canadian government believes that its overtures have borne fruit when, in fact, there has been no evidence to indicate that the Chinese have changed their opinion on any of the aggressive actions that they have taken and continue to take.

As a follow-up question, I would like the Leader of the Government to apprise the Senate of the basis upon which today's Government of Canada makes its analysis of which trade organizations and companies to support when there is a conflict between continuing trade in China and continuing trade in Taiwan? What about the boats and aircraft that have been inconvenienced in their delivery of goods into the Asian territory? How does the government choose which portion of our trade overseas to support?

The situation is similar to the problem arising for Canadian companies doing business in Cuba. If we take certain actions to support our business in Cuba, there is a reverberating effect for businesses with clients in the United States. How will the Canadian government help companies that are working in the U.S. if there is some downgrading of business there as the Canadian government pursues the protection of business in Cuba? Under what guidelines or principles are these choices made?

Hon. Joyce Fairbairn (Leader of the Government): Honourable senators, the honourable senator has asked me a number of questions in her intervention. I should like to read them in *Hansard* to get them straight and to give her the best response I can.

HUMAN RESOURCES DEVELOPMENT

UNEMPLOYMENT INSURANCE REFORM—AUTHENTICITY OF DRAFT
REPORT AMENDING LEGISLATION—GOVERNMENT POSITION

Hon. David Tkachuk: Honourable senators, I should like to direct a question to the Leader of the Government in the Senate. It follows on some questions asked yesterday with respect to unemployment insurance reform.

• (1430)

I believe that the Leader of the Government said yesterday that Minister Young is presently listening to suggestions and recommendations in the House of Commons and from the public for possible inclusion in his new recommendations, which will follow the old recommendations tabled in the last Parliament. She did lead us to believe that he was listening.

An article in *The Ottawa Citizen* on March 18 told about a government communications plan on how to deal with UI reform changes. It was very interesting. The conclusion drawn in that article was that demonstrations cannot be stopped, that a public relations blitz will cost in the area of \$2 million, and that there should be a political program to convince people that the UI reforms are proper.

Aside from all the nonsense about providing psychographic profiles of people who are chronically unemployed, they do say something that I found interesting. One of the items in the communications plan was that:

Newfoundland Premier Brian Tobin and New Brunswick Premier Frank McKenna will quickly endorse the plan once Young reveals his amendments.

Honourable senators, that contradicts what the government leader said here yesterday. To me, there are only two possible conclusions to be drawn from that, and I want to know which is correct. If the minister is listening but the two Atlantic premiers are willing to agree, that means that he is not listening, that the amendments are already drawn and that this review is a farce because they know what the amendments are. The alternative is that the two premiers are willing to agree without seeing what the amendments will be. I would ask the Leader of the Government in the Senate to tell us which is correct.

Hon. Joyce Fairbairn (Leader of the Government): Honourable senators, the minister has made it clear that whatever has appeared in the newspaper is part of any number of drafts that may have been prepared by someone in his department. They have not been prepared by him. I will leave that aside because I simply will not speculate on the material that has appeared in the press. The minister has not acknowledged that as being anything that has been presented to him or to his senior officials.

With regard to whether or not he is listening: Yes, he is listening. The whole point of the hearings of the committee in the other place is to hear, from the witnesses who will appear there, the concerns and suggestions on a highly complex and very critical piece of legislation affecting the lives of many workers in Canada.

Minister Young is listening as well to people from his own region and his own province. There is nothing cooked, Senator Tkachuk. All of these views will be studied and put together, and whatever changes are made will be as a result of the information that comes through the committee and Parliament.

Senator Tkachuk: Honourable senators, the position of the government seems to be that it is OK for ministers not to know what is going on in their departments. If Justice officials are accusing former prime ministers of criminal acts without any evidence, that is OK as long as the minister does not know.

It seems to me that someone in Minister Young's department has said that Newfoundland Premier Brian Tobin and New Brunswick Premier Frank McKenna will quickly endorse the plan once the minister reveals his amendments. Either these people are lying to their minister or they have actually talked to the offices of these premiers and been assured of agreement. You cannot have it both ways, unless these officials are writing fiction for their minister, which in itself is an irresponsible act with which the minister should deal.

If the minister knew nothing about this report, will the Leader of the Government ask who wrote it? If the officials did not talk to the two premiers, they should be dealt with severely for providing false information to their minister. In the alternative, perhaps Minister Young is not coming clean and has actually seen this report, which is an even larger issue.

Will the Leader of the Government ask the minister who wrote this report? We will be seeking this information through other

means. That is forewarning that there will be action taken under the Freedom of Information Act, so that you do not need to call the RCMP on this matter as well.

Senator Fairbairn: I am certainly grateful for the assistance and contribution of my honourable friend. I will put his questions into the mix.

My honourable friend has been involved over the years in the work of government. He knows that within government people are encouraged to put forward suggestions and plans and, in the process of doing that, they base some of their suggestions on possible assumptions. Eventually, as policies are developed and decisions are made, programs on communications and other matters are prepared.

I hope that my honourable friend is not suggesting that something is larger than life, or, alternately, that he is not trying to make it larger than life, either.

The fact is that we have some way to go yet on this issue. Mr. Young has made that clear. He is, in fact, listening. When he has heard what suggestions there are to hear, and, along with colleagues and the Prime Minister, has made a judgment and a decision on how this legislation can be improved, he will be looking for concrete methods for explaining and communicating to the public.

That step is in the future; it is not today.

UNEMPLOYMENT INSURANCE REFORM—REQUEST FOR
ESTABLISHMENT OF SPECIAL COMMITTEE TO STUDY
EMPLOYMENT INSURANCE BILL—GOVERNMENT POSITION

Hon. Jean-Maurice Simard: Honourable senators, I will try to break new ground today. I have two questions, each without a preamble, and I expect that the answer to both questions will be "yes" or "no."

First, since the minister has had 24 hours to reflect on my question of yesterday, is she prepared to undertake, on behalf of her party in the Senate, to do whatever is necessary to charge an existing committee — or a specially constituted committee — with pre-studying Bill C-111; yes or no?

Hon. Joyce Fairbairn (Leader of the Government): Honourable senators, as I indicated yesterday, we will be watching the progress of the study in the other place. We will also be — as we always are — in discussion with our colleagues opposite. I cannot answer the honourable senator today with a precise "yes" or "no." However, I can tell him that we will be watching this particular issue very closely because of its importance to Canadians. I cannot give him a categorical answer today.

Senator Simard: It is evident that the answer is "no," honourable senators.

Senator Fairbairn: No, honourable senators, it is that I cannot give a categorical answer today.

Senator Simard: Your answer is on the record. It will be evident to everyone in this chamber, and to the reporters who will look at it, that the answer is really “no.”

[Translation]

UNEMPLOYMENT INSURANCE REFORM—MODERATION IN
APPROACH OF MINISTER TOWARDS NEW BRUNSWICK
RECIPIENTS—GOVERNMENT POSITION

Hon. Jean-Maurice Simard: Will the minister undertake today to urge her colleague the human resources development minister, Mr. Douglas Young, to hold his horses, come back to his senses and calm down? Not only should he listen to the people of New Brunswick, as he would have us believe today in this house, but he should also stop accusing New Brunswick workers of abusing the UI kitty system, of taking advantage, of being mercenaries in the pay of unions when they hold demonstrations. Could the minister answer yes or no?

[English]

• (1440)

Hon. Joyce Fairbairn (Leader of the Government): Honourable senators, I have a preamble to my answer. The Minister for Human Resources Development is listening, not just to the people in his province of New Brunswick, where he has very special responsibilities; he is also listening to people in the other provinces of Atlantic Canada, the Province of Quebec, the Province of Ontario, and across the rest of the country, because they, too, are his responsibility. He is passionately involved in this piece of legislation, and in ensuring that it is the best and fairest chance for people who are having difficulty with employment in this country, who are having difficulty being trained, and who are having difficulty finding new jobs. Doug Young is trying to make this piece of legislation as positive, as relevant and as helpful to the people of Canada as he can, including, of course, the people in New Brunswick, the people in his riding. He is paying specific attention to seasonal workers.

That is my response to my honourable friend. I think it is far broader than a simple “yes” or “no” because there is no simple “yes” or “no” to this problem. It is a problem which is plaguing not only Canada but every other industrialized and underdeveloped country in this world. Sustaining income for people is the fundamental problem of this country, and part of the concern, when you strip everything down, is the strength of unity in our nation. It is a big problem, and there is no simple “yes” or “no” answer.

Senator Simard: Honourable senators, as was the case with the answer to my first question, again, to my second question, the government leader is saying an eloquent “no.” However, she will not invite her colleague to come to his senses and stop accusing all those people opposed to the UI bill. He should listen to them, and offer them some hope that this bill will be improved.

I regret to say that the record will show that the answers to both my questions were “no.”

Senator Fairbairn: Honourable senators, I think what the record will show is that the honourable senator is using a very selective guideline in drawing from what I have said the answer that he personally wants to hear. I have not said “no.” My

colleague Mr. Young has not taken leave of his senses. His concerns for the people he represents and the people whom he has been asked to serve as Minister of Human Resources Development are strong and vital, and he is extremely sensitive to their plight. That is why he is trying to improve this legislation.

[Translation]

TRANSFER TO PROVINCES OF RESPONSIBILITY FOR LABOUR
FORCE TRAINING—REMARKS OF MINISTER—GOVERNMENT
POSITION

Hon. Pierre Claude Nolin: Honourable senators, my question concerns the ineffable Douglas Young. According to yesterday’s issue of *La Presse*, Minister Young was asked about his letter to Minister Harel regarding the never-ending issue of the transfer of federal responsibilities in the manpower sector. He —

Senator Hervieux-Payette: Training.

Senator Nolin: Manpower training. I remind you that, in its Speech from the Throne, your government said that it would withdraw from this sector which you admit comes under provincial jurisdiction. I think all Canadians — and particularly politicians at the provincial level — are grateful for that. I also remind you that, in its Speech from the Throne — as Senator Bacon pointed out — your government said that it intends to build an effective partnership with its provincial counterparts. You should — as said Senator Simard — call Minister Douglas Young to order and tell him to read again the Speech from the Throne, and perhaps, too, the speech made by Senator Bacon. Listen to what the minister said and you will understand why he is ineffable. The journalist is referring to Mr. Douglas Young:

He is opposed to an unconditional transfer to Quebec of the UI funds earmarked for training and re-entry into the labour force, because Ottawa wants to make sure that these funds will be used honestly...

What does that mean? Tell us now. Do you agree with your colleague Douglas Young when he claims that the Quebec government is dishonest? One may not agree with the constitutional views of the Quebec government, but to say or to imply that a provincial government is dishonest is something else. Do you agree with your colleague’s comments?

[English]

Hon. Joyce Fairbairn (Leader of the Government): I would not comment on the accusations the honourable senator is making because I have not read the words to which he refers. It is clear from the budget and the Speech from the Throne and the words of a variety of people that the offer in terms of labour market training is very clear. The Minister of Human Resources Development has made that point clearly as well.

The question of turning over all the Unemployment Insurance fund resources is another matter altogether. I think that, too, is clear, and I think it is clear to every government with which he discusses the matter.

Senator Nolin: Madam, I agree with your answer, but you are not answering my question.

Yesterday morning in *La Presse*, on page B-1, the first page of the second section, there was a reference specifically to your colleague Minister Young. He is not saying that he will not support the Speech from the Throne or that they will not transfer to Quebec or other provinces the responsibility with respect to job creation. Rather, he is implying that they are dishonest, and that he wants to retain the money because he does not trust the provinces to spend it in an honest way.

[Translation]

— in an honest way. That is what I am asking you. Are you dissociating yourself from those comments and reaffirming what was in the Speech from the Throne? Or do you support what Minister Douglas Young publicly told several reporters on Monday, which was reported in *La Presse* Tuesday morning? That is all I am asking you. Do you support the minister's statement, yes or no?

[English]

Senator Fairbairn: Honourable senators, I can assure my honourable friend that the first thing I will do is read the news story in *La Presse*.

CANADA-UNITED STATES RELATIONS

EFFECT OF HELMS-BURTON ACT ON COMMERCIAL AND AID RELATIONS WITH CUBA—GOVERNMENT POSITION

Hon. Norman K. Atkins: Honourable senators, I have a number of questions for the Leader of the Government in the Senate. Perhaps when reviewing the questions asked by Senator Andreychuk today, she could look at mine as well.

In view of the action taken by the U.S. Congress in passing the Helms-Burton bill, will this in any way change Canada's policy with regard to Cuba? Does that situation affect in any way the government's policy with regard to foreign aid? How would the government assess Canada's interest in its relations with Cuba and what is at stake? What direction if any will the government give to Canadians doing business in Cuba?

• (1450)

Hon. Joyce Fairbairn (Leader of the Government): Honourable senators, I will gladly take the several questions asked by the Honourable Senator Atkins and seek specific answers for him. I preface that by saying that the Prime Minister, the Minister of Foreign Affairs and the Minister for International Trade, in a combined front, have been fighting as hard as they can against the Helms-Burton legislation. They have been applying a maximum degree of pressure to persuade the President to take advantage of the waiver provisions open to him under the legislation.

Honourable senators, I will seek answers for the specific questions asked by my honourable friend.

Senator Atkins: Can the Leader of the Government also tell us what policy the government will have for Canadians planning business trips and holidays to Cuba?

Senator Fairbairn: I will add that question to the list.

HEALTH

BANNING OF SALES OF BOVINE GROWTH HORMONE BY OECD—LABELLING OF PRODUCTS CONTAINING HORMONE—GOVERNMENT POSITION

Hon. Mira Spivak: Honourable senators, I have placed on the Order Paper a detailed question concerning Health Canada's evaluation of the human health impact of the bovine growth hormone rBST and critical information gaps in a similar U.S. evaluation raised by Dr. Samuel Epstein of the University of Illinois School of Public Health. However, I wish to address further questions on that subject orally today.

The first is a question I raised previously, one to which I have not received a proper response. Will the Government of Canada follow the OECD's lead and ban sales of the genetically engineered product until the year 2000 or until the human health issues have been fully resolved?

Second, as *The Globe and Mail* reported last month, another genetically altered product was released on the market last year without the knowledge of environmental regulators or consumers, and without labelling. Agriculture Canada's draft regulations on the labelling of food produced through biotechnology have modest requirements. My second question is this: Should Health Canada at some future date decide to approve rBST, will the government allow consumers to make an informed choice by requiring that milk sold from cows treated with the hormone be fully and visibly labelled?

Hon. Joyce Fairbairn (Leader of the Government): Honourable senators, I will be glad to follow up those questions.

THE BUDGET

CHILD SUPPORT—CHANGES TO GUIDELINES—PURPORTED IMPROVEMENT IN FINANCIAL SITUATIONS OF AFFECTED FAMILIES—REQUEST FOR STATISTICS

Hon. Gerry St. Germain: Honourable senators, yesterday I asked a question of the Leader of the Government in the Senate regarding the proposed changes announced in the budget to child support. In responding to that question, the Leader of the Government mentioned the fact that the working income supplement would double from \$500 a year to \$1,000 a year for some 700,000 Canadian families, one-third of which are single parent families. As a result, approximately \$11.6 million will be transferred from government each year to single parent families. However, it is estimated that the government will save approximately \$240 million per year with the proposed changes to the child support tax deduction.

My question is: How can the Leader of the Government in the Senate say that the change made to the working income supplement will offset the loss to singleparents, especially low income single parents, and that single parent families will be better off as a result of the change in the rules respecting tax deductions for child support payments?

Further, can the Leader of the Government say without hesitation, and produce hard numbers to back up her government's position, that all lower income single parents who receive child support will be better off under these proposed changes? Experts have been studying this matter. They have said

that these families will be short-changed. Does my honourable friend have figures to prove otherwise?

What the government has really done is take money away from people who really need it. The government is trying to re-engineer the system through the tax system. If the government has hard numbers, will my honourable friend produce them?

Hon. Joyce Fairbairn (Leader of the Government): Honourable senators, as I said to Senator Andreychuk yesterday, I will attempt to obtain from the Minister of Justice further details on this important issue.

I indicated yesterday that the savings achieved through the proposed changes are to go directly back into the system to assist children of low income families. That is clear in the budget; that is clear in the documents. As far as actual numbers are concerned, I will do my best to obtain them for my honourable friend.

ORDERS OF THE DAY

JUDGES ACT

BILL TO AMEND—SECOND READING

Hon. P. Derek Lewis moved the second reading of Bill C-2, to amend the Judges Act.

He said: Honourable senators, I am pleased to speak on the subject of Bill C-2, which proposes a minor amendment to the Judges Act. The amendment is meant to facilitate the process of arriving at fair and adequate remuneration for judges.

In this respect, as all senators are undoubtedly aware, section 100 of the Constitution Act, 1867 provides that the salaries, allowances and pensions of federally appointed judges are to be fixed and provided by Parliament. In order to assist Parliament in this respect, a process was established under a 1981 amendment to the Judges Act for a periodic review and inquiry into the adequacy of the salaries and other amounts payable under the act, and into the adequacy of judges' benefits generally.

This process provides that every three years the Minister of Justice shall appoint an independent commission of not fewer than three or more than five commissioners to inquire into such adequacy. The Judges Act provides that these triennial commissions must report their recommendations to the minister within six months of appointment. In turn, the minister is under obligation to table the report in Parliament within ten sitting days after it is received.

The reason for having such commissions is obvious: Commissions provide Parliament with advice, which is objective and independent in nature, with respect to the determining of fair compensation for our federal judges. The process assists in maintaining the respect we have for the independence of the

judiciary. It helps in maintaining the security of tenure and financial security of our judges.

In practice, however, the six-month reporting period has turned out to be a very short time for commission members, who serve part time, to complete their responsibilities to their own satisfaction. This is understandable when we realize that there is a need for the commissioners to publish notices in the press, the need to invite, receive and study briefs and submissions from various groups, the need to hold public hearings and, finally, the time required to consider all pertinent facts and prepare and translate a report. All of this must be accomplished within the six-month period. The commissions are, accordingly, under undue pressure within the time allotted to produce their reports.

It appears that organizations such as judges' groups, the Canadian Bar Association and others making submissions have found the present six-month reporting period to be too short. In fact, I understand that the judges' organizations find it very difficult to prepare adequate submissions in the time allowed. The chairman of the present commission, the Canadian Bar Association and judicial organizations are all in accord with extending the reporting period by six months.

• (1500)

Honourable senators, Bill C-2 provides for such an extension. Under the bill, the reporting period for the triennial commissions would be extended from six months to 12 months. This amendment would relieve the commissions of the pressure they are now under. That is all the bill does. It is my understanding that this amendment to the Judges Act will not result in any increase in the costs of the commissions.

The present triennial commission was appointed effective September 30, 1995, and, accordingly, under the present provisions, it is due to report by March 30, 1996. In this respect, I would refer honourable senators to clause 1(2) of the bill which provides that, for greater certainty, subsection 26(2) of the act as enacted by subsection (1) applies to the report to be submitted by the commissioners appointed effective September 30, 1995.

I would therefore urge quick consideration and passage of Bill C-2, honourable senators.

[*Translation*]

Hon. Pierre Claude Nolin: Honourable senators, I rise at the second reading stage of Bill C-2 to confirm that our party supports this bill. This bill amends the Judges Act. Obviously, we must act somewhat quickly since the mandate of the triennial commission expires at the end of March. If the bill is passed, we will have to extend this mandate by six months while amending the Act to ensure that all future triennial commissions are appointed for a period of 12 rather than 6 months.

I am sure that, in the Committee on Legal and Constitutional Affairs, we will have the opportunity to ask government witnesses all our questions regarding the cost increase and the reasons why, as Senator Lewis was saying, part-time commissioners could not report to the Minister of Justice within the six-month period.

[English]

Hon. Eymard G. Corbin: Honourable senators, I do not question the good intentions of this legislation, and I certainly would be the last one to make any critical comment vis-à-vis judges. However, every time this sort of thing comes up, I cannot help but wonder why we treat one establishment differently from another.

I want to relate specifically to the salaries and benefits of members of Parliament. There is also a provision in the laws of Canada to establish a commission after every general election to look into the appropriateness of modifying the salaries and benefits of members of Parliament. The last two or, perhaps, three commissions so established following general elections examined the question for a number of months and came forward with a publication that contained recommendations, some more serious than others.

I do not see how members of Parliament are so very different from Canada's honourable judges, be they judges of the Supreme Court, the Federal Court or provincial courts. We have families. We have obligations. We pay income tax like everyone else. Our municipal taxes are rising. The cost of living generally is not falling. I need not be any more specific. I am sure all honourable senators have experienced these circumstances.

Why do we have a commission to look into the salaries of judges? I guess it is because a committee of objective people can come forward with reasonable recommendations to remunerate judges for the work they do on behalf of taxpayers. Why should any different criteria apply to members of Parliament?

The first such commission was instituted under the law in the 1970s and recommended that commission members should be invited from, among other areas, the field of labour to assist in examining the salaries and benefits of members of Parliament. That criterion over the years was not always respected and was eventually discarded. Instead, former parliamentarians are usually the ones looking into the salaries and benefits of re-elected parliamentarians and appointed senators.

All honourable senators know that our salaries have been frozen for a number of years, as have been our so-called tax-free allocations. I find it hard to swallow that sour pill, as if our conditions were stable, that we were well and did not need any pay increase. On the other hand, our honourable judges, who I agree are very detached and objective people and who play a very important function in our system, usually receive that to which they are entitled, while members of Parliament do not always get that to which we are entitled. I am profoundly disturbed by the different approaches to the problem and the differences in criteria.

As a result, improvements to, let us say, the living conditions or benefits of House of Commons members have sometimes been instituted underneath the table in the secrecy of their internal economy committee. Yet when the Senate tried to make financial changes, there was a public outcry. In one instance, we were called back to refute the legislation which had been passed a few weeks before.

This is sheer nonsense. If it is good to have a commission which looks into the salaries, benefits and pensions of judges in this country, then we ought to be able to muster a commission, objective in mind and serious in intention, to do the same for members of Parliament.

I have said this before in the Senate: I am a believer in fairness and equity. I do not think that members of Parliament and senators have been treated fairly by public opinion. For some reason, we always have to pay a price. I do not know how many times my salary has been frozen in my almost 28-year career in Parliament. I have managed to live through that, but surely a decent base salary should exist so that decent people will get involved in politics. Many people do not want to be involved in politics because of this fooling around with some of the basic rules. Public opinion, as a consequence, will reflect the quality of parliamentarians who are attracted to this work.

Perhaps more competent people could be attracted to the House of Commons. Perhaps better laws could be devised for this country. However, who would leave a job which pays \$200,000 or \$300,000 per year to come to this place and work for peanuts? If a commission is feasible for one of the powers of Canada, it is feasible for this institution as well.

- (1510)

Senator Lewis: Honourable senators, while I agree in principle with what Senator Corbin has said, and in no way want to detract from it, I should like to point out that the salaries of judges and other officials, as well as members of Parliament, have also been frozen over the last few years. This bill in itself does not affect the amount of those salaries. As a matter of fact, although the last report I have is the report of the triennial commission which was submitted in March of 1990, I understand that the report made subsequent to that, the last one, recommended no changes at that time.

Also, judges and others are in a slightly different position than members of Parliament. The salaries of judges are fixed by Parliament. Of course, compensation for members of Parliament is entirely within the hands of parliamentarians.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

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

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

THE ESTIMATES, 1996-97 THE ESTIMATES, 1995-96

NATIONAL FINANCE COMMITTEE AUTHORIZED TO STUDY MAIN ESTIMATES, 1996-97 AND SUPPLEMENTARY ESTIMATES (B), 1995-96

Hon. B. Alasdair Graham (Deputy Leader of the Government) moved:

That the Standing Senate Committee on National Finance be authorized to examine and report upon the expenditures set out in the Estimates for the fiscal year ending the

31st March, 1997, with the exception of Parliament Vote 10 and Privy Council Vote 25; and the expenditures set out in the Supplementary Estimates (B) for the fiscal year ending the 31st March, 1996.

Motion agreed to.

CANADIAN HUMAN RIGHTS ACT

BILL TO AMEND—SECOND READING—DEBATE CONTINUED

On the Order:

Resuming debate on the motion of the Honourable Senator Kinsella, seconded by the Honourable Senator Losier-Cool, for the second reading of Bill S-2, An Act to amend the Canadian Human Rights Act (sexual orientation).—(*Honourable Senator Milne*).

Hon. Erminie J. Cohen: Honourable senators, it is with conviction that I rise to participate in the debate at second reading of Bill S-2, an act to amend the Canadian Human Rights Act with respect to sexual orientation.

I am pleased to join with others from the province of New Brunswick in the important debate on this bill, the purpose of which is to insert into the Canadian Human Rights Act what the courts have declared to be the law. Bill S-2 would expressly add sexual orientation to the purpose clause, and to the list of prohibited grounds of discrimination in the Canadian Human Rights Act, and would add sexual orientation to the list of grounds of discrimination in subsection 16(a), the special programs provision.

To make it clearer, honourable senators, allow me to read to you from an editorial in yesterday's *Montreal Gazette*:

It seems the Liberal government which has been promising such a move has been scared off by those who suggest it opens the way to legal recognition of gay marriages, or, as some outrageously have alleged, it could lead to the legalization of pedophilia. Changing the human-rights Act would do no such thing. It would merely acknowledge that gays and lesbians do not deserve to be harassed, discriminated against or be deprived of job-related benefits because of their sexual orientation. And it would give those whose cases fall under human-rights commission jurisdiction a place to seek redress

All honourable senators will recall that in 1977 Quebec became the first Canadian province to include sexual orientation in its human rights charter. Since then, the Quebec Human Rights Commission has reported that legal protection has made it easier for people to be openly gay, has eliminated concerns about blackmail and has protected homosexuals from being physically assaulted, since they are now able to count on the support of the authorities.

On December 2, 1986, the Ontario legislature passed a bill to bring several laws into conformity with section 15 of the Charter.

It included an amendment to include sexual orientation in the Human Rights Act. On February 12, 1987, the Yukon legislature passed a comprehensive Human Rights Act that included sexual orientation. On December 10, 1987, Manitoba also included sexual orientation in its Human Rights Act.

The Human Rights Commissions of all the remaining Canadian jurisdictions have recommended that sexual orientation be added to their human rights legislation. As a result of these initiatives, two-thirds of Canada's population is already protected against discrimination based on sexual orientation.

In his book *The Law of the Charter — Equality Rights*, Dale Gibson, a noted constitutional author, argues that section 15 of the Canadian Charter protects against discrimination based on sexual orientation. He also argues that human rights laws that omit some grounds of discrimination that are explicitly or implicitly included in section 15 or that define them restrictively may be unconstitutional.

I believe that we here in this chamber have a duty to maintain the law, and to act to improve upon it when the opportunity arises. With the current delays in the other place, an opportunity and, indeed, honourable senators, a necessity has presented itself. Some honourable senators will remember that this bill, when it was S-15, received the unanimous support of the Senate Committee on Legal and Constitutional Affairs in 1993, then chaired by Senator Beaudoin. To be clear, Bill S-2 is the same as the former Bill S-15 which received the unanimous support of the Senate Committee on Legal and Constitutional Affairs and was passed by the Senate on June 3, 1993.

Sitting on that committee three years ago were, from the Progressive Conservative Party, Senators Berntson, Cogger, DeWare, Doyle, Keon, Murray and Rivest, and from the Liberal Party, Senators Cools, Frith, Hastings, Lewis and Neiman. The bill received the support of those senators, perhaps because the bill received the enthusiastic support of both Ms Mary Dawson, the Assistant Deputy Minister of Public Law from the Department of Justice, and the Chief Commissioner of the Canadian Human Rights Commission, Mr. Maxwell Yalden.

In last Sunday's *Ottawa Citizen* there was a front page article on Mr. Yalden's views pertaining to this issue. The writer of the article suggested that Mr. Yalden abandoned the diplomatic language his office usually uses when discussing government policy as he recalled the moment a few weeks ago when he heard Justice Minister Allan Rock confess that the government will not amend the Human Rights Act to expressly include the protection of gays and lesbians.

Mr. Yalden is quoted as saying:

Ever since I've been the commissioner, there must have been a half dozen justice ministers who have all promised —

— to amend the act, and the —

— Liberals should be told they're bloody well delinquent...

• (1520)

It has been three years since Mr. Yalden appeared before the Standing Senate Committee on Legal and Constitutional Affairs where he expressed the Commission's reaction:

...we are doubly pleased...to see that Senator Kinsella has introduced a private members bill that would add sexual orientation as a prohibited ground of discrimination...

Parliament has a responsibility to legislate in this kind of important matter...Canadians should be able to find out what is in their legislation without having to read reports of the courts.

He also stated:

If Parliament does not amend the Canadian Human Rights Act, then it is, in our view, abdicating its responsibility. It is as simple as that.

Honourable senators, often Canadians forget that we in this place are parliamentarians — unelected parliamentarians but parliamentarians nonetheless.

It is my view that the Senate can and should act to defend, indeed promote the rights of minorities. Here is another instance where the Senate of Canada can stay clear of the partisanship in the other place and uphold the rule of law.

Surely, the overwhelming body of law and jurisprudence pertaining to this matter helped to convince senators in 1993 to support this amendment.

The jurisprudence, honourable senators, is as follows: In deciding the case of *Haig v. Canada*, the Ontario Court of Appeal found that subsection 15(1) of the Canadian Charter of Rights and Freedoms protects individuals from discrimination based on sexual orientation.

This finding was repeated by the Federal Court, Trial Division on October 27, 1992, in the case of *Douglas v. Canada*. The Ontario Court of Appeal in *Haig* then ordered that the Canadian Human Rights Act be interpreted, applied and administered as though it contained sexual orientation as a prohibited ground of discrimination.

An authority on the law, Ms Mary Dawson, Assistant Deputy Minister, Public Law, Department of Justice, said of these amendments:

We think the time is right and that these are good amendments...they are largely reflective, we think, of the existing state of the law given the Charter...

When you have a list of eight or ten items in the Human Rights Act already and sexual orientation is an important one, why not list it? I think the case law is clear that it is covered in any event...

Honourable senators, we have a responsibility as parliamentarians to ensure that governments do not set aside the rights of Canadians, whether they be members of the majority or members of a minority.

This bill is not partisan. It is legislation that is needed. It is a simple and straightforward bill that will preserve order and stability and protect Canadians against the excesses and even the absences of government.

Leadership on this issue is wanting, even though on page 86 of the Liberal Red Book it is written:

Equality for all Canadians includes freedom from hatred and harassment.

...a Liberal government will take measures to...enhance the programs...that promote tolerance and mutual understanding.

While not an explicit promise, I believe that all senators could agree that Bill S-2 is in accordance with the aforementioned commitment of the Liberal Party of Canada.

I should like to draw to the attention of honourable senators the Canadian Human Rights Commission's Annual Report released yesterday. On this issue, it states at page 15:

If the federal government shows signs of hedging on the anti-discrimination rights of homosexuals...then the equality rights of other groups can also come into question. Consistency may well be the hobgoblin of little minds, but human rights by their nature are not divisible.

I recall an editorial in *The Ottawa Citizen* which described a previous government's attempts to do what the law required on this issue. On November 3, 1992, the *Citizen* suggested to the Justice Minister at the time:

Confront the backbench bigots, stop the waffling and get on with the job.

It is not my place, honourable senators, to suggest that the present Minister of Justice has been derailed by those so-called "backbench bigots" or that he is "waffling" on a fundamental human rights issue. I can, however, remind the government that, while it claims that it will be active in defence of international human rights, I believe it has a role to play at home, too. It should be active in defence of Canadian human rights issues. This is a Canadian human rights issue.

I, of course, look forward to the deliberations of the Standing Senate Committee on Legal and Constitutional Affairs now chaired by Senator Carstairs. I hope they will hear from Mr. Yalden of the Canadian Human Rights Commission on this issue. Finally, I wholeheartedly recommend the provisions of this bill to you.

On motion of Senator Losier-Cool, debate adjourned.

NOVA SCOTIA

STATE OF COAL MINING INDUSTRY IN CAPE BRETON—INQUIRY—DEBATE ADJOURNED

Hon. Lowell Murray rose pursuant to notice of Wednesday, February 28, 1996:

That he will call the attention of the Senate to the state of the coal mining industry in Cape Breton and the policy of

the Cape Breton Development Corporation in relation thereto.

He said: Honourable senators, I have done sufficient preparation on this speech to be able to assure you that it has a beginning, a middle and an end.

That being said, I have to advise that while I can fit the beginning and the middle into the 15-minute time limit, I will thereafter fall victim to the "Robertson rules." I will need the forbearance and, indeed, the compassion of honourable senators if I am to achieve peroration this afternoon.

Although most of my adult life has been spent away from my native Cape Breton, I have maintained, as some honourable senators know, a close connection with and a continuing interest in that quite wonderful part of our country. I do not feel, in drawing this important subject to your attention this afternoon, that I am trespassing on someone else's territory. At least three generations of my family before me were involved in one way or another in the Cape Breton coal mines.

Anyway, there are issues here of public policy and of public administration that are the concern of all of us no matter where we come from in Canada.

In mid-January, the Cape Breton Development Corporation announced that it was laying off 1,200 employees temporarily and that it intended to eliminate 400 jobs permanently this spring and a further 400 over three years. The workforce in Cape Breton coal mining would be reduced to 1,400 by 1998.

For the record, the official unemployment rate for Cape Breton for the past December to February period was 19.8 per cent. There were 13,000 people unemployed. Real unemployment is much higher than the official figures indicate because the labour force participation rate in Cape Breton is so much lower than in the rest of the country. It is significantly lower than in the rest of Nova Scotia. It is 13 percentage points below the participation rate for all of Canada.

The real unemployment rate is probably between 31 and 36 per cent and the real number of unemployed is between 22,000 and 29,000, out of a working-age population of 126,000.

• (1530)

It is not my intention today to dwell on the human hardship and social impact of a reduction in the Cape Breton coal industry such as now appears contemplated, coming as it does on top of an already chronically depressed economy. Some of you know your way around the mining towns at least as well as I do, and you have direct personal knowledge of all this, so you need no reminder from me.

My purpose today, honourable senators, is to ask the government leadership in the Senate to take the initiative of a motion to instruct one of our committees — a standing committee, a subcommittee or, if necessary, a special committee — to examine the state of the Cape Breton Development Corporation and consider its future.

The future of Devco is hanging in the balance today as management and the federal government, which is the sole

shareholder, consider alternative courses of action. A five-year plan for the corporation was supposed to have been approved by Devco and presented to the government this month. Its contents have not been disclosed.

There is, however, a public document entitled "Corporate Update" dated November 1995 and sent to the government by Devco in January of this year. There is a study by a firm of mining consultants, John T. Boyd Engineering of Pennsylvania, said to have been commissioned by the government last fall, parts of which study have been made public. There are the public statements of management, of federal government officials, and of cabinet ministers over the past several months, and there are the lay-offs announced in January. All of these seem to be based on one overriding assumption, and that is that the only viable Cape Breton coal industry is a drastically reduced industry.

Honourable senators, that assumption needs to be challenged. It needs to be critically examined. It needs to be defended and explained before a parliamentary committee, if only because the assumption is so much at variance with what we have been told by Devco under successive governments for at least 15 years.

Let me acknowledge right away that the Cape Breton coal industry has seldom turned a profit for the federal government since 1968 when Devco was created to take over from the Dominion Steel and Coal Company. Year after year, the government has subsidized the operating losses and ponied up for capital investment. Over the past decade, the subsidy has amounted to \$600 million. It is not, obviously, in the same class as federal underwriting of the nuclear power industry, which has amounted to \$2 billion in the past 10 years, or even of Mirabel airport, \$4 billion in 20 years, but it is still a considerable figure and a worry to ministers of finance.

Our Senate colleague Senator MacEachen was a minister in the Pearson government which, in 1968, made the decision to take over the Cape Breton coal fields. He was a central figure in the decision, and has remained in touch with the situation during all his years in the government. He is definitely more conversant with the history of the corporation than anyone else in Parliament.

Senator MacEachen will recall that when the Cape Breton Development Corporation took over the mines in 1968, there were four collieries operating and a workforce of 6,500. Today, there are two mines and, by the end of May, some 1,800 employees. Over the past 10 years alone, to the end of May, they will have taken more than 1,600 employees off the payroll, increased production, and dramatically improved productivity over what it was in the early years. The Crown corporation took on, and carries on its books to this day, the cost of pre-retirement leaves and early pensions from the initial and subsequent workforce reductions. Devco has had more than its share of acts of God, tragedies, fires, floods, roof cave-ins, even fatalities.

Annual reports of the corporation have often referred to the incidence of a high absenteeism rate and a high accident rate, two problems which, if they are not endemic to the coal industry generally, are certainly found frequently enough and are very complex and difficult problems in that industry.

Observers commenting on Devco invariably refer to the high cost structure of the mining operation, although public documents issued over the years by the corporation and the government are remarkably short on analysis, comparative or otherwise, of this problem. The United Mine Workers Union is critical of management practices which, it has alleged, have caused the cost problem, and the union is on the record with various proposals which they insist would improve that situation. On the other hand, the report by the engineering consultants, John T. Boyd Engineering, to which I referred earlier, speaks in a much broader way of problems with the culture of the Cape Breton industry, by which I take it they mean that the problems of cost and productivity have not been caused by management alone.

In any case, over the years, Devco has also been affected by the ups and downs of the domestic and international economy, of the Canadian dollar exchange rate, and of prices and markets. All of these problems are known factors and, for the most part, have been reported on year after year by Devco to the government, to Parliament, and the public. I mention them now because, until quite recently, Devco's policy, expressed consistently and almost without exception year after year, was that these problems were surmountable in what I would describe as an expansive strategy for the corporation's future.

I served in the government which in 1990 decided that federal subsidies to Devco would end within five years and that the corporation would have to be self-supporting by the fiscal year 1995-96. The response of Devco was that this objective would be attained in the context of an expansive strategy. That was our understanding, as I presume it was the understanding of the Chrétien government which maintained the self-sufficiency mandate given to Devco by the previous government. That expansive strategy was focused most notably on Devco's ability to exploit growing opportunities in export markets and to do so competitively and profitably.

Devco's domestic market consists almost entirely of one customer: Nova Scotia Power Incorporated. Sales to Nova Scotia Power have been quite stable over the past 10 years. In almost every year they have been at or near 2 million tonnes. There has been much controversy about the price at which Nova Scotia Power, until recently a provincial Crown corporation, purchased coal from Devco. There is a 33-year price agreement between Devco and Nova Scotia Power which is subject to renewal every five years. Our friend Senator Buchanan, who was Premier of Nova Scotia for quite awhile and closely involved in these issues, can confirm this. That agreement dates back to 1978.

• (1540)

At the last renewal, legal action was initiated, but the new management of Devco settled with Nova Scotia Power, I am told, for an 18-per-cent price reduction. This settlement itself has given rise to harsh criticism of Devco management by the miners' union.

Devco's volume of export sales has fluctuated rather more than domestic sales. However, over the past seven years, exports

have never accounted for less than 25 per cent of total tonnage sold. Annual reports of the corporation do not indicate the proportion of revenues that is accounted for respectively by export and domestic sales. Nor, beyond the occasional editorial comment, is there any hard information in the annual reports concerning price volatility in export markets. I have no idea how much of the export sales have been made on the so-called spot market and how much, if any, was in firm multi-year contracts. Whatever the experience with regard to export prices, it was not such as to discourage the corporation from its expansive view of the future and of the anticipated important contribution of export markets to making Devco commercially viable — not, anyway, until recently. Even today, statements by the corporation on this matter are not consistent.

Honourable senators, I could quote chapter and verse from annual reports of Devco over the past 15 years in which the corporation takes an optimistic, indeed, sometimes exuberant, view of its prospects of commercial success based in part on export sales. However, a few references will suffice.

The report for the fiscal year 1981-82 spoke with certainty of increasing demand for coal and referred to a 25-year strategic plan for Devco which demonstrated that the Sydney coal field could produce more than 10 million tonnes of coal annually by the end of the century and that "the vast investment required is recoverable." The following year, the annual report spoke of the ultimate development of three new coal mines and expanded export markets with beneficial effects on Canada's balance of payments.

In 1984, the corporation stressed that it was of the "greatest possible urgency" that the international coal contracts, carefully developed and built over the previous 10 years, be preserved; and, to that end, Devco had to ensure its sources of supply.

Year after year the annual reports continued in the same vein, announcing positive trends to financial self-sufficiency and commercial viability. By 1989, with 35 per cent of Devco's sales volume going to offshore customers, the annual report proclaimed the intention to serve vigorously this market and to grow within it so as to reduce dependence on the Nova Scotia Power commission as their primary domestic market customer.

The Hon. the Acting Speaker: Honourable senators, I regret to inform the honourable senator that the time allotted for his speech has expired. He could, of course, continue with the unanimous consent of the house. Is it agreed, honourable senators?

Hon. Senators: Agreed.

Senator Murray: I thank honourable senators for their generosity.

It needs to be said that there was at least superficial evidence to support the view that commercial salvation for Devco lay in the expansive strategy. That evidence includes the improved productivity performance to which I have referred earlier, and also the achievement of a small profit or a break-even result in those years when export sales were relatively high.

During the 1980s, the government supported Devco's expansive strategy, notably by investing more than \$80 million to develop a coal mine at Donkin. That mine was never opened. In the annual report for the fiscal year 1991, Devco pulled back, at least temporarily, from its expansive view of the future. The corporation wrote down the Donkin assets "due to poor market conditions." In the same annual report, Devco announced that "world market conditions and operating costs cast a dark shadow over the future of Langan Colliery."

In the next annual report, 1992, Devco referred to weak domestic coal markets and depressed prices in export markets and concluded that closure of Langan by 1993 was required "to avoid the substantial financial impact these market reversals would otherwise have" on Devco.

In that same report, Devco says that the company was shipping coal to 16 countries! Indeed, the annual report for that year, and for the following year, shows that export sales had increased quite dramatically, from less than 1 million tonnes in fiscal 1991 to more than 1.8 million tonnes in each of fiscal 1992 and 1993. As for Langan, which had been producing more than 900,000 tonnes annually, it was forced to close four months ahead of schedule because of flooding — at least that is the explanation of management. Responsible union officials allege that the mine was deliberately flooded by the corporation.

Whatever the truth about Langan, it seems clear, at least to me, that Devco had decided to reduce capacity at a time when export markets were improving and the domestic market was, at worst, stable. In the annual report of 1994, three years after Devco started singing the blues about depressed markets and prices, and one year after record export sales, we find this comment:

Due to the premature closing of Langan...and unexpected geological difficulties in Phalen, the amount of coal available for sale was lower than the previous year.

The fact is that over at least the past 10 years, and I think for much longer, Devco sold every tonne of coal it produced. My reading of the record suggests they could have sold more had the coal been mined. Yet, in fiscal 1995, the last year, of course, for which we have a report, the company produced 1.1 million tonnes less than in fiscal 1992. Why? Was it a mistake to have shut down the Donkin project? Whose mistake? Was it a mistake to have planned to reduce capacity, at least a mistake in timing? Whose mistake? What confidence can we have that the policy they are now proposing is the right one?

I acknowledge that when they aborted the Donkin project and announced the planned closure of Langan, Devco referred to "weak domestic markets and depressed prices in world markets." The reference to "weak domestic markets" is belied by the record for those years. The domestic market turns out to have been remarkably stable.

In export markets, they sold record quantities of coal in 1992 and 1993. While it is conceivable that they sold it at a loss, this does not seem to be reflected in the bottom line for the corporation which showed a marked improvement in those years. More telling still is the fact that in both the 1994 and 1995 annual reports there are signs of renewed interest in the Donkin project.

Three years after Devco wrote off the Donkin development "due to poor market conditions" the 1994 annual report referred to that mine as a possible replacement for Prince Colliery and announced that "a detailed examination of the Donkin reserve block has been initiated."

• (1550)

In the 1995 annual report, Devco announces that the world economy is largely out of recession, coal markets are more in balance than they were a year ago, and "self-sufficiency can last if everybody effectively works together, something which is also necessary if the Donkin mine, presently under evaluation, has any chance of becoming a reality."

Those references in the 1994 and 1995 annual reports led me to believe that Devco was returning to the expansive strategy of earlier years. It was not to last. The corporation's annual report for 1995 showed a small operating profit in each of the past three fiscal years — \$5.4 million in 1993; \$10.1 million in 1994; and \$13.7 million in 1995.

As far as I know, the 1993 and 1994 profit figures are genuine. The 1995 profit of \$13.7 million turned out on close examination to be the product of some creative accounting by Devco management, or so it is said. In any case, I understand that the profit has since been revised to a loss of \$7 million.

The process of revising the books is a mystery to me. It is not clear whether this was done at the initiative of the government or of the corporation. In any case, new management is in place under president Joe Shannon. His preferred policy is clearly one of drastic reduction, what he calls "right-sizing" of the industry.

The corporate update submitted by Devco to the government in January asks for \$750,000 to evaluate the Donkin project. This would be the third or fourth such evaluation. However, it is clear that Devco would phase out the Prince colliery on the north side of Cape Breton. It also seems that the long-term future of the Phalen mine is anything but assured.

Are Devco and the government planning a one-colliery operation in Cape Breton? It seems possible, even likely. The corporate update notes that the annual requirements of Nova Scotia Power are 2.2 million tonnes, which could be supplied by Phalen or, perhaps, Donkin alone. Under the heading "Corporate Assessment," the bald statement is made that the "export market is unprofitable." Under the heading "Assumptions for Best Option," it is planned to "limit export business." This is a far cry from the expansive strategy followed for most of the past 15 years. Mr. Shannon himself, in a news conference last month, took a slightly more positive tack. He said:

We can sell coal in the international market but we've got to get our price down to meet the competition and I believe that we can do that.

The portions of the Boyd Engineering consultant report which have been released confirm what I have said about the situation with regard to export markets. They take quite a different position than that which is now being taken by Devco and, apparently, by the government. In the Boyd report, they confirm the statement earlier when they state:

Export shipments have declined during the past two years because of insufficient mine production and not due to the inability to negotiate sales agreements.

A bit later in the same report, they state:

CBDC has demonstrated the ability to market coal in the export metallurgical and thermal market sector... Supplier reliability is often critical to achieving sales contracts, and CBDC must be perceived to possess this attribute. An absence in the international marketplace or the inability to supply agreed upon tonnages will negatively impact future sale potential.

Again:

The sales staff has recently been reduced and currently consists of a Director of Marketing and one secretary. Based on current and future sales volume, it appears that no new additions to the staff are necessary. The Director of Marketing should continue to contact and visit existing and potential customers and attend worldwide coal-related conferences to market CBDC coal... CBDC must be positioned to be able to respond to future near-term market tenders in the international marketplace.

The Boyd report concludes:

CBDC metallurgical coal is generally well accepted in the world marketplace. The thermal export coal is higher in sulphur in comparison to other world suppliers; however, the CBDC marketing staff has been successful in marketing the product to customers who can utilize the higher sulphur coal.

It had always been the position of the corporation that they needed the export markets to provide the economies of scale that enabled them to meet the price requirements of the domestic market. That position seems to have changed.

The government may well fund the proposed evaluation of the Donkin project, but with the greatest reluctance. The Honourable Anne McLellan, who as Minister of Natural Resources is responsible for Devco, is quoted on February 7 from an interview given to Brian Underhill of the Halifax *Chronicle-Herald*:

I am certainly willing to take a look at the possibility of doing a study to finally, once and for all, and hopefully to the satisfaction of everyone, understand the real situation at Donkin and what the cost-benefit analysis tells us.

Excuse me, honourable senators, but that sounds like the kind of study which would be undertaken to confirm the wisdom of the decision already taken by the government. In any case, her willingness to, as she put it, "take a look at the possibility of doing a study," is hardly a ringing endorsement of the Donkin project.

More ominously, the report of Boyd Engineering, the consultants hired last fall by the government, is quoted as follows in the February 24 *Chronicle-Herald*:

There is virtually no likelihood that Donkin could be developed as an operating colliery under any commercial standards at current coal realization levels.

This is in marked contrast to the assertion of Devco management in the corporate update sent to the government in January that Donkin-Morien is "possibly the last economically viable coal field based on today's technology." It is certainly contrary to the positive view of Donkin in the 1994 and 1995 annual reports.

Honourable senators, the narrative which I have just recited raises more questions than I would care to enumerate this afternoon. I hope you agree that before irrevocable decisions are taken as to the future course of Devco, the corporation and the government should come before a parliamentary committee, account for the present state of the Cape Breton industry, and explain and defend their policy and their plans for the future. Other witnesses, notably the miners' representatives who could shed light on the past, present and future of Devco, should have the opportunity of doing so before a parliamentary committee. We need to know what the objectives are and especially the financial and economic assumptions that underlie the present plans for Devco. If the previous strategy has been a failure, we need to know why, not just for the purpose of fixing blame — not at all for the purpose of fixing blame for past mistakes — but to ensure that the government and the corporation are getting it right this time, that the right decisions are being made for the future. We owe that much to the people in Cape Breton who are directly affected. We owe it to ourselves as parliamentarians to ascertain the truth about this public enterprise.

Year after year we have been told one story by Devco, only now to be told quite another story as to the best strategy and future course of that corporation. There is a credibility problem here.

I assure honourable senators that I do not mean to exempt governments — including the one in which I served — from criticism — far from it. Perhaps governments have not exercised due diligence in overseeing the affairs of the corporation. Perhaps there is a conflict between the immediate interest of the shareholder as government in attaining its deficit objective for any given year or years and the longer-term interest of the corporation. Perhaps the corporation is, as one of the consultants suggested, sluggish and overstuffed.

Whatever the truth, we should do our best to establish it. We should not accept the latest strategy of Devco, even if it is sanctioned by the government, without asking some very searching questions and getting satisfactory answers.

Some Hon. Senators: Hear, hear!

On motion of Senator MacEachen, debate adjourned.

The Senate adjourned until tomorrow at 2 p.m.

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