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Tuesday, May 28, 1996

—

THE HONOURABLE GILDAS L. MOLGAT
SPEAKER

CONTENTS

(Daily index of proceedings appears at back of this issue.)

OFFICIAL REPORT

CORRECTION

Hon. Orville H. Phillips: Honourable senators, I should like to take a moment and correct an error in my remarks of yesterday. In appealing to my honourable colleague from P.E.I., Senator Anderson, I intended to refer to her brother Don, who is well known to me. In fact, he is well known throughout North America for his work in the potato industry. I inadvertently referred to him as her husband. I can only attribute this error to the fact that I had been listening to Senator Taylor. He had his genders and relationships all mixed up. Apparently I continued in the same vein. It shows that one should not listen to Senator Taylor.

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THE SENATE

Tuesday, May 28, 1996

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

Prayers.

SENATORS' STATEMENTS

VISITORS IN THE GALLERY

DELEGATION OF CUBAN PARLIAMENTARIANS

The Hon. the Speaker: Honourable senators, I wish to draw your attention to the presence in the gallery of a delegation from the Republic of Cuba, which is headed by Mr. Luis Ignacio Gomes Guitiérrez, the Minister of Education. They are accompanied by His Excellency the Ambassador of Cuba.

Welcome to the Senate.

Hon. Senators: Hear, hear!

[Translation]

Hon. Jacques Hébert: Honourable senators, in January 1995, I had the pleasure to lead the first delegation of Canadian parliamentarians to Cuba, which was made up of representatives of almost all political parties, giving me the opportunity to get to know and appreciate one of my colleagues opposite, the distinguished Senator Normand Grimard. There should be more trips like that.

At the risk of disappointing the journalists who usually cram into the gallery, I should point out that each member of this historic delegation paid for his or her own travelling expenses.

[English]

During that visit, we had lengthy and productive meetings with numerous Cuban cabinet ministers and even a conversation which lasted for over three hours with President Fidel Castro. Although the Canadian chairman of the Canada-Cuba Parliamentary Friendship Group is a mere senator, his Cuban counterpart is a minister, and not just any minister. Mr. Luiz Ignacio Gomez Gutiérrez, the education minister, is one of the most important cabinet members in that country. Honourable senators may know that, since Castro took power, education has been a priority in Cuba.

It is a great honour for me to salute Mr. Luis Gomes on the occasion of his visit, along with two of his colleagues who are members of the house there, Mr. Antonio de La Llera Herrera and Mr. Sergio Pastrana Valera.

[Translation]

Our friends in the press have a tendency to criticize these exchanges of parliamentarians, which they see as a costly and useless exercise. This is certainly not the case for the

Canada-Cuba Parliamentary Friendship Group! They never talk about the tangible results that are almost always achieved. Yet, after our delegation spent only one week in Cuba, things happened that may annoy our friends in the U.S. — one never knows — where legislators are always coming up with new ways to crush the Cuban people with senseless embargoes and empirical, not to say imperialistic, laws. Bravely standing up to the threat of the Helms-Burton law, Canadian business people negotiated agreements that will benefit both Cuba and Canada. For example, at the initiative of a member of our delegation, member of Parliament Stan Dromisky, Cuba received pharmaceuticals it badly needed as well as containers full of books that will help young Cubans learn, yes, English!

[English]

If I may be allowed to make a more personal testimony, it is thanks to this trip and especially thanks to the great cultural sensitivity of Minister Luis Gomes, who is now with us in the gallery, that I was able to sign a first memorandum of agreement concerning a youth exchange between Canada and Cuba on behalf of Canada World Youth which, in Cuba, is called Juventud Canada Mondo.

[Translation]

For the second consecutive year, young Canadians between 17 and 20 years of age coming from all regions of Canada and young Cubans in the same age group will participate in a seven-month program, half of which will take place somewhere in Saskatchewan and the other half on the beautiful island of Cuba.

[English]

I should like to express my thanks in advance to ladies and gentlemen of the press for taking note of this event!

In closing, I would like to tell our Cuban friends something they already know, namely, that the friendship between our two countries, despite enormous pressure from the United States, remains unshakable.

[Translation]

Hon. Normand Grimard: Honourable senators, at the risk of turning our Canada-Cuba friendship group into a mutual admiration society, I would like to join my friend, Senator Jacques Hébert, in welcoming the Cuban delegates of our Canada-Cuba friendship group. In Cuba, a country with an area of 110,000 square kilometres, or a little over one and a half times the size of New Brunswick, two thirds of the agricultural land is used to grow sugar cane.

A cigar enthusiast myself, I had always thought that, Cuba being world-renowned for its cigar production, the cigar industry was the country's most prosperous industry. In discussing with my Cuban friends, I have come to realize that, as profitable as it may be, this industry is much less profitable than the sugar cane industry. Cuba has built on this commodity — I am referring to

the sugar cane and not cigars here — an export industry. Sugar plantations have even expanded since 1975. For this island, the largest island of the West Indies, to be able to diversify its economy, it must first find new sources of supply for the goods and spare parts that the United States has been refusing to sell them since imposing a blockade in 1960.

Second, new markets remain to be explored for Cuba. At present, as Senator Hébert pointed out earlier, the Helms-Burton legislation passed in March exposes Canadian business people to sanctions and to being turned back at the U.S. border, if their subsidiaries in Cuba use property expropriated from opponents of the Castro regime. These American sanctions are intended as a payback for Cuban fighters shooting down two light American aircraft off the coast of Cuba on February 24.

[English]

The Toronto Star, in its editorial of March 1, 1996, sums up very well the position which could be unanimously Canadian:

The American obsession with Cuba has been mildly amusing to the rest of us though not, of course, to the Cubans. But this week the Americans have gone far enough for the world to say “enough.”

[Translation]

For thousands of Canadians tourists, Cuba remains a favourite destination for the growing number of our fellow citizens looking to shake off the winter blahs. To do so, there is nothing better than the sun and beaches of Cuba.

[English]

Last year I was given an opportunity to experience personally Cuban hospitality when our Canadian delegation visited Cuba. Above all, I remember warmly the meeting that we had for two hours with the chief of state, Fidel Castro, in his presidential palace.

[Translation]

To our Cuban friends, we will extend the courtesy of initiating them to the fibre, customs, fare and generosity of our great and beautiful country.

[English]

SENATE PROTECTIVE SERVICE

BOOK COMMEMORATING SEVENTY-FIFTH ANNIVERSARY TABLED

Hon. Colin Kenny: Honourable senators, it gives me great pleasure to table a book commemorating the 75th anniversary of the Senate Protective Service.

This morning I was privileged, along with a few of my distinguished colleagues, to attend a special ceremony where a unique book was presented to commemorate the 75th anniversary of that service. On the same occasion, a number of staff members were presented with exemplary medals representing 15 years of dedicated service with the Senate.

[Senator Grimard]

This book is an important and worthwhile document which will do much to instill pride in the Protective Service and boost staff morale. Many members of the service, along with the effective collaboration of dedicated Senate employees, put a lot of effort into producing this book. Three of them especially — André Reny, Frank Foran and Eric Dzuba — invested their personal free time and equipment to edit and assemble it. I am very proud to be associated with such a praiseworthy project and especially with the people who made it happen.

[Translation]

JUSTICE

INVESTIGATION INTO SALE OF AIRBUS
AIRCRAFT TO AIR CANADA

Hon. Jean-Maurice Simard: Honourable senators, at this point I would like to continue reading the editorial written yesterday in *La Presse* by Pierre Gravelle and entitled “Offensive and Petty.” As you will have realized, the editorial deals with the legal warfare engaged in by this Liberal government, and in which it is now bogged down, following its stand regarding the Airbus issue and the involvement, according to this same Liberal government, of former Prime Minister Mulroney in a scandal which, according to the ministers, would have generated many millions for lobbyists, and particularly the great Prime Minister that Brian Mulroney was.

I continue reading this editorial. I can assure you that the author, Pierre Gravelle, is not a card-holding member of the Progressive Conservative Party of Canada.

• (1420)

Since this botch was made public and since Mr. Mulroney instituted proceedings against the RCMP and the federal government, the government’s lawyers have issued numerous requests and challenges to delay pleading the merits of the case. First, they made a big deal about the source of the leak that led Mr. Mulroney to denounce the treatment to which he was subjected.

Then they demanded details on the state of his personal finances and professional life to show that he was not justified in complaining of being treated as a criminal before he was accused of anything. After buying time with an examination for discovery designed to help the government prepare its counterattack, the lawyers finally asked to postpone the hearing of the case until next January, or later, supposedly to allow investigators to complete their work. Since the judge deemed that new request unreasonable, the lawyers quickly appealed his ruling so as to avoid having to defend the government against the charges.

It is as if the fact that Mr. Mulroney could, at least in theory, be found guilty some day diminished the seriousness of the damage to his reputation, when he should be presumed innocent.

Here is the conclusion of Pierre Gravelle's editorial:

Like any other citizen, Mr. Mulroney is entitled to full and complete justice, within a reasonable time frame. Ottawa is currently violating this right with its offensive behaviour, a behaviour that leads us to conclude that the current Liberal government is incapable of acting in good faith and dignity when it deals with a political opponent.

[English]

PAGES EXCHANGE PROGRAM WITH HOUSE OF COMMONS

The Hon. the Speaker: Honourable senators, I should like to introduce to you two of the pages from the House of Commons who are present today.

[Translation]

I would like to introduce MéliSSa Borris, from L'Original, Ontario. She is majoring in history in the Faculty of Arts at the University of Ottawa. Welcome to the Senate, MéliSSa.

[English]

I am also pleased to introduce, from Coquitlam, British Columbia, Kristi Kenyon. Kristi is pursuing her studies at Carleton University in the School of Journalism and undoubtedly will spend some time in our galleries in the future.

Welcome to the Senate.

ROUTINE PROCEEDINGS

WITNESS PROTECTION PROGRAM BILL

REPORT OF COMMITTEE

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

Tuesday, May 28, 1996

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

SEVENTH REPORT

Your Committee, to which was referred Bill C-13, An Act to provide for the establishment and operation of a program to enable certain persons to receive protection in relation to certain inquiries, investigations or prosecutions, has, in obedience to the Order of Reference of Tuesday, April 30, 1996, examined the said Bill and now reports the same with the following amendment:

Page 4, sub-clause 9(1): strike out lines 25 and 26 and substitute the following:

“protection provided to a protectee if the Commissioner has evidence that there has been”

Respectfully submitted,

SHARON CARSTAIRS
Chair

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

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

CANADIAN HUMAN RIGHTS ACT

BILL TO AMEND—REPORT OF COMMITTEE

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

Tuesday, May 28, 1996

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

EIGHTH REPORT

Your Committee, to which was referred Bill C-33, An Act to amend the Canadian Human Rights Act, has, in obedience to the Order of Reference of Thursday, May 16, 1996, examined the said Bill and now reports the same without amendment.

Respectfully submitted,

SHARON CARSTAIRS
Chair

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

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

ADJOURNMENT

Hon. B. Alasdair Graham (Deputy Leader of the Government): Honourable senators, with leave of the Senate and notwithstanding rule 58(1)(h), I move:

That went the Senate adjourns today, it do stand adjourned until tomorrow, Wednesday, May 29, 1996 at 1:30 p.m.

The Hon. the Speaker: Honourable senators, is leave granted?

Hon. Senators: Agreed.

Motion agreed to.

BUDGET IMPLEMENTATION BILL, 1996

FIRST READING

The **Hon. the Speaker** informed the Senate that a message had been received from the House of commons with Bill C-31, to implement certain provisions of the budget tabled in Parliament on March 6, 1996, to which they desire the concurrence of the Senate.

Bill read first time.

On motion of Senator Graham, bill placed on the Orders of the Day for second reading on Thursday next, May 30, 1996.

[Translation]

INTER-PARLIAMENTARY UNION

NINETY-FIFTH CONFERENCE HELD IN ISTANBUL, TURKEY—
REPORT TABLED

Hon. Peter Bosa: Honourable senators, I have the honour to table the report of the Canadian Group, Inter-Parliamentary Union, on the 95th Inter-Parliamentary Conference held in Istanbul, Turkey, from April 13 to April 21, 1996.

[English]

**ENERGY, THE ENVIRONMENT
AND NATURAL RESOURCES**

NOTICE OF MOTION TO AUTHORIZE COMMITTEE TO ENGAGE
SERVICES

Hon. Ron Ghitler: Honourable senators, I give notice that tomorrow, Wednesday, May 29, 1996, I shall move:

That the Standing Senate Committee on Energy, the Environment and Natural Resources have power to engage the services of such counsel and technical, clerical and other personnel as may be necessary for the purpose of its examination and consideration of such bills, subject-matters of bills and estimates as are referred to it; and

That the Committee have power to adjourn from place to place within and outside Canada for the purpose of such studies.

FISHERIES

NOTICE OF INQUIRY ON IMPACT OF
MIFFLIN SALMON PLAN ON BRITISH COLUMBIA

Hon. Pat Carney: Honourable senators, I give notice that on Thursday, May 30, 1996, I will call the attention of the Senate to the lack of any impact studies by the Government of Canada on the effects of the Mifflin Salmon Plan on the coastal communities of British Columbia who fear that their very existence will be placed in jeopardy if they are stripped of their resident fishing fleets.

• (1430)

INTER-PARLIAMENTARY UNION

NINETY-FIFTH CONFERENCE HELD IN ISTANBUL, TURKEY—
NOTICE OF INQUIRY

Hon. Peter Bosa: Honourable senators, I give notice that on Thursday next, May 30, 1996, I will call the attention of the Senate to the 95th Inter-Parliamentary Conference held in Istanbul, Turkey, from April 13 to 21, 1996.

QUESTION PERIOD**GOODS AND SERVICES TAX**

HARMONIZATION WITH PROVINCIAL SALES TAXES—
COST INVOLVED IN RECRUITING OTHER PROVINCES—
GOVERNMENT POSITION

Hon. Gerald J. Comeau: Honourable senators, I should like to follow up on the comment made yesterday by my colleague Senator Forrestall when he called the harmonization of the tax in Nova Scotia a massive tax grab.

Honourable senators, I understand that the minister must sing from the same song sheet because she is in fact a minister and a good team player. Nevertheless, I should like to return to the question of the greater tax revenue which will be brought in by the province of Nova Scotia under a broader tax base. The finance department of Nova Scotia has not been able to provide any kind of solace to the citizens of Nova Scotia that there would be a pass-through of savings to the citizens of Nova Scotia. No studies of any kind have been provided, aside from the fact that no studies will support the concept.

With that in mind, has the government done any studies to determine the impact on other provinces which may ask to join the harmonization process? If such studies have been done, has the cost been determined with respect to bringing new provinces in under the harmonization plan? If such costs have been determined, would the government provide them to the chamber?

Hon. Joyce Fairbairn (Leader of the Government): Honourable senators, I cannot answer that question specifically other than to say, as I have said on a number of occasions, that the harmonization program will assist consumers and small businesses.

As I tried to indicate yesterday, the impact on prices, as revealed through the experience of the GST and the experience of value-added taxes in other countries, has been a positive one. In the case of the Atlantic provinces, the tax upon tax within the provincial tax realm will be removed. It is estimated that this harmonization will result in substantial savings to consumers as those savings are passed on through reduced prices.

Senator Lynch-Staunton: Did you find those kinds of figures in Quebec? I have not seen them yet.

Senator Comeau: Honourable senators, the minister has referred to prices. I wish to draw to her attention one particular example — there must be many others — of the kinds of prices that are worrying ordinary taxpayers in the province of Nova Scotia. I refer to power bills which are estimated to rise. These are Nova Scotia finance department estimates. Prices with respect to power bills are expected to rise from 10.21 per cent to 15 per cent. These prices will have the most impact on ordinary Nova Scotians who do not have the means, and, in particular, will have a detrimental impact on the very poor in the province.

Can the minister suggest what these people should do when they find out that the basic necessities will suffer price increases of this magnitude?

HARMONIZATION WITH PROVINCIAL SALES TAXES—IMPACT ON COST OF BASIC CONSUMER NECESSITIES—GOVERNMENT POSITION

Hon. J. Michael Forrestall: Honourable senators, I wish to continue where Senator Comeau left off today and I left off yesterday with respect to this question of tax harmonization in Nova Scotia. It is safe to say that we are raising these questions not simply because it is a Nova Scotia problem but because it is a national problem.

In response to my question yesterday, the Leader of the Government in the Senate stated that the fact that this new, blended tax will involve a 50 per cent pass-through from business to consumers is historically “based not on vague assumptions, but on actual performance and practice.”

If the minister would review the provincial financial department report, she would note on page 7 a section entitled “Key Assumptions for Impact Analysis.” One of these is that businesses that realize savings will pass them on to their customers.

Given that the Nova Scotia finance department views this element of the new tax regime as an assumption, could the Leader of the Government please tell us what information she has that guarantees that this pass-through will take place, particularly with such items of necessity as clothing, heating fuel, gasoline, et cetera?

Hon. Joyce Fairbairn (Leader of the Government): Honourable senators, I never suggested for a minute that I or any other minister could give my honourable friend a guarantee. What I said to him was that the facts compiled as a result of experience with these kinds of taxes, including experiences here in Canada, have shown that over 50 per cent of the savings have been passed on in reduced prices. That has been shown through a review conducted by Statistics Canada for the former Department of Consumer and Corporate Affairs shortly after the GST was introduced. It showed that within one year, business had passed through to consumer prices virtually all of the tax savings as a result of the change-over from the old MST. Those are facts upon which the performance of the harmonized tax, as applied in the honourable senator’s province, is based.

Honourable senators, I cannot give my honourable friend — not have I ever indicated that I could — such a guarantee.

Senator Lynch-Staunton: Excellent arguments in favour of the GST.

Senator Doody: Where were you when we needed you?

Senator Forrestall: Honourable senators, it is interesting that the fuel tax has gone up, which is being passed on to the motorists in Nova Scotia.

Most Canadians are aware that to talk the three Atlantic provinces into joining the scheme, the government had to entice them with a billion-dollar incentive, one billion of the Canadian taxpayers’ hard-earned dollars. Were any conditions attached to that compensation money — for instance, some guarantee that savings would be passed on to consumers, as opposed to the bleak picture we now have in Nova Scotia?

Senator Fairbairn: Honourable senators, I have no knowledge at all of any strings attached to that arrangement. The compensation process has been very transparent, and, as has been indicated from the beginning, it is available to other provinces if they meet the criteria and the guidelines of that compensation package. The whole process has been open from the first day the announcement was made.

BUSINESS OF THE SENATE

Hon. Pat Carney: Honourable senators, my question is for the Leader of the Government in the Senate. Why did the Senate sit yesterday at 2 p.m. rather than later in the day when it has been established in this house, over and over again, that the B.C. senators cannot get here, no matter how good the tail winds and the punctuality of the aircraft?

B.C. senators and others in the regions have repeatedly asked that the Senate sit at four o’clock, six o’clock, eight o’clock or later in the day on Mondays so that they can get here. I understand that the Speaker, who is from the western provinces, has made this same point at times. Yet, again and again, we find ourselves excluded from participating in the proceedings of this house because it has risen before we were able to attend. I should like to know why our grievances on this issue are continually and flagrantly ignored?

Hon. Joyce Fairbairn (Leader of the Government): Honourable senators, it is my understanding that the timing of the session was agreed to between representatives for both sides. However, I want to assure the honourable senator that I take her concern seriously, and my colleague the Deputy Leader of the Government in the Senate also takes her concern seriously. I am not certain how frequently this sort of thing has occurred, in terms of —

• (1440)

Senator Carney: Always.

Senator Fairbairn: Always? Then it is obviously an issue that should be discussed between both sides. It is probable that, on certain occasions, exceptions must be made, but I agree that an effort should be made to accommodate those who must travel long distances to attend here in this chamber.

Hon. Raymond J. Perrault: As honourable senators may have noticed, I am not always in agreement with the Honourable Pat Carney, another senator from the province of British Columbia, but she has made a valid point that I, too, have made over the years. There is a rather incredible misunderstanding in

this chamber with regard to the travel times involved in getting from our respective provinces to Ottawa. There is no reason why this request cannot be met.

NATIONAL DEFENCE

IMPACT OF INCIDENT IN SOMALIA ON COMMUNITY IN CANADA—GOVERNMENT POSITION

Hon. Donald H. Oliver: I have two questions for the Honourable Leader of the Government in the Senate. The nightly news is replete with stories dealing with the Somalia inquiry. We are informed regularly about the possible destruction of DND files, and hints are advanced as to a cover-up at various levels. The inquiry has moved away momentarily from dealing with the atrocities committed by the Airborne Regiment. However, as we watch the daily comings and goings of DND officials, all of us remember the graphic pictures that form the basis of the reasons behind the inquiry.

All of this has had a profound effect upon the Somalia community in Canada. What steps or programs has the government taken to promote healing within the Somali community in Canada? Does the government have plans to have members of Canada's Armed Forces meet with the leaders of Canada's Somali community to promote a greater understanding of the Somali people within the Department of National Defence?

Hon. Joyce Fairbairn (Leader of the Government): Honourable senators, I cannot give my honourable friend an answer to that question. However, I will pursue it to find out whether any activity is planned in this area.

The inquiry is continuing. It is the hope of the government that this inquiry will get to the bottom of the very disturbing — although that is hardly an adequate word — events that took place in Somalia. As to whether or not, in the interim, there are any other community activities under way or planned, I will look into that matter for my honourable friend.

FOREIGN AFFAIRS

ENVIRONMENTAL IMPACT OF ACTIONS OF SHELL OIL COMPANY IN NIGERIA—GOVERNMENT POSITION

Hon. Donald H. Oliver: Honourable senators, my second question deals with Nigeria. Recent news programs have graphically illustrated the links between the Shell Oil Company, the exploitation of the people of Nigeria and the environment of that beautiful African country.

In view of the actions of the Shell Oil Company in Nigeria, can the Leader of the Government in the Senate tell us whether the Canadian government has formally laid a complaint with the executives of Shell Canada? Second, has the government caused a review to be conducted of its purchase of petroleum products to ensure that none are purchased from Shell Canada?

[Senator Perrault]

Hon. Joyce Fairbairn (Leader of the Government): Honourable senators, I will also look into that question for my honourable friend.

JUSTICE

INVESTIGATION INTO SALE OF AIRBUS AIRCRAFT TO AIR CANADA—TIMING AND CONDUCT OF INTERVIEWS BY RCMP—GOVERNMENT POSITION

Hon. David Tkachuk: Honourable senators, in an article in *The Toronto Star* of May 25, 1996, the RCMP is quoted as saying that it began the investigation of the Airbus issue in mid-January of 1995, and that that fact had been revealed in the court documents it filed in the civil case now proceeding in Quebec. In that same article, the RCMP is said to be claiming to have interviewed 90 people in at least six countries, and have found no proof of Mr. Mulroney's receiving kickbacks.

My question to the Leader of the Government in the Senate is this: Did any of these interviews take place prior to the letter of October 3, 1995, or were the interviews done after the letter of 1995 was made public by the *Financial Post*?

Hon. Joyce Fairbairn (Leader of the Government): Honourable senators, my honourable friend will be very much aware that the court case is proceeding in Montreal. As I have said many times in this house, the investigation on this issue has been carried out, and continues to be carried out, by the RCMP. I cannot offer my friend any details of that investigation.

Senator Tkachuk: We have a more serious issue: A civil case in certainly proceeding in the province of Quebec, but we have a problem here with the behaviour of the Royal Canadian Mounted Police, the police of the federal government. It seems to me that there would need to be some evidence before they would go travelling all over the world to ask questions about Canadian citizens, or is it the practice of this government to allow the RCMP to travel the world and ask questions of citizens of other countries about criminal activities of Canadian citizens without first having any evidence whatsoever? That is the question I am asking. That has nothing to do with the civil case; it is a public policy matter.

Senator Fairbairn: Honourable senators, I take my honourable friend's point partially, but his question concerns an investigation that is being undertaken by the RCMP. I do not know the internal workings of that investigation, nor do my colleagues. These kinds of investigations are carried out by the RCMP, and I cannot comment on them.

Senator Tkachuk: I have a big stake in this matter, as do all honourable senators, because we are Canadian citizens. I should like to know how the RCMP behaves. The RCMP can investigate matters of a criminal nature, but it cannot go abroad and implicate Canadian citizens — any of us — without prior evidence.

This is a public policy matter, and there may be an abuse of power involved here, so I will be very careful how I say this: For the police to use malicious slander against citizens, accusing them of criminal activity, is itself a criminal act.

Senator Berntson: An ongoing criminal act.

Senator Tkachuk: My question to the Leader of the Government in the Senate is whether or not she will take this matter to the cabinet and perhaps investigate Ms Prost, the Justice Minister himself and the RCMP for committing a criminal act in the first place. They cannot do that to Canadian citizens. Perhaps the government does not know that, but we cannot have the officials of the Ministry of Justice writing letters about Senator Tkachuk or Senator Graham and accusing them of criminal acts. We cannot condone the sending of such letters to officials of a government in another country, saying "It was secret, so it is in order." Honourable senators, it is not in order, because officials of another government received that information, and it is public in their hands.

I would think that this situation is more serious than that. It is possible that a criminal act took place within the Department of Justice; in fact, by the Minister of Justice himself — and I do not utter these words lightly. The minister denies responsibility, and he cannot deny responsibility for this situation. This is a public policy matter, and not a question of a civil court case.

INVESTIGATION INTO SALE OF AIRBUS AIRCRAFT
TO AIR CANADA—EXTENT OF KNOWLEDGE
OF GOVERNMENT OFFICIALS—REQUEST FOR PARTICULARS

Hon. Pierre Claude Nolin: Honourable senators, I will put the question that my colleague did not put.

[Translation]

The Leader of the Government cannot get around it in this way. You cannot tell us today that, because it is a police investigation, your government, your colleagues and yourself are not aware of the details of this investigation. Your government, the justice minister and the Solicitor General have been very well informed about daily developments in this case since the very beginning. The Honourable Leader of the Government in the Senate knows about this investigation. Can you tell us what you know?

[English]

• (1450)

Hon. Joyce Fairbairn (Leader of the Government): Honourable senators, I am not aware of what is going on in this case on a daily basis, nor should I be. However, I will make the guarantee to both honourable senators that I will ensure that their comments are made known to my colleagues.

My honourable friend believes that there are daily developments involving ministers. I am not aware of that and I certainly cannot comment on it. However, I will transmit to my colleagues the comments and concerns of all honourable senators on this issue.

[Translation]

INVESTIGATION INTO SALE OF AIRBUS AIRCRAFT
TO AIR CANADA—SOURCE OF INSTRUCTIONS TO COUNSEL
FOR SOLICITOR GENERAL—REQUEST FOR PARTICULARS

Hon. Pierre Claude Nolin: Honourable senators, let us say that the lawyers working for the RCMP are receiving their instructions from the RCMP commissioner. The lawyers working for your government within the Department of Justice and the Department of the Solicitor General, as well as those hired from the private sector for this case, receive their instructions from a superior. Who is that?

[English]

Hon. Joyce Fairbairn (Leader of the Government): As I have already told my honourable friend, honourable senators, I cannot answer that question. However, I will transmit his concerns.

INVESTIGATION INTO SALE OF AIRBUS AIRCRAFT
TO AIR CANADA—LINK IN INTERESTS OF GOVERNMENT
AND RCMP—GOVERNMENT POSITION

Hon. John Lynch-Staunton (Leader of the Opposition): Honourable senators, the issue here is that the government is trying to maintain that it has no responsibility for any RCMP investigation of any kind. I find it unbelievable that, in a democratic society, a police force under federal jurisdiction could be allowed to behave in the way that it did without being responsible to the civil authority.

I can understand why the government is embarrassed by the RCMP investigation. Every day facts are brought out which indicate that they are on the wrong track and that they have allied themselves in a witch-hunt which is leading them into sordid political embarrassment.

If the government has no say in the RCMP investigation, then why did it join with the RCMP to ask the superior court to delay the civil action until the investigation was concluded? If the government has no say in the investigation, then why not let the RCMP plead its own case by itself before the superior court rather than join forces with it to plead the case jointly?

Hon. Joyce Fairbairn (Leader of the Government): Honourable senators, we went through these questions approximately one week ago. I thought it was made quite clear that there is counsel in the court in Montreal because a case was brought against the government in which the government is being sued.

The account of activities put forward by the RCMP in that court was presented on the advice of the head of the RCMP that the investigation, which is ongoing, would be impeded by the continuation of the court action. The court has spoken. The process in Montreal continues.

I can offer nothing further to my honourable friend regarding this situation. The course of justice is proceeding in Montreal. Obviously, the events of last week were dealt with by that court. That is where the matter sits.

Senator Lynch-Staunton: The course of justice is continuing, despite the joint efforts of the Government of Canada and the RCMP to stay the proceedings.

On the one hand, the government and the RCMP are getting together in the courts to ask the courts to delay the hearing in order for an investigation to continue. On the other hand, we in this chamber are being told that the government has nothing to do with the investigation and, to paraphrase the Leader of the Government in the Senate, has no say in it.

Let me try one last time, honourable senators. If the government has no say in the investigation, then how did it approve the sending of a letter on Department of Justice letterhead, signed by a senior counsel of the Department of Justice, to Swiss authorities in which a number of Canadian citizens are accused of engaging in criminal activity? If that is not sanctioning an investigation, then what is?

This letter was not sent on RCMP letterhead. It was not carried by an RCMP officer from wherever it was written to the Swiss authorities wherever they might be in Switzerland. It was sent on Department of Justice letterhead, signed by a senior counsel of the Department of Justice and, thanks to the Government of Canada, it was transmitted to another government. We are now being asked to believe that the government has no say in the investigation when in actual fact it encouraged it by sanctioning this letter, using its own authority to see that it went to the right place.

Senator Fairbairn: Honourable senators, I will simply repeat that there is a procedure for transmitting requests to other governments that has been in existence for quite some time. There was no ministerial involvement in sanctioning that or knowledge of the investigation or of the contents of the letter.

My honourable friend may not agree with the procedure. He may not believe the ministers. I am simply answering the question in this house.

[Translation]

INVESTIGATION INTO SALE OF AIRBUS AIRCRAFT
TO AIR CANADA—RESPONSIBILITY OF GOVERNMENT OFFICIALS—
GOVERNMENT POSITION

Hon. Pierre Claude Nolin: Honourable senators, referring specifically to the response you have just given, what goes for Mr. Mulroney ought to apply to your Prime Minister as well.

In your letter to the Swiss government, you say in so many words that the Prime Minister of Canada is almighty and that he can dismiss ministers who do not agree with him. Today you told us that no minister in your government was aware of that letter, especially the Prime Minister. That makes no sense. Who is responsible in your government?

[English]

May I have an answer to my question?

Hon. Joyce Fairbairn (Leader of the Government): Honourable senators, I should like to read the honourable senator's question. Frankly, I am not very clear about what my friend is driving at.

[Senator Lynch-Staunton]

Senator Nolin: With respect to the letter to the Swiss government, the leader has said that at the time the Prime Minister of the day, Mr. Brian Mulroney, was almighty and that he had the power to repudiate the minister. The medicine which is good for Mr. Mulroney should be good for Mr. Chrétien. Is he in charge of the government? We have been told that no one in the government was involved with that letter and that no one knows about it. Who is in charge of the government?

Senator Fairbairn: Honourable senators, my honourable friend will know that the investigation comes under the direction of the commissioner of the RCMP and it continues to be so.

INVESTIGATION INTO SALE OF AIRBUS AIRCRAFT TO AIR
CANADA—PROTECTION OF HUMAN RIGHTS OF
CITIZENS—GOVERNMENT POSITION

Hon. David Tkachuk: Honourable senators, because my question was not answered, I should like to pose a simpler question. I am having some difficulty figuring out how this government operates. Who in this country protects the citizen from an abuse of police power?

• (1500)

Hon. Joyce Fairbairn (Leader of the Government): Honourable senators, the laws of this country protect the citizens of this country.

Senator Tkachuk: Is the leader telling me that if a police officer abuses his power and assaults someone, for example, that person must go to court and that he cannot report it to someone? Must he go to court?

Will the minister take no action whatsoever to hold an investigation to learn what happened with that abuse of power? Is there no one in this country to do that?

Senator Fairbairn: Honourable senators, we have a tradition of law and justice in this country and it is not for individual ministers of any government to usurp that tradition. Decisions in that regard are made by the courts of justice.

Senator Tkachuk: That is a Liberal government tradition. When the police in Quebec decided to burn a few barns because a political party that they did not like was in power, the Minister of Justice responded by saying, "I cannot interfere with the police. Let them break the law." That is what is happening here. The police are breaking the law and acting without any evidence of wrongdoing.

The Hon. the Speaker: Honourable senators, I regret to interrupt, but the time for Question Period has expired.

DELAYED ANSWERS TO ORAL QUESTIONS

Hon. B. Alasdair Graham (Deputy Leader of the Government): Honourable senators, I have a response to a question raised in the Senate on March 19, 1996 by the Honourable Senator Robertson regarding national child care, and a response to a question raised in the Senate on March 21, 1996 by the Honourable Senator Kinsella regarding the Canadian Race Relations Foundation.

NATIONAL CHILD CARE

DISPARITY IN STATEMENTS OF FEDERAL AND PROVINCIAL MINISTERS—GOVERNMENT POSITION

(Response to question raised by Hon. Brenda M. Robertson on March 19, 1996)

The Government of Canada recognizes that child care is important for children and allows parents to participate in the workforce. This is good for the economy as a whole.

However, child care is an area of provincial jurisdiction and any federal action must be preceded by consultation with provincial authorities.

Minister Young has been in contact with most of his provincial and territorial counterparts to discuss child care but has not yet finished his consultations. The Minister met with New Brunswick on February 9, 1996.

Many provinces, such as New Brunswick, emphasized the need for any new federal-provincial-territorial child care arrangements to be consistent with efforts to clarify the respective roles and responsibilities of both orders of government and with efforts to eliminate overlap and duplication.

To achieve this goal, the Minister of Human Resources Development has stated that the Government of Canada is committed to developing an appropriate child care policy in close consultation with provinces and territories.

HUMAN RIGHTS

ESTABLISHMENT OF CANADIAN RACE RELATIONS FOUNDATION— REQUEST FOR UPDATE

(Response to question raised by Hon. Noël A. Kinsella on March 21, 1996)

The establishment of the Canadian Race Relations Foundation represents a significant Red Book commitment. In 1994, both the Speech from the Throne and the Budget outlined the Government's determination to establish the Foundation.

The Foundation will be a national resource for all levels of government, community groups, academics and the general public to enhance the understanding of racism in Canadian society, and to engage in research that would assist government in developing effective approaches to deal with this issue. The Foundation will play a vital role in addressing some of the challenges of our society today: the rise of racism and discrimination, intolerance to cultural and religious diversity, the proliferation of organized hate groups, and the perpetuation of hate crime and racially motivated activities.

The government has been working diligently toward the establishment of the Canadian Race Relations Foundation. The process will be finalized in the near future.

LEGAL AND CONSTITUTIONAL AFFAIRS

COMMITTEE AUTHORIZED TO MEET DURING SITTING OF THE SENATE

Leave having been given to revert to Notices of Motions:

Hon. Sharon Carstairs, with leave of the Senate and notwithstanding rule 58(1)(a), moved:

That the Standing Senate Committee on Legal and Constitutional Affairs have power to sit at 3:30 p.m. Wednesday, May 29, 1996, even though the Senate may then be sitting, and that rule 95(4) be suspended in relation thereto.

Hon. Noël A. Kinsella: Honourable senators, could we have clarification from the Deputy Leader of the Government with regard to the events that will be occurring tomorrow? We understand that there will be Royal Assent and that His Excellency himself will attend. We would not want a committee of this chamber to be sitting at that time.

Could the Deputy Leader advise us as to the scheduling of Royal Assent?

Hon. B. Alasdair Graham (Deputy Leader of the Government): My information is that his Excellency the Governor General will be here for Royal Assent at approximately 3:30 tomorrow afternoon. It is presumed that the committee will adjourn to return to the chamber for Royal Assent at that time.

Senator Kinsella: Thank you for that information.

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

Motion agreed to.

ORDERS OF THE DAY

DEPARTMENT OF PUBLIC WORKS AND GOVERNMENT SERVICES BILL

THIRD READING—DEBATE ADJOURNED

Hon. Pierre De Bané moved the third reading of Bill C-7, to establish the Department of Public Works and Government Services and to amend and repeal certain acts.

Hon. Terry Stratton: Honourable senators, I rise today to speak on third reading of Bill C-7. I applaud the government for finally dealing with this bill. It has been around for one-and-a-half years. I also applaud the government for continuing to downsize government, an initiative taken by the previous Conservative government. The Conservative government set the

agenda that has continued to be carried out by this government — a Conservative government in everything but name.

While there is much I agree with in this bill, certain concerns have been ignored, both in the other place and in the Standing Senate Committee on National Finance.

There is grave concern in the consulting community. Grave concerns were expressed by the Royal Architectural Institute of Canada, the Canadian Environmental Association, the Canadian Council of Technicians and Technologists, the Association of Consulting Engineers of Canada and the Geomatics Industry Association of Canada. Why do these associations, which conduct business on a continuing basis with Public Works and Government Services Canada, have serious reservation? Why do they want the bill to be amended? Why did they attend at the Standing Senate Committee on National Finance and unanimously put forward amendments to this bill?

Having heard from these groups over a two-week period, as well as from Minister Diane Marleau and the deputy minister, it became abundantly clear that it is simply a matter of trust.

From personal experience I know that PWGSC wants to carry out work on behalf of government departments and agencies; it enjoys carrying out work in direct competition with private consulting firms; it seems to relish the idea of removing scarce consulting fees from the private sector by carrying out the work in-house by government, for government. The reasons for this were explained by the minister and the deputy minister.

With downsizing occurring in the federal government and, therefore, severe downsizing occurring in the private sector consulting business, there is honest and sincere concern that Public Works will increase its stake in doing work in-house, to the detriment of the private sector, in order to further substantiate the existence and size of Public Works and Government Services Canada.

Public Works is now sending e-mails to other government agencies advertising its wares. It is implying that it will do a better job than the private sector will do. I do not believe that builds trust in the public sector.

The minister says that, while she agrees with what we are saying, we must trust the government, that the government will not lead us astray, that they will not let Public Works do that. History does not support this request for trust. Indeed, the bill, without amendment, states exactly the opposite. The bill gives power to Public Works and Government Services Canada to do whatever it wants. The bill allows the government to go into competition with the private sector whenever it chooses; not only nationally but internationally. This they call “trust?” The minister, in both the other place and before the National Finance Committee here, listened politely to the concerns of the consulting association, and in both the other place and here refused to allow any amendments in order to build that trust. Why? Again, the minister and the deputy minister stated that they would develop a memorandum of understanding, but they have refused, time and time again, to meet to develop that

memorandum of understanding until the bill is passed. Why? Does this build trust? I think not. Does this affirm belief that the association should trust the government? No way!

• (1510)

Honourable senators, here are the facts. Bill C-7 is being acted upon finally after being around for one-and-a-half years. Bill C-7 downsizes government following the agenda set forward by the previous Conservative government under Prime Minister Brian Mulroney. The minister, Diane Marleau, and the deputy minister have listened politely to the various consulting associations and have refused, again and again, to amend the bill. The minister and the deputy minister have said, again and again, “Trust me; trust the government.” The associations have, again and again, asked for amendments to the bill, despite the ministers constant rejoinder, “Trust me.” Despite what the minister has said, the consulting associations do not believe or do not take her at her word because history has proven otherwise.

The long and short history of it is that Public Works will do exactly what it wants, and pick and choose projects, even at the expense of the private sector. “Trust us,” despite the fact that Public Works e-mails and offers its wares in competition with the private sector. “Trust us,” despite the fact that Public Works has refused to meet to develop a memorandum of understanding prior to the bill’s passage.

Honourable senators, it is my understanding that any memorandum of understanding will not stand up in court. The bill itself sets the precedent. The bill clearly gives the power to Public Works to compete directly, both nationally and internationally, with the private sector, and this is supposed to build trust?

Honourable senators, there is only one way to rebuild that trust between Public Works and Government Services Canada and the private sector, and that is to amend the bill. Amend the bill to the satisfaction of the consulting association. Then and only then can there be a basis for the beginning of trust.

On motion of Senator Cochrane, debate adjourned.

EMPLOYMENT INSURANCE BILL

SECOND READING—DEBATE CONTINUED

On the Order:

Resuming the debate on the motion of the Honourable Senator Rompkey, P.C., seconded by the Honourable Senator Forest, for the second reading of Bill C-12, respecting employment insurance in Canada.

Hon. Orville H. Phillips: Honourable senators, when I spoke in the Senate on May 14, 1996, I argued rather effectively, I thought, that Bill C-28 was a bill of pain and penalties. Today I will attempt to argue with the same effectiveness that Bill C-12 is a bill of disaster and despair. I could equally argue that it is also a bill of pain and penalties because there is a lot of pain in there for seasonal workers, and there are pages and pages of penalties.

During the last election, the Liberals campaigned on a theme of job creation and deficit reduction. Let us take a brief look at job creation. I began my research by asking Statistics Canada to give me some statistics. The first one they gave me was that in the first six months of 1995 not one full-time job was created in Canada, but there were 29,000 part-time jobs. I became too discouraged to ask for any more statistics. That was enough to discourage me.

In reading a *Globe and Mail* editorial, much to my horror, I read the statement that today, three years after the election of a Liberal government, there are fewer full-time jobs east of the Quebec border than when this government was elected in 1993. We all know that *The Globe and Mail* would not make a mistake like that in an editorial.

A friend of mine who is a graduate of economics was explaining to me the impact of Bill C-12 on Atlantic Canada. He said that it is equivalent to closing 120 plants with 100 employees each. This works out roughly to two plants in each of our towns in Atlantic Canada. Unfortunately, many of our towns do not have two plants employing 100 people.

We hear a great deal from the government on deficit reduction. I am not opposed to deficit reduction and I realize the necessity for it. I remember the howls from senators opposite when the previous government attempted to do the same thing, and I want to ensure that I do not repeat their mistakes. However, the method of obtaining the deficit reduction should be open to examination.

• (1520)

After the last budget, we learned that \$4 billion in deficit reduction came from the premiums paid into the Unemployment Insurance fund. These premiums, as was pointed out yesterday by Senator Murray, are paid by the employer and the employee; the government no longer makes a contribution. The government took \$4 billion from that fund last year; this year they will take \$5 billion; and the Estimates project that next year they will take \$10 billion.

In my view, honourable senators, that is fraudulent. That may not be considered exactly parliamentary language but I say that to emphasize that it is immoral to be taking that amount from the unemployment insurance premiums. The amount of \$20 billion over a three-year period is too much to take from our seasonal workers who can least afford it.

The government has gone to some effort to explain why this bill is necessary. Briefly, it is a cost-reduction measure, but also it is a reduction in benefits. Bill C-12 will return the benefits to what they were approximately 25 years ago. One newspaper article stated that benefits will be the lowest they have been since the 1960s.

I point out to honourable senators that in 1960, a senator's salary was \$8,000 a year plus a \$2,000 tax-free exemption, but the tax-free exemption was not paid until the end of the year. Let us make a comparison on that. Would we like to drop back to the

1960 salary levels? If any of you do, you are free to do so but I have no desire to do that, and I can understand the feelings of those who are having their benefits cut back.

Recently on a visit to Prince Edward Island, I met with a group of women who were opposed to this legislation. I was impressed by the articulate way in which they expressed their objections. I wish to share some of the remarks made at that meeting. One lady said that her combined family income — the earnings of both her husband and herself — was \$26,500 per year. They were attempting to pay a mortgage, and raise three children, and she said, "This Liberal government is determined that we will never rise above that." They also expressed considerable frustration that no one was listening and no one seemed to care, and they expressed anger at the perception out there that they do not want to work and are quite content to stay home and receive unemployment insurance.

They told me of some of their efforts to find work. One lady told me about her job picking rocks in a potato field on her hands and knees for two weeks. Others recited similar situations. One that I recall was told by a lady who said that neither she nor her husband had graduated from high school, and she talked of how proud they were last May when their daughter graduated from high school. Unfortunately, she has been searching for work ever since. I think she had had two job interviews but no employment. The government of the day, the Liberal government of Jean Chrétien and Paul Martin, says, "We must cut back on unemployment insurance because it is a disincentive to work." How can you work in an area that has fewer jobs now than it had when this government took over in 1993?

This group also expressed concerns to me about various aspects of the legislation. They expressed concern about the divisor. I was hoping that the sponsor of the bill would be here to explain to us how the divisor will be raised in the future.

They expressed concern about the repeater aspect. They feel that they are being punished for drawing benefits when there is nothing but seasonal work in their area.

They also expressed concern with the gap. Certain measures were taken in the other place to correct that inequity. However, in the area in which I began practice in 1952 — more years ago than I care to recall — there are now 700 families who feel they are not protected by those changes in the gap. I hope this is the type of thing that our committee will examine.

The other thing they expressed concern over was the change from weeks worked to hours worked. Many of these people worked in fish plants such as those canning or freezing lobster. Particularly in the fall season, which begins in mid-August, the catch can be fairly high and they can obtain a decent number of hours in a week. However, as October begins, the catch drops and there are fewer hours of work available. The winds begin to blow a bit harder and the lobster fishermen do not always get out to fish. Consequently there is no work that day, and the usual pattern develops. They may be called in for three hours three times a week. This provision will result in the lowering of their wage.

As Senator Murray mentioned yesterday, this bill represents a further grab by Paul Martin, specifically a grab of \$2 billion. A family in Prince Edward Island earning about \$26,000 a year will lose \$600 per annum under this bill.

• (1530)

This morning, we had a briefing courtesy of the minister's office. I disagree completely with the charts that were produced which show that low income families will receive a 13.5 per cent increase. If I were in that category, I would take a careful look at those charts because they are wrong, something which was admitted to me this morning.

The Hon. the Speaker: Honourable senators, I hesitate to interrupt the Honourable Senator Phillips. However, the time allotted for his speech has expired.

Senator Phillips: Honourable senators, I request leave to continue for about another three minutes.

The Hon. the Speaker: Honourable senators, is leave granted?

Hon. Senators: Agreed.

Senator Phillips: I am concerned with the fact that the principle of a uniform qualifying period across Canada is still in the works. I am not convinced that the government has given up on this idea of increasing the qualifier, thereby removing the regional differences.

I wish to refer honourable senators to the debate in the other place when the committee of that chamber reported back to the House. Mr. Nault, who is the Parliamentary Secretary, replied on behalf of the government, and I found some of his remarks very disturbing. He said, "If everyone drew benefits for one week less, it would save the government \$300 million." Coincidentally, that is what they say their amendments will cost. Mr. Nault went on to say that they will place more emphasis on trying to obtain a job as opposed to just mailing out a cheque. Rather than just mail out a cheque, they will ask: "What can we do to get you back into the labour force?"

Honourable senators, the answer is simple: Find them a job and they will go back to the labour force because unemployment insurance, as beneficial as it is, does not bring the same return, the same take-home pay, as a full-time job. Surely, someone in the other place must realize that. Surely, someone in the government must realize that. I hope that the emphasis will change from punishment to progress in helping these people by providing full-time jobs.

On motion of Senator Berntson, debate adjourned.

[Senator Phillips]

PEARSON INTERNATIONAL AIRPORT AGREEMENTS BILL

SECOND READING—MOTION IN AMENDMENT—
DEBATE CONTINUED

On the Order:

Resuming the debate on the motion of the Honourable Senator Kirby, seconded by the Honourable Senator Davey, for the second reading of Bill C-28, respecting certain agreements concerning the redevelopment and operation of Terminals 1 and 2 at Lester B. Pearson International Airport;

And on the motion in amendment of the Honourable Senator Lynch-Staunton, seconded by the Honourable Senator Robertson, that Bill C-28 be not now read a second time, but that it be referred back to the House of Commons for proper consideration.

Hon. B. Alasdair Graham (Deputy Leader of the Government): Honourable senators, yesterday, the Honourable Senator Lynch-Staunton moved an amendment to the motion of Senator Kirby for second reading of Bill C-28. Following his remarks, I took the adjournment.

Having had the opportunity to review the statement made by Senator Lynch-Staunton, I find that his arguments were ably anticipated and, indeed, addressed by Senator Kirby, and refuted in advance, as Senator Stewart reminds me, when he spoke in this chamber on May 15, 1996, after moving the second reading of Bill C-28.

I do not think I can do better than to refer honourable senators to Senator Kirby's speech. As Senator Kirby observed, Senator Lynch-Staunton, at least until yesterday, was absolutely emphatic that he and his colleagues were not challenging the policy of the government to cancel the Pearson Airport Agreements. Their concern was with the constitutionality of the bill.

I will admit that I wondered yesterday whether Senator Lynch-Staunton was now reversing this position, or at least modifying it. If that is not the case, then we should get the bill to the Legal and Constitutional Affairs Committee so that this issue can be considered, particularly in light of Senator Kirby's comments about the government's willingness to show great flexibility.

We remain unconvinced by Senator Lynch-Staunton's claim that Bill C-28 needs to go back to the House of Commons or that the bill is fundamentally flawed. We would be pleased to hear more at this time from honourable colleagues opposite about their views on this bill and their leader's amendment.

Hon. Eric Arthur Berntson (Deputy Leader of the Opposition): Honourable senators, would the honourable senator entertain a question?

Senator Graham: Absolutely.

Senator Berntson: While there has been a lot of talk about this particular bill, the committee stage and amendments that will be offered to the committee, we have yet to see those amendments. If the government has decided already that amendments are forthcoming, then, at least, they ought to have some influence on the principle of the bill. Would the honourable senator undertake to get copies of those amendments to us before we pass the motion for second reading of this bill?

Senator Graham: Honourable senators, Senator Kirby has explained already that, obviously, the government wants the bill passed in its present form. That is the government's preference. However, as Senator Kirby has also explained, when the bill goes to committee, if Conservative senators maintain the position that they have maintained over the past two years respecting certain legal and constitutional issues, then we would be willing to consider amendments at that time. That is for the committee to decide. Perhaps amendments will be proposed by members opposite. The government will respond appropriately at the appropriate time.

Hon. John Lynch-Staunton (Leader of the Opposition): Honourable senators, I should like to clarify that point by paraphrasing what Senator Kirby said. He made it quite clear that it was not a question of "should we ask in committee"; he gave his assurance that at least 12 or 13 points expressed as concerns here would be addressed through amendments. He quite categorically said that these amendments would be presented by government members on the committee — not at the request of this side, but at the initiative of his side. If the amendments are to be presented, surely it would expedite the process if we could see them now, rather than discussing a bill which will become a totally different piece of legislation through those amendments.

• (1540)

Senator Graham: Not at all, honourable senators. The appropriate place to deal with amendments is in committee. That is why we on this side are attempting to get the bill to the Standing Senate Committee on Legal and Constitutional Affairs as soon as possible.

Hon. Finlay MacDonald: Honourable senators, perhaps Senator Graham could cite a precedent to assist us? To introduce a piece of legislation and indicate in the chamber that there will be a precise number of amendments made in committee sounds backwards. Can Senator Graham help me on this by citing a precedent?

Senator Graham: It is common practice for bills to be amended in committee. As I have stated, the government would prefer to have the bill in its present form. However, in previous discussions and debate honourable senators opposite have indicated their desire to have amendments to the bill. The government is desirous of accommodating the Conservative senators, but the appropriate place to have those amendments considered is in the proper committee.

Senator MacDonald: Honourable senators, it could have been the government's own little secret that it has these amendments

in its pocket to be introduced at the appropriate time. However, the government is encouraging us to send the bill to committee, saying that if we are good little boys and girls and do that quickly, we will get the amendments. The honourable senator does not deny that he has the amendments prepared, does he?

Senator Graham: Honourable senators, we want to hear what the Conservative members of the committee have to say with respect to amendments. We certainly would not want to be as dogmatic as some members opposite were when they were in government. We want to hear what they have to say and then we will offer the amendments. They may indeed be the amendments which are proposed by Conservative members of the committee.

Senator MacDonald: One would have to have had his head under water for the last two years not to know exactly what we intend to say on second reading and in committee. This exercise is wearying for us all.

Senator Lynch-Staunton: I have a question for Senator Graham which I must precede by quoting Senator Kirby. On May 15 he said:

I am pleased to tell Senator Lynch-Staunton and all other members of this chamber that every one of the constitutional criticisms levelled against Bill C-22 will be addressed and satisfied by the amendments that the Liberal members of the committee are prepared to move in committee.

Nothing could be more categorical than that. He did not say, "If you want amendments, we will draw them up when we get to committee." He gave an assurance at second reading that amendments will be prepared to address concerns which have been expressed over the last two years. If the amendments are ready to go to committee, it is only fitting that they be presented to us at this stage in order that we may know exactly the flavour of the bill, because passage at second reading means approval in principle.

As Bill C-28 now stands, we do not approve of it in principle, although perhaps with the amendments we would. If we had the amendments before us at this stage, that would determine our decision on the bill at second reading.

[Translation]

Hon. Pierre Claude Nolin: I am pleased to speak today on a subject that has been the object of our debates for nearly two-and-one-half years now.

Now we know that Bill C-28 is not based on any sound principle.

Hon. Jean-Maurice Simard: It was a campaign promise.

Senator Nolin: Absolutely! Senator Kirby said as much within about 30 seconds of starting his speech, describing the bill as a commitment made to the Canadian public during the last election. That is the principle behind the bill, and nothing else.

Senator Kirby pointed out that the bill is the same one we examined last session. The government is preparing to table some amendments. I do not, therefore, think it is the same bill. My colleagues have already said so, but I wish to state again that I find that method unworthy of this Parliament.

Senator Kirby's words during second reading are along the same line as those of former transport minister Doug Young. They refer to lobbyists, to political interventions and pressures, to a bill thrown together at the last minute. The two have taken the text of the famous Nixon report and reused it nearly word for word.

This leads me to conclude that, for the government, the principle behind the tabling of such a bill holds as true today as it did then. The Liberal government seems, indeed, not to have taken into account the new information we have acquired since, particularly over this past summer.

In fact, the work of the Special Senate Committee on the Pearson Airport Agreements, like that of the Standing Senate Committee on Legal and Constitutional Affairs, enlightened us considerably and should have enlightened the government. However, since we must yet again discuss this bill, we can only conclude that the Liberals turned a deaf ear and failed to hear common sense and recognize that, once again, they were mistaken.

As you know, I have opposed this bill from the start. First, I have a hard time accepting the fact that the legislative branch can impose limits on the judicial branch. I think our system of justice works well and I see no reason for the government to doubt the proper exercise of judicial authority.

Second, I have a very hard time with the fact that the bill was not constitutional. Senator Kirby made a great to-do over our arguments on the constitutionality of this bill. We have presented arguments and we may present more, but our objections will concern primarily the principle of this bill.

I was bowled over by the sight of the Minister of Justice testifying before the committee and supporting an unconstitutional bill. It is, however, his political right to do so. Our job as senators is to prevent a bad and particularly unconstitutional bill from becoming law.

Third, I had a very hard time giving any credibility to Mr. Nixon's report. Gratuitous and unfounded statements — errors in fact — and astonishing speed all led me to doubt the quality of his work. In fact, I came to believe that the text might have been written by an advisor to the Prime Minister — I would even say a special advisor to the Prime Minister. Today I say that the principles that led the federal government to introduce this bill do not exist and never did exist.

Termination of a contract such as this one requires solid reasoning based on public interest and on fact. Consequently, at the first meeting of the Standing Senate Committee on Legal and Constitutional Affairs considering Bill C-22, Senator Murray asked the Minister of Transport at the time:

You say you did not rely only on the Nixon report. Were other reports or other documents used in reaching the decision?

Mr. Young responded:

Yes. The agreement itself, the contracts, the arrangements, rental periods and yield were all analyzed.

Honourable senators, I must tell you today that the remarks made by the Minister of Transport at every stage of the bill, before parliamentary committees and in the media, as well as those made by other government members, including Senator Kirby, confirm the fact that the Liberals' argument is based solely on the Nixon report.

No other document or assessment has ever been produced or carried out. The government needed an excuse; it gave itself a month to come up with this one. Ever since, their whole argument has been based on this excuse, which was proven absolutely bogus upon close examination last summer.

The principle of the bill is the Nixon report. On November 29, 1993, at a meeting held in the presence of Prime Minister Chrétien, Mr. Nixon set out his findings. Four days later, the Prime Minister announced the cancellation of the Pearson Airport Agreements. In the press release, reference was made to the recommendation contained in the Nixon report.

The question we must ask ourselves now is the following: Was the Nixon report, which provides the very basis for this bill, a botched job or a serious piece of work?

Let us take a closer look at this report. First, the mandate. There is no written mandate. After questioning the government and Mr. Nixon, the conclusion is reached that Mr. Nixon was not given a written mandate. The only reference to a mandate can be found in a letter to the Prime Minister, in which Mr. Nixon writes, and I quote:

• (1550)

[English]

On October 28th you asked me to carry out a review of the matters pertaining to the privatization of Terminals 1 and 2 at Pearson Airport in Toronto and to report my findings, opinions and recommendations to you by November 30.

[Translation]

As you can see, it was a very broad mandate and especially a very short time to review such a complex matter. May I remind you that the process had started in 1992 and that there were more than 36,000 pages in the documents tabled with the special committee last summer. This does not include the documents government censors decided not to release. May I remind you that the exhaustive analyses carried out by Raymond Chabot Martin Paré — a very good Quebec firm, incidentally — Price Waterhouse, Deloitte & Touche and Richardson Greenshields were never reviewed.

Let us now look at the study itself. Mr. Nixon begins his report by explaining what he accomplished in 30 days, and I quote:

Over the course of the last 30 days, I have had the opportunity to review the agreement to privatize and redevelop Terminals 1 and 2 at Pearson Airport in Toronto. I have had counsel and business analysts consider all the contract documents making up that agreement. I have also had the opportunity to meet with a number of the individuals involved to gain an understanding of this agreement—

Take good note of the following words:

— to gain an understanding of this agreement and the processes that led up to it.

Mr. Nixon's review of the agreement amounts to three weeks of ongoing talks and one week spent on drafting the report. Mr. Nixon indicates that he met with 66 people, including 23 members of the Liberal caucus from the Greater Toronto Area. All these meetings were held in private and very few notes of these meetings were kept.

Did Mr. Nixon meet with the Assistant Deputy Minister of Transport, Airports Group, Mr. Barbeau, who was one of the main people responsible for the strategic framework regulating the Pearson process, for the development and release of the request for proposal, and for the evaluation process? No, Mr. Nixon did not meet with those people.

Did Mr. Nixon meet with Mr. Berigan, the Transport Canada director general responsible for putting a team together and developing an evaluation process for the review of proposals in 1992? No, Mr. Nixon did not see fit to meet with him.

Did Mr. Nixon meet even one of the lobbyists he accused? Did he meet Mr. L'Abbé, from Raymond Chabot Martin Paré, or Mr. Simke, from Price Waterhouse? Did he meet Raymond Hession, from Paxport? Messrs Cappe and Gershberg, from the Treasury Board Secretariat perhaps? Mr. Shortliffe, who was consecutively deputy minister of Transport and Clerk of the Privy Council? No, he did not. Instead, Mr. Nixon preferred to meet with the Liberal caucus for the Greater Toronto Area.

One might have expected Mr. Nixon to meet, at the very least, Bob Lane, who set up the evaluation team and directed the evaluation process regarding the redevelopment of Pearson airport. He admitted candidly not knowing who Bob Lane was. Mr. Nixon testified before the special committee of the Senate that, on the basis of the discussions he had with these various people, he was under the impression that both the tendering process and the contracts per se were flawed.

Why then did Mr. Nixon never make any effort to verify or reconcile his impressions by contacting those in authority?

The third point raised in the Nixon report is patronage. In his report, Mr. Nixon wrote that Mr. Matthews had been Brian Mulroney's leadership campaign manager as well as the chairman of the PC of Canada Fund. I know a thing or two on the

subject and I can tell you that there is no truth in this. Where is this information coming from? From Mr. Chrétien! What a great source of information on what is going on in the Conservative Party.

This false information was released on March 12, 1992, and the press simply published this information, which eventually ended up in the Nixon report.

Former minister Otto Jelinek is also mentioned as another alleged example of patronage by Mr. Nixon, who claims that Jelinek was working for a subsidiary of Paxport in 1993. Again, that is completely false.

The fourth point raised by Mr. Nixon is lobbying. Mr. Nixon tells us that the process has been tainted by pressure exercised by lobbyists. However, he does not provide any supporting evidence. Also, officials have told the special committee that they take hardly any notice of the influence lobbyists may have. One might wonder why the private sector keeps hiring highly paid lobbyists at this rate. On the other hand, lobbying is a perfectly legal activity in Canada. In fact, there is even federal legislation regulating the pursuit of this occupation.

Mr. Nixon does not seem to think that the Criminal Code or the federal Lobbyists Registration Act was violated. Otherwise, he would have had to inform the RCMP accordingly.

Did lobbyists play a role? Sure, but within the boundaries of the Canadian legislation.

The fifth point raised in the Nixon report is the financial issue. Mr. Nixon made a series of statements which are inaccurate, show his lack of understanding, or are patently false. He says that only two groups made proposals. In fact, there were three. He also mentions that, from the outset, the whole issue of competition was shelved. He forgets that, before the contracts were awarded, the competition tribunal reviewed the issue and did not find anything wrong with the Pearson agreements.

In his testimony before the committee, he said, and I quote:

That no financial pre-qualification was required in this competition.

This contradicts the statement made by Mr. Barbeau, whom Mr. Nixon did not deem necessary to meet. Mr. Barbeau told the committee the following:

In the request for proposals ... bidders are asked to present their project from a commercial point of view and, of course, to be prepared to show that it is financially viable.

Public officials even said that financial viability accounted for 40 per cent of the assessment and that the process included an evaluation by Richardson Greenshields. Why did Mr. Nixon make such statements? Did he really do a good job? I doubt it.

Mr. Nixon told us he asked Allan Crosbie, of Crosbie & Company Inc., to evaluate the rate of return from a promoter's point of view. In his report, Mr. Nixon wrote, and I quote:

... as I have been advised by my business valuation advisor, the rate of return provided to T1 T2 Limited Partnership could, given the nature of this transaction, well be viewed as excessive.

Nixon considers Mr. Crosbie's study to be reliable, but he does not tell us what he thinks of the Deloitte & Touche study, which deemed the rate of return for investors to be very reasonable. A Deloitte & Touche official spent more than six months on this study, compared to a little over three weeks for Mr. Crosbie.

We recently learned before the Ontario court that, for strategic reasons, the government had changed its opinion. We have now learned that, before the Ontario court, the Liberal government argued that the rate of return for promoters would be negligible and that it would therefore not be necessary to compensate developers for the cancellation of the contract.

- (1600)

We will indeed have to consider this bill in committee, but we will also have to question the Minister of Transport, since he is responsible for the officials who will testify before the courts on behalf of the government.

How come what was exorbitant when Mr. Nixon wrote his report has now become negligible? According to the document examined by Senator Lynch-Staunton, we are now dealing with the losses faced by developers. Whom can we trust? Whom did the government rely on to prepare this bill? We will put these questions to the Minister of Transport, Mr. Anderson.

Mr. Nixon's report is full of contradictions. The last point I want to raise may also be the most important. In his report, Mr. Nixon states:

Finally, the concluding of this transaction at Prime Ministerial direction in the midst of an election campaign where this issue was controversial, in my view flies in the face —

The Hon. the Speaker: I am sorry to interrupt you Senator Nolin, but the 15-minute period is over. Do you wish to seek leave of the Senate to continue?

Senator Nolin: Yes, honourable senators.

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

Some Hon. Senators: Agreed.

Senator Nolin: Thank you, honourable senators, for your indulgence. We have the rest of the year.

Senator Simard: Six months more or six months less —

Senator Nolin: Exactly, we have been considering this bill for two and a half years already. Six months more —

Again, Mr. Nixon said this:

Finally, the concluding of this transaction at Prime Ministerial direction in the midst of an election campaign where this issue was controversial, in my view flies in the face of normal and honourable democratic practice. It is a well-known and carefully observed tradition that when governments dissolve Parliament they must accept a restricted power of decision during the election period.

The Deputy Minister of Transport, Mr. Rowat, forwarded several documents to Mr. Nixon. In this document, Mr. Rowat indicates, and I quote:

[English]

Non-binding letter of intent signed June 18, 1993 by Deputy Minister of Transport, H. Labelle, and Paxport and Claridge (T1T2LP) agreeing that the drafting of final documentation would continue and the government would seek the approval of the Treasury Board and Governor in Council of the final documents.

Treasury Board Submission Approval August 27, 1993.

August 27, 1993 Treasury Board approval and Orders-in-Council Approving T1T2 Lease Agreements.

[Translation]

We must bear in mind that the main agreement was finalized and submitted to Treasury Board, and then approved by cabinet on August 27, 1993. Mr. Nixon was definitely aware of these facts but he did not mention them. Why? Because it would have destroyed his argument. The decision was made in August, well before the election was called.

There is more. When I say there are new facts which lead us to conclude that we must look at the principle underlying this bill, I am not only referring to the constitutional issue. We have already won on this front. You yielded, you almost demonstrated to us that you did not respect the rule of law and that you made amendments accordingly. I assume these are more or less the amendments you are about to introduce.

There is more. On September 28, 1994, your Prime Minister, Mr. Chrétien, said:

A Prime Minister cannot act alone. The opposition would be the first one to blame me if I took on financial commitments without cabinet or Treasury Board approval. Of course, if I give my word, they will honour it; on the other hand, legally —

This is Prime Minister Chrétien speaking.

— without a cabinet decision and Treasury Board approval, there can be no government commitment.

Based on the criteria mentioned by Mr. Chrétien, it can be said that, on August 27, there was a legally binding agreement between the developers and the federal crown.

According to the only expert who feels that a constitutional convention limits government action during an election period, this convention would apply only if the signing of the Pearson agreements was a measure that went beyond the normal course of administering. The fact is that the signing of the Pearson agreements does not even violate the alleged constitutional convention. It was a matter of signing an agreement reached earlier, before the election was called, in October.

In October 1993, they merely signed legal documents prepared by officials during the month of September, in order to conclude and to give effect to an agreement that had existed for several months. In addition, unless developers could be persuaded to deliberately delay the signing of the agreements, the only alternative officials proposed — that is signing the agreements as agreed — the developers would have been in a perfect position to take the federal government to court, that being obviously against the public interest.

Ultimately, what we saw, and are still seeing today, is an example of the great tradition of your party, honourable senators across the way: do everything you can to get elected and to stay in power, with no regard for the consequences and certainly no regard for the public interest.

The Liberals promised to abolish the GST. The Prime Minister even spoke of scrapping it. The GST is still with us: it is here to stay. The Liberals cancelled the contract to buy the EH-101 helicopters, and the cost to do so was close to \$1 billion. Do we have new helicopters yet? We have nothing, but it has cost us a billion dollars.

The Liberals decided to cancel the Pearson Airport Agreements. However, they will still have to develop this airport. In this, the Liberals are following in the footsteps of their friend, the former premier of Newfoundland, Clyde Wells, who, in 1990, rescinded the approval by the former government of Newfoundland of the Meech Lake Accord. Do you remember that? Furthermore, coming up in just under a month is the sixth anniversary of the famous scene between Mr. Chrétien and Mr. Wells, which was to go down in history, and which is still etched deep in the memory of many Quebecers.

This constitutional discussion will take place at another time. Let us return to our bill.

For all intents and purposes, the Nixon report is ridiculous. It is purely smoke and mirrors to hide the only reason that drove the government to cancel the agreements. It is the only reason. Senator Kirby referred to it two weeks ago in the introduction to his speech. The only reason is that Prime Minister Chrétien promised to cancel them.

If the government was serious, it could simply have asked the developer to renegotiate these agreements. But no, the decision was taken hastily, without regard for the consequences and especially without regard for the interests of Canadians.

I could have taken more time here to mention all of Mr. Nixon's errors and omissions. I believe I have shown that Mr. Nixon did not serve his government or his country well, and knowingly acted in a manner detrimental to Canadians.

For all these reasons, in addition to asking you kindly, and in all honesty, to reject this bill, I ask you to support the amendment put forward by Senator Lynch-Staunton.

[English]

• (1610)

On motion of Senator Tkachuk, debate adjourned.

SECOND READING—ALLOTMENT OF TIME FOR DEBATE—
NOTICE OF MOTION

Hon. B. Alasdair Graham (Deputy Leader of the Government): Honourable senators, it should surprise no one in the Senate that we on this side of the chamber wish to move ahead with Bill C-28 as expeditiously as possible. This bill arrived in the Senate on April 23, 1996, more than a month ago, and we believe it is time it was sent to committee for study.

Though there have been discussions between myself and the Deputy Leader of the Opposition on coming to an agreement about when this could take place, we have failed to reach an agreement.

Hon. Eric Arthur Berntson (Deputy Leader of the Opposition): We are miles apart!

Senator Graham: Having met with no success with the voluntary approach, I wish to give notice that on Wednesday next, May 29, 1996, I will move:

That, pursuant to the provisions of rule 39 and in relation to Bill C-28, an act respecting certain agreements concerning the redevelopment and operation of Terminals 1 and 2 at Lester B. Pearson International Airport, not more than six further hours of debate be allotted to the consideration of the said bill at second reading stage;

That when the debate comes to an end or when the time provided for the debate has expired, as the case may be, the Speaker shall interrupt, if required, any proceeding then before the Senate and put forthwith and successively every question necessary to dispose of the second reading stage of the said bill; and

That any recorded vote on the said question or questions shall be taken in accordance with the provisions of rule 39(4).

Senator Lynch-Staunton: I thought you did not like the rules.

Senator Graham: It is your rule.

Senator Lynch-Staunton: You were against closure and we will quote you on that. You said that six hours would not be enough. You fought closure.

CRIMINAL CODE

BILL TO AMEND—SECOND READING—ORDER STANDS

On the Order:

Resuming the debate on the motion of the Honourable Senator Cools, seconded by the Honourable Senator St. Germain, P.C., for the second reading of Bill S-6, to amend the Criminal Code (period of ineligibility for parole)—(Honourable Senator St. Germain, P.C.).

Hon. Nicholas W. Taylor: Honourable senators, I was hoping to speak on Bill S-6 under Senate Public Bills. Has it been called?

Hon. Eric Arthur Berntson (Deputy Leader of the Opposition): Yes, it has.

The Hon. the Speaker: I believe the item was stood. It is in the name of the Honourable Senator St. Germain.

Senator Taylor: I have talked to the Deputy Leader of the Opposition about speaking on this bill. With leave, because Senator St. Germain is not here, I should like to speak for five or six minutes on the topic.

The Hon. the Speaker: I would have to ask the Deputy Leader of the Opposition. Is it agreeable?

Senator Berntson: It is true that I offered to yield on the part of my colleague, Senator St. Germain, in the event that Senator Taylor wanted to speak. It does not necessarily follow that I have to tell Senator Taylor when, on the Order Paper, to get up.

Hon. John Lynch-Staunton (Leader of the Opposition): He should learn.

Senator Berntson: I am in your hands.

Senator Lynch-Staunton: Maybe tomorrow.

The Hon. the Speaker: Is it agreed, then?

Senator Lynch-Staunton: No.

The Hon. the Speaker: No, leave is not granted. The order stands in the name of the Honourable Senator St. Germain.

Order stands.

CANADA ELECTIONS ACT

BILL TO AMEND—SECOND READING

On the Order:

Resuming debate on the motion of the Honourable Senator Taylor, seconded by the Honourable Senator Milne, for the second reading of Bill C-243, to amend the Canada Elections Act (reimbursement of election expenses).—(*Honourable Senator Berntson*)

Hon. Eric Arthur Berntson (Deputy Leader of the Opposition): Honourable senators, this bill is standing in my name. If there is no further debate on it, any questions that we on this side have can be raised at the committee stage.

The Hon. the Speaker: Is it your pleasure, honourable senators, to adopt the motion for second reading of this bill?

Hon. Senators: Agreed.

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 Graham, bill referred to the Standing Senate Committee on Legal and Constitutional Affairs.

INTERNAL ECONOMY, BUDGETS AND ADMINISTRATION

FIFTH REPORT OF COMMITTEE ADOPTED

The Senate proceeded to consideration of the fifth report of the Standing Committee on Internal Economy, Budgets and Administration (emergency funds), presented in the Senate on May 16, 1996.—(*Honourable Senator Kenny*).

Hon. Colin Kenny moved the adoption of the report.

Motion agreed to and report adopted.

STATE OF FINANCIAL SYSTEM

CONSIDERATION OF REPORT OF BANKING, TRADE AND COMMERCE COMMITTEE—DEBATE ADJOURNED

The Senate proceeded to consideration of the second report of the Standing Senate Committee on Banking, Trade and Commerce entitled, *Crown Financial Institutions*, deposited with the Clerk of the Senate on April 1, 1996.—(*Honourable Senator Kirby*).

Hon. Michael Kirby moved the adoption of the report.

He said: Honourable senators, I rise today to say a few words about a report of the Standing Senate Committee on Banking, Trade and Commerce that was tabled with the Clerk of the Senate on April 1 of this year, a report which, I might add parenthetically, has received considerable commentary in the press across the country and from various politicians as well.

The other observation I ought to make at the beginning, so there will be no confusion, is that this report was unanimously accepted by the committee. It was adopted by the committee with the support of members of both sides of this chamber.

This report deals with federal Crown financial institutions and with regional development agencies of the federal government. It addresses the need for cost-effective and cost-efficient ways of delivering government programs to small- and medium-sized businesses.

The Banking Committee undertook this study last fall at the suggestion of the Minister of Industry, the Honourable John Manley. In June of last year, Mr. Manley appeared before the committee on Bill C-91, a bill to continue the activities of the Federal Business Development Bank under a new name, the Business Development Bank of Canada. That bill, as well as changing the name of the FBDB, significantly expanded the mandate of the bank. During hearings on the bill, the committee questioned why, in an age when government activity is being severely curtailed, the mandate of a Crown financial institution was being expanded significantly.

This was not the first time the committee had been forced to address this kind of issue. Two years before that, in June of 1993, the Export Development Corporation had its mandate expanded. Further, in April of 1993, the Farm Credit Corporation received a new and broader mandate with the passage of the Farm Credit Corporation Act.

• (1620)

This trend is ongoing, as evidenced by the fact that in the government's most recent budget an initiative was announced that would create an expanded Farm Credit Corporation to deal with rural development problems. It has thus become clear to the committee that there was a need to step back and look at the fundamental role of these agencies in the Canadian economy in the context of their mandates being expanded. The committee wanted to know if the government was giving full and careful consideration to how these agencies functioned as instruments of public policy. In other words, the committee wanted to know whether the expansion of the mandates of these agencies was part of an overall long-term strategy, or merely the satisfaction of some short-term political objective.

Mr. Manley agreed that such a study ought to be undertaken. He told the committee it would be helpful if it would undertake a study to consider, and I quote Mr. Manley's words before the committee last June, "...how the federal government's financial institutions as a whole function in relation to the private sector, the appropriate role for them to play and the kind of gaps that they are endeavouring to fill."

The report on Crown financial institutions, which was tabled with the Clerk during the recess, fulfils exactly those objectives. The report deals with the Export Development Corporation, the Canadian Commercial Corporation, the Business Development Bank of Canada and the Farm Credit Corporation. It also deals with the three regional development agencies of the federal government. They are the Atlantic Canada Opportunities Agency, or ACOA; the Federal Office of Regional Development in Quebec, or FORD(Q); and the Western Diversification Organization, which in the press is normally called WED.

The committee began with the premise that these agencies have an important role to play when the private sector fails to fulfil and meet the needs of worthy business ventures. I want to emphasize this point because it is a point that has been frequently misreported in the press. The committee was clear in saying that small businesses and exports drive the Canadian economy; they are vital to this country's economic well-being. The federal government should help Canadian businesses when it can be demonstrated that there are gaps in the system that the private sector is unwilling to fill.

In filling these gaps, the federal government, however, must ensure that its strategies are efficient. When they lead to unnecessary overlap and duplication, waste of public resources is the result. If they lead the Crown agencies competing against the private sector for customers, the result is even more serious.

Honourable senators, surely it is a fundamental principle of government in the 1990s that government has to work with the

private sector through private sector-public sector partnerships to achieve maximum economic growth. To suggest that federal financial institutions should work against the private sector, or that they should be in direct competition with banks, credit unions, and other lenders, is to go against the thinking that lies at the heart of every economic policy put forward by the federal government, both Liberal and Conservative, for the past decade.

Therefore, the committee in its work last fall, and in the report which it tabled in April, paid careful attention to the issues of duplication and competition.

In the area of duplication, the committee found that there exists a significant amount of overlap among federal agencies. Regional development agencies currently target small businesses — exactly the same target market of the Business Development Bank. Similarly, the Farm Credit Corporation also targets small businesses. Indeed, a significant percentage of its current work is dedicated to helping farmers start their own past-the-farm-gate small businesses. Further, the four financial Crown corporations and the three regional agencies are all focused on knowledge-based industries that will make a mark in the new economy.

Part of the problem in identifying and eliminating overlap and duplication between Crown financial agencies, and Crown financial agencies and the private sector, is that there is no common definition of "small business." This fact makes it virtually impossible to analyze the lending patterns of these agencies to see how they overlap and/or compete with the private sector. More important, it also prevents identification of the gaps which these agencies in their mandates are explicitly required to fill.

The result is that Crown financial agencies end up competing against each other and the private sector for the same market segment, namely, small- and medium-sized businesses. In fact, duplication has become so rampant that Western Economic Diversification currently defines its role as providing its customers with a window of single access to other federal and provincial agencies and programs.

Clearly, honourable senators, there is something wrong with this picture. The situation calls for attention when government programs have become so complex, so overlapping and so multitudinous that one agency is required to help a firm find which government program meets its needs. Businesses should not have to have an agency whose sole purpose is to provide them with a road map to help them find their way through a maze of government programs.

As to the issue of whether or not government financial agencies are competing with the private sector, the committee heard evidence from a number of private sector lenders. None of them denied that there exists a legitimate need for government agencies to be in the marketplace, and none of the private sector lenders argued that the Crown financial institutions should not exist. Each of the private sector lenders, however, expressed concern about the role Crown financial institutions currently play.

For example, the Canadian Bankers Association testified that there are more government financial agencies in Canada than in any other OECD country. The Credit Union Central of Canada testified that, while their organization has, historically, worked very well with Crown financial institutions, now, with strong pressure on these institutions to meet their own bottom lines, credit unions find they are increasingly competing directly with Crown financial agencies for business.

The Canadian Financing and Leasing Association expressed the concern that Crown financial institutions were duplicating the role of private market lenders who are trying to become fuller-service financial institutions. In an age where technology is taking over, making bricks and mortar infrastructures increasingly obsolete, this approach of Crown financial institutions to having their own branch network makes less and less sense.

Further, the leasing association argued that if the stated goal of public policy is to assist small- and medium-sized enterprises while not competing directly with the private sector, then Crown financial institutions should be in the business of credit enhancement or risk mitigation for private sector lenders. They should not be in the direct lending business itself.

In light of these comments from private sector lenders and the concern the committee had about competition between the public sector and the private sector, as opposed to having the public sector fill market gaps, the committee addressed itself to two questions. First, how much risk needs to be mitigated before the private sector will take the transaction? Second, how does the government provide such mitigation?

On the first question, credit enhancement has the advantage of taking a number of different forms. Each form has the ability to use the existing private sector infrastructure to manage and fund financial transactions. Government programs can be delivered without Crown financial institutions having to operate their own extensive network of branch offices, the bricks and mortar to which I referred a minute ago. Indeed, the private sector currently manages federal funds loaned under the Small Business Loans Act, or SBLA. This is an excellent example of an effective federal government program being delivered through private sector infrastructure without the federal government having to invest in infrastructure of its own.

• (1630)

Even targeted users of Crown financial institutions had concerns about competition. The Canadian Federation of Agriculture, a strong supporter of the Farm Credit Corporation, expressed its concern that the Farm Credit Corporation not lose sight of its original mandate. Witnesses from the federation testified that they have serious concerns about the current competition between the Farm Credit Corporation and private sector financial institutions, particularly credit unions in the west and caisses populaires in Quebec. Because credit unions and caisses populaires are very active in rural areas, the Canadian

Federation of Agriculture is concerned that extreme competition with FCC could endanger these institutions, institutions which are very important to the infrastructure of small rural communities across Canada. They may cease to exist, having been put out of business by excessive competition from Crown financial institutions in general and the Farm Credit Corporation in particular.

Coming from a targeted user group of the Farm Credit Corporation, this was strong evidence that Crown financial institutions do compete with the private sector. This evidence concerned the committee greatly and was a major underlying factor in the formation of the committee's recommendations.

The Federation of Agriculture also had concerns about how other Crown financial institutions are operated. Witnesses from the federation expressed concern about the recently broadened mandate that the Export Development Corporation be self-supporting. The federation felt that this new mandate, as revised in 1993, had caused EDC to become far too risk-averse.

The Federation of Agriculture was not alone in this view. The president of the Canadian Exporters Association stated that EDC's mandate, including the self-sustaining provision, meant that EDC would no longer be able to be as aggressive as exporters would like it to be.

The committee spent a good deal of time examining the issue of self-sustainability for Crown corporations and Crown financial institutions. This examination was recently expanded to cover the Farm Credit Corporation and the Business Development Bank.

While there is no doubt that self-sustainability is a worthy goal from a business perspective, it raises a very interesting issue in this case. Can these agencies become self-sustaining if the only means to do so is to target profitable businesses presently serviced by private sector financial institutions? We see that as a fundamental dilemma in demanding self-sustainability in Crown financial institutions.

The committee asked itself these questions: Should these agencies be targeting profitable businesses which are also targets of the private sector? The committee found that the answer should be a categorical "No." Should these Crown financial institutions be rejecting loans to businesses that do not offer them a high rate of security or the highest rate of return? The answer again is a categorical "No."

The purpose of Crown financial institutions is to fill gaps which will not be filled by the private sector.

Let me cite a couple of examples to put the problem in perspective. A loan to a small family farm may not offer a high enough rate of return to a private financier for the lender to approve the loan. The private financier may be able to make more money lending to a larger operation. Similarly, a loan to a small business in the Yukon, for example, may have higher costs associated with it than providing the same loan to an identical size and type of business in downtown Toronto.

However, should the family farm be sold simply because it cannot borrow money through the private market? Should the business in the Yukon relocate to Toronto simply because it cannot obtain money through private sector sources? Again, the committee strongly believes the answer to these questions is "No."

If both of these examples represent profitable businesses, then the committee argues that these businesses deserve support.

The Hon. the Speaker: I regret to inform Senator Kirby that the time for his speech has expired.

Is leave granted to allow the honourable senator to continue?

Hon. Senators: Agreed.

Senator Kirby: If both of these examples represent profitable businesses, the committee argued very strongly that they deserve support, and that Crown financial agencies should be there to help them. These are exactly the kinds of gaps which should be filled by Crown financial agencies. Crown financial agencies were established to support worthwhile ventures which have no access to financing in the private sector. They were established to fill gaps in the financial services marketplace which the private sector will not fill.

Honourable senators, this basic fundamental purpose, this *raison d'être* for these agencies, is defeated if, as a result of the self-sustainability objective, they overemphasize reducing risk or maximizing returns.

Even Crown financial institutions themselves agree with this basic goal — that they should fill gaps. Each Crown financial institution examined by the committee testified to this fact. The Farm Credit Corporation, for example, testified that their clients needed more flexible terms during the start-up of new ventures, terms that take into account the circumstances of running a business in a rural area. The Business Development Bank testified that their purpose was to concentrate on areas in market niches not fulfilled by commercial lending institutions.

However, are they doing this? The evidence presented to the committee suggests, if I can put it politely, that there is considerable room for improvement. Some Crown financial institutions have a very clear strategy of shifting away from the high risk or low-profit-market gaps that they were supposed to fill. Some are spilling over into traditional private sector activities in search of profits in order to meet their new self-sustainability objective. Others compete among themselves for clients; they go after exactly the same customers. These disturbing trends are addressed by the institutional reorganization which is recommended in the committee's report. I will comment briefly, honourable senators, on the specific nature of the reorganization that is proposed in the committee report.

The committee recommends that Crown financial institutions develop methods of identifying gaps in capital markets. Further, they should be required, in their annual reports, to specify what gaps they seek to fill and how they are being filled. It is not

unreasonable to request that a Crown corporation tell us what it is they think they are doing and then measure their progress in their annual report.

Accordingly, the report recommends a policy of harmonization and consolidation in the activities and structures of Crown financial institutions and agencies aimed at eliminating overlap and duplication which is now clearly rampant.

In this regard, one of the most important recommendations of the report is that Crown financial institutions be placed under the authority of a single minister and that the corporate functions, essentially the head office functions of all these institutions — treasury functions, legal services, human resources, to give you just a few examples — be placed under the authority of a single integrated Crown structure.

The integrated structure would have a corporate head office and two operating divisions: one being the merged Farm Credit Corporation and the Business Development Bank, the other being the merged Export Development Corporation and Canadian Commercial Corporation. Both of the latter two organizations deal exclusively with the export market.

This structure of a holding company and two subsidiaries is designed to achieve maximum efficiency. The committee is strongly of the view that such an integration will save on administrative costs and eliminate the extensive overlap which now exists. Moreover, it will make it much easier to determine whether government agencies are competing with the private sector and to stop such competition.

The committee further recommends that the mandate of the integrated company be reviewed every five years in precisely the same way that the mandates of many other government agencies are reviewed, indeed, in the same way that financial institution legislation governing private sector financial institutions is reviewed.

We believe a public debate on this mandate is important to the process of ensuring that these institutions fulfil their mandate of providing services which fill gaps and are not competing directly with the private sector.

We think it is important that, every five years, the user groups of these various institutions have the opportunity to come forward and to express their view on how well or how badly the institution is performing. Public scrutiny is an important part of the process of improving these institutions and agencies. We think that public scrutiny will significantly improve the effectiveness with which these institutions operate.

• (1640)

The concern over creating a new Crown corporation — essentially a holding company and its subsidiaries — has led to a number of comments in the press, the most extreme one being that of Terence Corcoran in his *Globe and Mail* column of April 8. Essentially, Mr. Corcoran tried to argue that we were attempting to create a new bureaucracy. However, the report is very clear that we seek a consolidation of existing bureaucracies.

Two key recommendations of the report defend against this unresponsive consolidated bureaucracy. First, Crown financial institutions need to establish data on a regular basis which is consistent with data now provided to the committee and to the public by private sector institutions. Such data will allow for the comparison of services provided and of the measure of efficiency with which they are provided by public sector and private sector institutions. Second, an annual report is needed from these institutions on what gaps they are trying to fill and how well they are succeeding in filling them. In this way, public scrutiny will be facilitated and brought to bear on the process. Greater public accountability will be achieved.

Public scrutiny and debate are important because the problem of identifying gaps and avoiding competition between the public and private sectors is complex. It goes beyond simply stopping competition with the private sector. It ranges to the very question of whether every gap ought to be filled, whether every gap requires government intervention. In fact, in some cases gaps should simply be left to exist and filled by neither the public nor the private sector.

As to whether Crown financial institutions should be self-sustaining, the committee clearly expresses its view that these institutions should be encouraged to move in this direction. However, if they cannot avoid deficits while fulfilling their mandates to support private businesses which private sector institutions will not support, Parliament must decide whether funds should be made available to make up the deficit. Institutions should not have to try to fill the deficit themselves by going into more lucrative markets which are adequately serviced by the private sector.

The consolidations recommended in the committee's report include merging the Export Development Corporation with the Canadian Commercial Corporation. The committee felt strongly that there is no reason why exporters cannot be served by a single agency whose interests include facilitating overseas contracts — which is what the Canadian Commercial Corporation does — as well as helping businesses increase their exports.

The Export Development Corporation, in its appearance before the committee, expressed reservations about this move and subsequently expressed those reservations to a number of sectors of the federal government. EDC suggested that it would create a conflict of interest between the functions of these two agencies.

Conflict of interest, however, does not seem to be a problem for any private sector corporation, such as General Electric and General Motors, to name two. Those firms not only produce and sell products but also vigorously seek to earn income by providing financing to the purchasers of their products. Indeed, looking at the private sector experience made it very clear to the committee that the conflict of interest which EDC suggested existed simply does not exist. Therefore, the committee categorically rejected the reservations expressed by EDC on this issue.

The other consolidation recommended in the report is that the Farm Credit Corporation be merged with the Business Development Bank of Canada. Both target small businesses.

Farmers may be concerned about losing an agency that is specifically devoted to their needs, but the committee heard much evidence, including evidence from the Canadian Federation of Agriculture, to the effect that much of the current work of the Farm Credit Corporation is devoted to assisting farmers who want to diversify into off-farm activities. Much of the work of the Farm Credit Corporation is devoted to what is called past-the-farm-gate activities; namely businesses owned by farmers but not related to farming per se.

All such activities of the Farm Credit Corporation clearly overlap with the activities of the Business Development Corporation. Since the past-the-farm-gate activities are an increasing share of the activities of the Farm Credit Corporation, clearly the degree of overlap between the FCC and BDC will continue to grow.

The committee was very clear in its report that farmers are businessmen and deserve to be treated as such. The committee believes that their special needs as farmers, as opposed to their needs for the businesses that are past the farm gate, will be served just as well by an integrated Crown financial institution as they are currently served by the FCC.

Indeed, the committee believes that the new integrated financial institution would be able to apply a broader and deeper perspective to the needs of farmers precisely because of the broad experience the BDC has with non-farming businesses. The combined agency proposed by the committee would be able to meet the needs of farmers better than can the FCC, while reducing the combined overhead of the FCC and the BDC.

The consolidation recommended in the report which has sparked the most comment in the media, however, is the recommendation that the regional development agencies — ACOA, FORD(Q) and Western Diversification — be phased out by integrating all of their existing programs into the merged FCC and BDC. That is, we did not recommend that regional development be eliminated. We recommended that the programs which these regional development agencies are now providing be merged into this new Crown financial institution.

From an efficiency standpoint, it clearly makes sense that regional agencies be able to take advantage of the expertise and infrastructure of Crown financial institutions. It makes sense because the regional agencies told the committee that their focus, their customers, their target market, is exactly the same target market as that of the Business Development Corporation and the Farm Credit Corporation; namely, to provide assistance to small- and medium-sized businesses.

In particular, because I am from the Atlantic provinces, I want to emphasize that the committee is not of the view that the federal government should not be involved in regional development. Indeed, the committee as a whole was categorically clear that the federal government needs to remain involved in regional development. In fact, if the way in which both the Business Development Corporation and the Farm Credit

Corporation operate is adopted by the merged institution, the new merged institution would be able to leverage the money which the federal government gives it for regional development. Under their acts the FCC and the BDC can borrow 12 times the amount of money the federal government currently gives regional agencies because the money is treated essentially as equity paid in capital.

Therefore, as a result of our proposal, there will be a significant expansion in the amount of money available for regional development. That expansion can be by as much as a multiple of 12 times the amount of funds that are transferred from the regional agencies to the combined Farm Credit Corporation and Business Development Corporation. More, not less, regional development is the result.

These recommendations of the committee have drawn much criticism, a lot of it from public figures in the Atlantic region. It is interesting to note, however, that virtually every editorial and press comment in the Atlantic region has endorsed the committee's report. The criticism has largely come from politicians as opposed to media or business groups.

In large measure, these editorials have been based on the reputation that ACOA has developed from the mid-1980s to the mid-1990s of being inefficient and largely a political trough for supporters of whatever party happens to be in power.

The politicians and some of the public figures who criticized the report have done so because they believe that a national Crown corporation would, basically, have no particular interest in Atlantic Canada. A number of the critics have also made the observation that they believe that a number of ACOA's better programs, such as the cooperation program, would cease to exist if ACOA was merged with the Farm Credit Corporation and the Business Development Corporation.

Again, these comments have come from people who have clearly not looked at, read or understood the committee's report. The committee is categorically clear that it is very sympathetic to the issues and concerns raised by these kinds of criticisms. This is precisely why we recommended that existing programs of regional agencies, including ACOA, could be continued in the new integrated organization. It is also the reason that the committee recommended on page 41 that the government could, indeed should, instruct the integrated new financial institution to spend a specific percentage of its funds in each of the less developed regions of the country.

• (1650)

If there was any concern that a new institution would not adequately reflect the needs of the poorer regions of the country, that concern could be overcome by a directive to the corporation from the federal government. That is why the committee feels strongly that Crown financial institutions should actively continue their role in the Atlantic region, in the West and in Quebec.

Finally, as to the concerns that various public figures have expressed about the need for any regional agency to have a local flavour and an understanding of local needs, the committee sees no reason why many of the same personnel, who now run these

programs for agencies like ACOA, could not continue to run the same types of programs for the new, integrated Crown financial institution.

Thus, in the opinion of the committee — and in my very strong personal opinion — every single one of the concerns about the report that have been expressed by supporters of regional agencies, particularly ACOA, were considered by members of the committee and more than adequately addressed in the report.

Honourable senators, in conclusion, let me say that in writing this report and in making these recommendations, the Standing Senate Committee on Banking, Trade and Commerce recognized that it would not be a popular report with the senior management of the various Crown financial institutions that it examined; nor, frankly, would it be popular with the regional economic development agencies that the report recommends be disbanded. It was also recognized by the committee that the report would not be popular with politicians who continue, in the 1990s, to be strong supporters of the approach to regional development of the 1960s and 1970s. In the words of one journalist commenting on the report, "The report treads on a lot of well-protected turf."

The committee knew that that response would be part of the reaction. We believed, however, that such a reaction should not stop us from making the recommendations that we did. As a committee, we would argue that one of the key roles of this chamber and of Senate committees is to have the ability to start a serious public policy debate that would otherwise not take place. This is a role that the Standing Senate Committee on Banking, Trade and Commerce relishes and will continue to pursue in the years ahead. In this case, we have started a debate that individual ministers would have found difficult to initiate, and others, notably the heads of Crown financial institutions, would have strongly resisted.

Approximately one year ago, on a completely different subject, the committee was in the same situation it now finds itself with this report. A year ago, the committee recommended that an element of co-insurance be introduced into the deposit insurance system of Canada. We made that recommendation, knowing that it would be politically unpopular in many quarters, and that it would attract severe opposition. Nevertheless, the committee made that recommendation with respect to co-insurance because we believed it was the right and proper public policy. We started a debate on that subject which we thought would be very useful.

As a result of that recommendation, the government was forced to have a serious look at the issue of co-insurance — just as it is now being forced to have a serious internal debate about the role of Crown financial institutions.

It is because of the Banking Committee's membership, its expertise, and the committee's reputation for delving seriously into policy issues that it has been able to start public policy debate on controversial issues in a non-partisan way. The reputation of the committee for playing this role is a testament to the way in which the committee members work together on a non-partisan basis. Members use their business judgment, as opposed to only their political or partisan judgment, to reach a consensus on important policy issues.

Honourable senators, in my 10 years on the committee, I can recall only two bills that were settled on a partisan vote, in spite of the fact that the committee handles approximately 40 per cent of the pieces of legislation coming through this chamber. Other than those examples, for 10 years, on every other report and on every piece of legislation, the committee has reached a consensus view, enabling a committee report to be strongly supported by both Conservative and Liberal senators. I fully expect that we will continue to do this, and that the Banking Committee will continue to write reports that serve the interests of the Senate by being a very good catalyst for informed public policy debate. In so doing, we recognize that we will, on occasion, present controversial reports on public policies, and will recommend policy changes that we believe are right, in spite of the fact that they will attract criticism and controversy.

Honourable senators, the committee has not backed down from tough political judgments in the past. It did not do so with this report, and it will not do so in the future. That, honourable senators, is the legacy of this committee.

Hon. Senators: Hear, hear!

On motion of Senator Berntson, debate adjourned.

POST-SECONDARY EDUCATION

INQUIRY—DEBATE CONTINUED

On the Order:

Resuming the debate on the inquiry of the Honourable Senator Bonnell, calling the attention of the Senate to the serious state of post-secondary education in Canada.—(*Honourable Senator Berntson*).

Hon. Eric Arthur Berntson: Honourable senators, I yield to Senator Oliver.

Hon. Donald H. Oliver: Honourable senators, I rise today to speak in support of Senator Bonnell's motion to establish a Senate inquiry into post-secondary education in Canada. This is such an important matter that consideration should be given to establishing a special committee on this subject or, failing that, as suggested by Senator Bonnell, the matter should be referred to the Standing Senate Committee on Social Affairs, Science and Technology.

Both as a student and as a professor, I have taken part in Canada's post-secondary education system. My undergraduate work and my law degree come from universities in my native Nova Scotia. Since graduation, I have taught various law courses at Dalhousie University and at the Technical University of Nova Scotia, St. Mary's University. I have seen our universities and their problems from the vantage point of a student, a teacher and, just a couple of weeks ago, at a meeting of the Board of Governors of Dalhousie University.

I support Senator Bonnell when he says that there is a crisis in post-secondary education in Canada. However, while this crisis may have been precipitated or perhaps exacerbated by recent budget cuts, it has been looming for some time. The crisis is a product of our changing world realities. We are shifting as a developed nation from an economy whose basis of wealth was natural resources and manufacturing to an economy based on knowledge. Therefore, achieving higher levels of education becomes crucial to those hoping to join the workforce.

The problem is that both students and universities must adapt to these new realities in a time of shrinking financial resources. In many ways, business and commerce in Canada has already adapted, in that Canada is looked upon as a world leader in new technologies and telecommunications — that is, the knowledge-based industries. The issue for business arising out of this crisis in education is the failure of universities and other post-secondary institutions to keep up with the demand for graduates in computer science and with other high-tech areas. However, more on that subject later.

As far as I am concerned, the inquiry suggested by Senator Bonnell should focus on four interrelated areas: The role of governments in education, the relationship of business to education, the problems of accessibility faced by students, and alternatives by which post-secondary institutions can resolve the problems which presently beset them. This inquiry can bring together representatives of these four areas in order to obtain their views on the goals of formal education. The goals of education must be ascertained before we can put in place an overall strategy which will be of benefit to all four groups.

In other words, serious thought must be given to whether we have moved beyond the time when universities could be characterized as places where students were taught to think; when universities, as civilizing and socializing institutions, inspired creative thought. This was certainly the perception of our universities in the 1970s and perhaps the 1980s. Have we actually moved to the point where the emphasis on universities should be on preparing students for the workplace, teaching them readily marketable skills and directly meeting labour-market requirements? These fundamental issues must be addressed. It will be important for the inquiry to look at the appropriate role for governments in post-secondary education.

• (1700)

Dr. Ken Ogilvie, the President of Acadia University, suggested particular roles for government at a symposium on this subject held at St. Mary's University in Nova Scotia in January of this year. He suggested that the federal government should determine the level of funding that it is willing to pay the provinces for post-secondary education. The provincial government should then determine the level of funding for universities, and then both governments should get out of the way. Governments should not be trying to micromanage universities, in Dr. Ogilvie's opinion. It should be left to universities to determine how best to meet the future. It is the universities which are best positioned to determine what programs to offer, not governments.

The relationship of business to education is an area which has been continually ignored by those studying post-secondary education in Canada. However, business and education are inextricably linked. This is an area deserving of very careful scrutiny by a Senate committee.

From a practical point of view, there is little to recommend an educational system which ignores the demands of the workplace. This is especially true during the present period when most companies are downsizing, creating an even larger pool of workers from which business can choose. A Toronto-based human resources firm recently conducted a study across Canada concerning the personnel needs of business. Future employers were asked, "What are you looking for in students as new employees?" Interpersonal, managerial and technical skills were the top three answers.

Future job creation as predicted by employers lies primarily in computer- and information-based systems, sales and marketing and engineering. Technology is rapidly changing the face of the job market. Half the jobs that will exist in 10-years' time probably do not exist today. The reality is that companies used to go to many universities to recruit employees. Now they streamline their efforts by going to the universities which specialize in the interests of that particular company.

Post-secondary institutions can no longer ignore the demands of the marketplace. The issues facing students are not new, but must be addressed in a comprehensive fashion by this inquiry. The issues are twofold: accessibility to educational institutions, and the relevance of what is being taught at that institution.

With the introduction of Canada's Student Loans Program in the 1960s, we prided ourselves in having solved the accessibility problem for those wishing to attend universities. In many ways, I believe that we were deluding ourselves even then. The school experience of low-income families, children with disabilities and those from minority groups, even with the Canada Student Loans Act, differs from the experience of children from middle- and high-income families.

The issue of cost and high debt loads on students must be addressed, but addressed in the context of affordability for all students. In addition, our educational institutions cannot ignore the need to equip students with marketable tools. This relates back to my previous comments on the relationship between business and education. Nothing is more discouraging for a student, a potential graduate, than to realize that after having spent three or four years at an undergraduate program, he or she has either no marketable skills or an education in areas that are of little interest to the marketplace.

I am not saying universities should abandon the goals of teaching critical thinking or an understanding of history — and I am a history graduate — or an appreciation of artistic or creative potential, but what I am saying is that in this period of restraint and global competitiveness, the practical relationship between education and work must be reviewed.

Finally, the new challenges facing Canada's universities would, I believe, occupy a large percentage of the time devoted to this study. The Students' Union of Nova Scotia, in its brief to the Public Accounts Committee of the Nova Scotia legislature, urged —

...post-secondary institutions to examine ways of delivering programs differently. Program structures, such as the amount of time or number of credits needed to complete the course requirements should be examined.

Universities will need to look at new issues such as different methods of program delivery through distance education, via correspondence or the Internet. This must be done to provide alternatives to the traditional full-time, on-campus method of study. Flexibility must become the cornerstone of program delivery.

Universities must become creative in trying to solve their financial problems. They must move beyond the mode of merely criticizing governments for lack of funding, and they must face reality. Universities must look to partnerships with industry and become more entrepreneurial in marketing their own programs, both within Canada and internationally.

I am particularly proud of the efforts of the universities in the Halifax area regarding their increased level of cooperation and coordination of resources, equipment and courses. Through cooperation, they have saved something in the order of \$17 million over three years. This is a model that universities in other cities should study.

The Senate study should also look at the issue of how universities can best access information in an era of global knowledge. With the advent of the Internet, students expect research materials to be readily available on the shelves of their libraries. The costs of maintaining such a research library is virtually prohibitive. Ways will have to be found for universities to cooperate with each other to provide the best research library facilities for students.

In addition, universities must find ways of recognizing and rewarding those who are good teachers. While research and writing have always been held in high regard in universities, our children are demanding and deserving high-quality instruction.

Honourable senators, I support Senator Bonnell's motion because I believe the improvement of post-secondary education is vital to the future well-being of the country. I think it is appropriate to conclude with a quote from well-known Canadian historian Desmond Morton. He reminds us that even in times of general economic difficulty, there remains:

One pillar of prosperity which is very much ours to neglect or repair, undermine or strengthen: it is the provision of trained and educated intelligence.

Hon. Noël A. Kinsella: I want to ask a question of Senator Oliver, if he would entertain that. In fact, I have two questions, or two concerns.

You have alluded to the importance of our students today being educated, and being computer literate. Would you elaborate a little bit? You alluded to it, I think. I would like to have some further explication. How are we to avoid simply creating modern-day hewers of wood and drawers of water by a focus, an overemphasis, perhaps, on the information technologies, et cetera, so that our students would not be given the kind of analytical training, and values analysis in particular, that is so important for modern society?

Your reaction to my metaphor would be important for me: How do we avoid simply training high-technology persons who are, as I say, nothing more than modern-day hewers of wood and drawers of water?

Senator Oliver: I thank the honourable senator for his question. It is an extremely important question, certainly one that will be analyzed very carefully by the committee.

Acadia University in Wolfville, Nova Scotia, has started an experiment whereby, as a prerequisite, all students attending that university next year will need to have a computer. Their computers must be equipped with some standard software to enable them to access the Internet, this universal school of knowledge where they can access libraries around the world and download interesting papers on their topic. The kind of literacy I am talking about is technological literacy that will permit them to use these new machines and their software to become well-rounded and well-educated people.

• (1710)

Not only will they be able to obtain technical information as a result of having access to the Internet, they will be able to learn about the arts and artists, and about culture, history and philosophy. The information is not strictly limited to technical material. I believe the fear expressed by the honourable senator is unfounded.

I do not know how much the honourable senator browses the Internet. Senator Perrault has frequently outlined the wide variety of topics to which one can have access; it is not only technology.

In the program I envisage, I do not think there would be undue emphasis on information technology.

Hon. Phillippe Deane Gigantès: Honourable senators, it is advertised that the Internet allows one access to the Library of Congress. One can access the index but none of the texts. The same is true of other such indices.

Until the Internet is further developed, it will resemble a search for a needle in a haystack; and a haystack is not made of nutritive hay.

Senator Kinsella: My second question, Senator Oliver, relates to a specific concern I have. Honourable senators might recall that in 1976 Canada assumed an obligation as a result of an agreement among all the provinces of Canada and the federal government which stated that Canada should ratify the United Nations International Covenant on Economic, Social and Cultural Rights. Article 13 of that covenant provides that post-secondary education would, progressively, become free. It is my hypothesis that, since 1976, post-secondary education in Canada, rather than becoming progressively free, has become progressively more expensive and more onerous. In other words, we are not meeting our obligation in that area.

Does the honourable senator see this study examining that particular proposition? We have a standard in place which can measure Canada's performance as to whether or not we have been meeting that obligation or whether, indeed, we have been slipping away from it.

[Senator Kinsella]

Senator Oliver: Honourable senators, that is another excellent question. I believe the committee will be studying accessibility. How accessible is post-secondary education to all Canadians whether rich or poor? Certainly, the cost of education is an integral part of an understanding of accessibility.

It is my hope that Senator Kinsella, as a professor who has taught for many years, will be a member of that committee. As a result of his work on human rights and his knowledge of the activities of the United Nations he would fully understand the meaning of Article 13, a covenant that should be discussed in committee.

Hon. Ethel Cochrane: Honourable senators, I, too, should like to speak to Senator Bonnell's inquiry.

On April 30, Senator Bonnell spoke on the issue of the present state and future development of post-secondary education in Canada. He suggested that this subject matter might be referred to the Standing Senate Committee on Social Affairs, Science and Technology for an in-depth inquiry. I, for one, welcome Senator Bonnell's initiative. I hope he pursues his suggestion that the committee examine post-secondary education. I trust that the terms of reference for such an inquiry will be sufficiently broad as to encompass the range of concerns expressed by Senator Bonnell in his speech.

As the government has consistently and repeatedly stated in recent years, I fully agree that post-secondary education is a vital key, not only to the future of career success and the livelihood of individual students, but also to our future prosperity and competitiveness as a nation. Without readily accessible, high-quality, post-secondary education, the future is bleak.

Senator Bonnell, however, has painted a grim portrait of the present state of our post-secondary institutions. In recent years, our students, the faculties, and the institutions themselves have been besieged by significant reductions in funding from both federal and provincial governments, by cut-backs in research and development funding, by tuition fee increases and increasing debt loads.

Honourable senators, these threats to the future operation of our post-secondary institutions are not abstractions. They are not vague concerns.

On April 29, the Minister of Education in my own province of Newfoundland and Labrador announced \$8 million in new cuts to the post-secondary system. The existing five regional community colleges will be merged under one central administration. Five of the 24 campus sites in the college system will be closed. Six college sites which currently offer first year university courses under the auspices of Memorial University will cease to do so. About 250 teaching and administrative jobs in the college system will be eliminated.

At a time when governments are preaching the absolute necessity of more and better post-secondary training, they continue to reduce funding for it. They continue to reduce accessibility to it. In the process, they are discouraging future students from taking post-secondary education. Enrolment is declining, not only in Newfoundland and Labrador but in many post-secondary institutions across the country, something which is partly an inevitable result of demographic trends. It is also partly because many high school graduates now question the wisdom of undertaking several years of further education at considerable expense only to face what they perceive as a very uncertain job market at the end of their training.

Further, they are being asked to purchase an educational product, the quality of which is declining because of funding cuts while its price is dramatically rising because of tuition fee increases.

Governments seem to take great pride in announcing increases to loan limits for students to offset those increases, leaving graduates with even larger debts loads to be repaid, armed only with degrees of declining value in the labour market.

In an earlier statement to this chamber, on April 23, Senator Bonnell drew our attention to the increasing numbers of part-time and mature students. He pointed out that nearly 40 per cent of full-time college students and 27 per cent of full-time university students were adults in 1991. Governments encourage adults to return to school for post-secondary training, but at what cost to those adult students?

It is discouraging for a 19-year-old high school graduate to enter university knowing that four years later she will graduate with \$40,000 or \$50,000 in student loan debts. It is a frightening prospect for an adult in her 40s or even her 50s to take on that same debt load to get a degree, knowing she will only have 15 or 20 productive working years after graduation to pay for it.

There are many issues concerning the post-secondary education system that I hope the committee will find time to examine, if it does undertake an inquiry. Can existing post-secondary programs be maintained, especially in the fields of the liberal arts and the humanities, in the face of cutbacks? What can be done about the decaying infrastructure of post-secondary institutions?

• (1720)

What can be done to encourage more cooperation between those institutions and the private sector? Can top-quality faculty be attracted to and retained by our institutions in an atmosphere of declining financial support? Do recent moves by some universities to charge full-cost fees for some professional programs unduly threaten access to an education?

I should like to conclude, as Senator Bonnell did, by raising the question of national standards for post-secondary education. I recognize education is most emphatically a provincial jurisdiction. There is, however, a long history of federal involvement in both funding of post-secondary education and research and development and in the assistance to students through loans and grants. That history dates back at least to the period after World War II, when veterans were assisted with their education, and to 1951, when the federal government began to make direct grants to universities.

In 1996, we need to recognize that our colleges and universities, even though they are provincial institutions, are an important national resource. It is absurd that students should routinely lose as much as a full year of credits at tremendous cost to themselves and the education system if they transfer from one institution to another. There should not be barriers to access or mobility in post-secondary education.

If the provinces' universities and colleges cannot agree among themselves on how to establish a national post-secondary education system, then perhaps we do need to consider a Canada Education Act similar in principle to the Canada Health Act.

I do not share Senator Bonnell's optimism about the ability of the federal government to enforce any set of national standards in education. The erosion of federal funding of post-secondary education with the establishment of the CHST will not be stopped by the \$11 billion temporary dyke that has been built. That minimum floor for cash transfers will surely be treated by the Minister of Finance as a maximum ceiling for a five-year period and the value of those dollars in real terms will diminish over the years. It does not represent much of a stick to wield over the heads of the provinces. I note that the education minister of my province prefaced his announcement of post-secondary education cuts on April 29 by saying that these budget difficulties are compounded by a reduction in federal transfer payments for post-secondary education, health and social service areas. Nevertheless, articulating national standards can serve the purpose of moral suasion. They can establish goals for the provinces and post-secondary education institutions, and they can help to identify transgressions in the public mind.

We should bear in mind that there have been efforts in the past to assert the national interest in post-secondary education. At a first ministers' conference in October of 1966, then Prime Minister Lester Pearson said that post-secondary education is a matter of provincial jurisdiction. At the same time, it is obviously a matter of profound importance to the economic and social growth of the country as a whole. He went on to define the federal interest as including fostering equality of opportunity for Canadians no matter where they live, preparing young people for productive employment, and ensuring interprovincial mobility for students. These aims remain important today, and I am sure that, some 30 years, later we could expand that list of objectives.

Let me repeat: This is a welcome initiative. The future of our system of post-secondary education is a vital concern and one that cries out for detailed study. I hope that the Standing Senate Committee on Social Affairs, Science and Technology will take up the challenge.

On motion of Senator Berntson, debate adjourned.

[*Translation*]

NATIONAL UNITY

MOTION TO APPOINT SPECIAL COMMITTEE—ORDER STANDS

On the Order:

Resuming the debate on the motion by the Honourable Senator Beaudoin, seconded by the Honourable Senator Lynch-Staunton:

That a special committee of the Senate be appointed to examine and report upon the issue of Canadian unity, specifically recognition of Quebec, the amending formula, and the federal spending power in areas of provincial jurisdiction;

That the committee be composed of twelve senators, three of whom shall constitute a quorum;

That the committee have power to send for persons, papers and records, to examine witnesses, to report from time to time and to print such papers and evidence from day to day as may be ordered by the committee;

That the papers and evidence received and taken by the Special Committee of the Senate on Bill C-110, An Act respecting constitutional amendments, during the First Session of the Thirty-fifth Parliament be deemed to have been referred to the committee established pursuant to this motion;

That the committee have power to sit during sittings and adjournments of the Senate;

That the committee submit its final report no later than December 15, 1996; and

That, notwithstanding usual practices, if the Senate is not sitting when the final report of the committee is completed, the committee shall deposit its report with the Clerk of the Senate, and said report shall thereupon be deemed to have been tabled in this Chamber.—(*The Honourable Senator Gigantès*).

Hon. Gérald-A. Beaudoin: Honourable senators, may I ask a question on this motion? Would Senator Gigantès allow a senator from our side to speak this week on this matter?

Hon. Philippe Deane Gigantès: No, I wish to think about it some more.

Hon. Jean-Maurice Simard: Honourable senators, on a point of order, would Senator Gigantès, while considering the matter, want to prevent a senator on this side from speaking?

The Hon. the Speaker: I do not think this is a point of order. You may ask a question.

Senator Simard: Honourable senators, while he continues to consider the matter, would Senator Gigantès allow other senators to speak? I would not like to think that a senator would wish to prevent another senator from speaking.

Senator Gigantès: As the deputy leader of my party advises, I regretfully agree to allow a Conservative senator to speak on this matter. However, I will have the adjournment of this item on the order standing in my name.

[*English*]

I am a good Indian; I obey.

Hon. Eric Arthur Berntson (Deputy Leader of the Opposition): Speaking to the point of order, I think that suggestion is consistent with the rules. The fact that a particular debate is adjourned in someone's name does not necessarily give that person ownership of that debate. It is assumed, unless otherwise stated, that the debate is adjourned until the next sitting of the house. It is quite appropriate that the debate flow day to day from one side to the other, or back and forth on either side. It is not a big thing. I think it is quite appropriate that debate should continue after normal adjournment. It is quite appropriate that, if

the senator in whose name the order stands does not necessarily want to speak at the particular time, the order remain adjourned in that senator's name upon completion of an intervention by another senator.

Hon. B. Alasdair Graham (Deputy Leader of the Government): I understand what Senator Berntson is saying. As I recall, and as I think the record will show, Senator Beaudoin was asking if Senator Gigantès would allow, this week or at a future sitting, some other senator on the opposition side to address this particular motion. I think, on reflection, that Senator Gigantès is now agreeing that he would yield, but that the order should stand in his name.

Senator Oliver: Honourable senators, perhaps Senator Graham could explain the basis of the original reluctance, then.

Senator Berntson: Honourable senators, my colleague Senator Beaudoin does not need me to speak for him, but I think I recall him asking whether Senator Gigantès would at some point this week be prepared to yield. It is not necessary that it be right now, but can we see some horizon?

Senator Gigantès: Honourable senators, in obedience to what my deputy leader had said, I agreed.

[*Translation*]

Senator Beaudoin: Honourable senators, as Senator Gigantès has said yes, Senator Jean-Claude Rivest will speak at the next opportunity.

Order stands.

PALLIATIVE CARE IN CANADA

INQUIRY—ORDER STANDS

On the Order:

Resuming the debate on the inquiry of the Honourable Senator Carstairs, calling the attention of the Senate to the question of palliative care in Canada—(*Honourable Senator Corbin*).

Hon. Eymard G. Corbin: Honourable senators, because of a technicality, this is the fourteenth day this inquiry has appeared on the Order. If I do not say a few words, the inquiry will die on the Order Paper.

I want to thank Senator Carstairs for her excellent speech on palliative care. My research in the area is continuing. I am preparing a fine speech on the subject. I do not intend to continue my remarks today.

Order stands.

The Senate adjourned until Wednesday, May 29, 1996 at 1:30 p.m.

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