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Monday, February 17, 1997

THE HONOURABLE GILDAS L. MOLGAT
SPEAKER

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THE SENATE

Monday, February 17, 1997

The Senate met at 8:00 p.m., the Speaker in the Chair.

Prayers.

SENATOR'S STATEMENT

THE ECONOMY

TAX INCREASES INSTITUTED BY LIBERAL GOVERNMENT

Hon. Gerry St. Germain: Honourable senators, last week in response to a question I asked of the Leader of the Government in the Senate, our distinguished colleague the Honourable Senator De Bané proposed that the Department of Finance undertake a study concerning the number of tax increases imposed on Canadians during the mandate of the former Conservative government, and compare it with the performance of the current government. At that time, I indicated my support for such a study. In fact, with the support of Senator Taylor, I wish to assist the Department of Finance with this worthwhile endeavour by outlining briefly some of the tax increases imposed by the current Liberal government.

We all know that the Liberals are tricky when it comes to hiding tax increases. However, I am pleased to say that, with a little detective work, I managed to find 40 such measures introduced by this government to raise revenues. I should like to give just a few examples of these increases.

There was a $200-million increase obtained through the taxing of employer-paid life insurance premiums. There was a $300-million increase as a result of the elimination of the lifetime capital gains tax exemption. There was another $300-million increase as a result of income testing of the age credit. There was a $500-million increase as a result of higher gasoline taxes, while there was a $300-million increase from forced changes to the small business tax year. There was a $175-million increase as a result of restructuring RRSPs, and a $35-million increase from a tax on blank cassettes.

Honourable senators, according to last year's budget, the net cost to Canadians of tax hikes put into place since 1993 is $2.6 billion in the current fiscal year. Within two years, the annual tax grab will climb to $3.4 billion, and over the next five years, the cumulative total will be $12 billion.

• (2010)

To aid in the comparative study, the Finance Department also might want to take into consideration the following other revenue increases: the $1-billion increase due to user fees for meat inspection and national parks, the $700-million government tax grab as a result of the tax treatment of child support payments, the $700-million payoff for HST, and the raising of the CPP contributions to 9.9 per cent from 5.85 per cent. In addition, the Finance Department should factor in the hundreds of millions of dollars wasted by this government's unprecedented incompetence in such things as cancellation of helicopter contracts, the Pearson airport deal, and the Airbus investigation fiasco.

I am sure that the Honourable Senator De Bané and the Leader of the Government in the Senate will be eager to pass along this helpful information to our great friends in the Department of Finance. I am counting on Senator Taylor to help them as well.

[*Translation*]

ROUTINE PROCEEDINGS

BELL CANADA ACT

BILL TO AMEND—REPORT OF COMMITTEE

Hon. Marie-P. Poulin, for Senator Bacon, Chair of the Standing Senate Committee on Transport and Communications, presented the following report:

Monday, February 17, 1997

The Standing Senate Committee on Transport and Communications has the honour to present its

SEVENTH REPORT

Your Committee, to which was referred Bill C-57, An Act to Amend the Bell Canada Act, has, in obedience to the Order of Reference of Wednesday, February 12, 1997, examined the said Bill and now reports the same without amendment.

Respectfully submitted,

LISE BACON
Chair

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

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

[*English*]

QUESTION PERIOD

JUSTICE

ALLEGED MISUSE OF FUNDS BY MINISTER—
POSSIBLE INVESTIGATION BY RCMP—GOVERNMENT POSITION

Hon. Orville H. Phillips: Honourable senators, I have a question for the Leader of the Government in the Senate. In a very gracious apology to former Prime Minister Mulroney, the Minister of Justice, Allan Rock, repeatedly emphasized that the RCMP had a duty and a responsibility to investigate any allegation against any Canadian, and that there is one level of justice for all.

Last evening, during the CTV news, serious allegations were made against the Minister of Justice — allegations that he had used $160,000 for spin doctors to improve his image when the money was intended to be used for advice on the legislative agenda. Are the RCMP investigating this serious allegation against the Minister of Justice?

Hon. Joyce Fairbairn (Leader of the Government): Honourable senators, not to my knowledge.

Senator Phillips: Will the government bring that matter to the attention of the RCMP, and attempt to recover the $160,000 that many Canadians feel Mr. Rock now owes them?

Senator Fairbairn: No, Senator Phillips. I certainly will bring your remarks to the attention of the Minister of Justice. He was questioned in the House of Commons this afternoon and he indicated that he had awarded a contract for communications assistance on a number of legislative issues to a particular company in a perfectly legitimate way.

I will certainly draw my honourable friend's concerns to his attention. However, there is no indication at all that this particular effort would require the kind of attention that my honourable friend suggests.

Senator Phillips: Were tenders called for these contracts?

Senator Fairbairn: I will make inquiries in that regard.

WESTERN GRAIN TRANSPORTATION

MEETINGS WITH RAILWAY OFFICIALS ON DELAYS IN MOVEMENT
OF GRAIN—POSSIBILITY OF LONGER-TERM SOLUTIONS—
COMPENSATION FOR FARMERS ON DEMURRAGE—
GOVERNMENT POSITION

Hon. Mira Spivak: Honourable senators, the Minister of Agriculture is to be congratulated for his efforts to get prairie grain moving to port —

Hon. Senators: Hear, hear!

Senator Spivak: — thus preventing a bad situation from getting worse. However, a troubling fundamental question regarding the railway system has been raised by a researcher with the Transport Institute. He claims that the rail companies place grain shipments to the West Coast at the bottom of a so-called priority system for assigning track space. Eastbound intermodal freight sits at the top of the list, while the only thing that takes lower priority than grain are the work trains. A good reason for this approach, he suggests, are the rate caps on wheat shipments based on transportation costs — so money is the root of this evil.

Can the Leader of Government in the Senate tell us whether the government is considering a long-term solution to the problem of grain backlog and the role of the railways? Several things have been suggested, such as legislation to change the priority list or an increase in the caps.

Senator Taylor: Give the minister another four years.

Hon. Joyce Fairbairn (Leader of the Government): Honourable senators, I have no doubt that the minister and the department are undoubtedly looking at longer-term solutions. At the moment, the minister is assiduously pursuing short-term initiatives to get things moving. I agree with my honourable friend that the minister deserves some credit for his efforts because he views this as a time of critical importance for Western Canada. He indicated today, as well as over the weekend, some of the measures he intends to use, not only to get the cars moving but also to get the grain unloaded and to ensure a swift turn-around at the ports.

Senator Spivak: Honourable senators, I congratulated the minister for his reaction to a crisis. Can the Leader of the Government in the Senate tell us whether, in the talks that took place with the railway companies and other players, long-term solutions were discussed or if there are further plans? We will be in the same situation next year if the railways continue to operate on a profit basis, ignoring the needs of the prairie grain farmers.

Senator Fairbairn: I could not agree more with my honourable friend and I am sure that is true for the Minister of Agriculture as well. I will make that inquiry of him.

• (2020)

Undoubtedly, the longer-term solutions were on the minds of those who met in Calgary. However, the crisis situation or the urgency of the moment certainly had them sharply focused on how to get on with getting the grain moving, getting it loaded and shipped in the interests of our reputation abroad and, most important, of preventing financial loss to prairie farmers.

Senator Spivak: Honourable senators, as a final supplementary question, was there any discussion of compensation as against the $65 million that grain farmers are now facing because of demurrage and other costs? It seems unfair that these costs should be borne entirely by the farmers and that none of the burden should fall on the railways which, it seems to me, are responsible for what is happening.

Senator Fairbairn: Honourable senators, I cannot answer that question. I share my honourable friend's interest, but for all senators, I will ask for as full a report as I can get from the Minister of Agriculture, who is as frustrated and concerned as the honourable senator.

Hon. Gerry St. Germain: Honourable senators, is the Leader of the Government in the Senate aware of whether or not we have had an incident like this in the past, either in our administration or previous administrations?

Why is it that we would not have a contingency program in place when these ships start to pile up in the Port of Vancouver? It was a known fact that these ships were coming in and not being loaded. Is there no contingency or emergency program that we can activate? Can we allocate more locomotives or something?

I ask this question of the Honourable Leader of the Government in the Senate in good faith. As Senator Spivak points out, farmers will have to pay for this delay. The price of grain has dropped off. This situation will have serious effects for many farmers who have made financial commitments on the basis that things would roll well. They have purchased equipment, and so on.

Senator Fairbairn: Honourable senators, I appreciate the comments of my honourable friend. I will conduct a review to see how many times this has happened before. It is not an isolated event. Some of the excuses given, like the weather, are pretty darn thin. Everyone knows what the weather is like in Western Canada during winter. I want to get more information on aging engines and these other responses.

One of the intensely frustrating parts of the whole question is that we are not dealing with an isolated situation. It has happened over and over again. It is wrong. The contingency plans, if they exist, are not working. We have to find a better way, but we cannot do it without the railways also stepping up to the plate and producing solutions to the situation.

BUSINESS OF THE SENATE

PROGRAM FOR WEEK AHEAD—GOVERNMENT POSITION

Hon. Finlay MacDonald: Honourable senators, my question is for the Deputy Leader of the Government in the Senate and it is with respect to the future business of the Senate. Would my honourable friend share with us his plans for tonight's session? I have read the Order Paper, and I have a slight inkling as to the status of the bills in the other place, but perhaps he could tell us what we can expect in the next number of days with respect to legislation coming before us? How will tonight's session accelerate the various motions and other inquiries which have been presented before us?

Hon. B. Alasdair Graham (Deputy Leader of the Government): Honourable senators, as you know, tonight we will have third reading of Bill C-53. We will have second reading of Bill C-70, to which Senator Kirby will be speaking. Bill C-60, to establish the Canadian Food Inspection Agency, is sponsored by Senator Taylor, and he will be speaking tonight. I understand that Senator Rossiter may be responding as well.

Other items have been introduced. For example, Bill S-12 has been adjourned in the name of Senator Hébert, and Senator Pearson has just advised me that she will be speaking to that tomorrow.

Senator Carstairs' bill, Bill S-13, has been adjourned in the name of Senator Lavoie-Roux, but Senator Pearson wishes to speak to that tonight. We will have third reading of Bill C-270 as well.

We also have on the Order Paper the motion of Senator Murray with respect to the Somalia affair. Then we have the notice of motion by Senator Lynch-Staunton with respect to travel on Bill C-70. There are, as well, other items on the Order Paper.

Hon. Marcel Prud'homme: Honourable senators, the other chamber has a calendar which they follow faithfully. I thought the Senate was more organized than the House of Commons. It is difficult for some of us to accept speaking engagements when at the last minute we could be called upon to speak in the Senate. I have no objection, knowing how many days we sit during a year. However, on a whim on a Thursday, we can be told that we are coming back Monday night or in two weeks or a week.

Some senators — I am sure that I am not the only one — enjoy accepting speaking engagements. It is good for the reputation of the Senate if we do well. It is bad, of course, if we fail. However, it would be nice to be told ahead of time, or to be taken into the confidence of the honourable senator as to what he expects the Senate will do in the weeks to come so that some senators could accept speaking engagements.

I had three speaking engagements three Monday evenings in a row. Already I have had to cancel two. I had a television program to do on Lester B. Pearson one Friday, which turned out to be excellent. I had never been absent from the Senate, but I had to declare myself absent that Friday. I only learned about the Friday sitting on the Thursday.

Is it possible to treat us — and I know the honourable senators wants to — as adults and tell us ahead of time what will be the program of action? For instance, why do we have to wait until this Thursday to be told that we may not come back next week?

The House of Commons has a calendar. I know that the deputy leader wants to follow what is happening in the House, but at least he can give us an idea ahead of time so that some of us can better plan activities. When I say that, I do not mean planning activities to go to Florida or anywhere else. Some of us like to work in an orderly fashion. Would the deputy leader kindly tell us ahead of time what the government intends to do?

Senator Graham: Honourable senators, insofar as it is possible, I always attempt to inform the leadership on the other side, and I would be happy to do so with the independent senators. In the conversations that we have from time to time, it is always the hope that we will get to any outstanding legislation that is before us. The priority, of course, is government legislation. We hope to have all outstanding government legislation that is before us, or coming before us, referred to committee by the end of this week so that we will be able to take the normal parliamentary break with the House of Commons.

DELAYED ANSWER TO ORAL QUESTION

Hon. B. Alasdair Graham (Deputy Leader of the Government): Honourable senators, I have one delayed answer, a response to a question in the Senate on June 18, 1996, by the Honourable Senator Doyle regarding redevelopment of lands previously known as CFB Downsview.

METROPOLITAN TORONTO

REDEVELOPMENT OF LANDS PREVIOUSLY KNOWN AS CFB DOWNSVIEW—ROLE OF DEFENCE MINISTER—GOVERNMENT POSITION

(Response to question raised by Hon. Richard J. Doyle on June 18, 1996)

The Minister of National Defence, in this case, as in the case of all base closures, has the responsibility, as custodian of these federal lands, to manage the property until such time as the ultimate alternative land use strategies and transfer agents have been determined. The Department on behalf of the Minister has contracted the Canada Lands Company (CLC), which comes under Public Works and Government Services Canada, to manage the public planning and consultation process for the redevelopment of the Downsview lands on behalf of the government.

In February 1994, the former Minister of National Defence announced the closure of Canadian Forces Base Toronto. In March 1994, the Greater Toronto Area Caucus Sub-Committee Task Force was formed. In addition, the City of North York Downsview Committee was established to review the use of the Downsview Lands. Given the number of stakeholders involved in the redevelopment of the Downsview Lands and the importance of the base's location, the Government has taken the appropriate measures to solicit as many views as possible on the future of this site.

In December 1995, the former Minister of National Defence and the Minister of International Trade announced the Downsview Framework and Planning Principles. Immediately thereafter, the Department of National Defence contracted the Canada Lands Company to:

(i) carry out the planning and public consultation process to elaborate the vision and develop a conceptual master plan; and

(ii) to seek proposals for the purchase of the isolated surplus parcel known as block "H".

The Canada Lands Company has operated within reasonable timeframes given the extensive public consultation essential for the redevelopment of such an important and extensive tract of land in an urban setting.

After a thorough community-based public consultation process, which indicated broad support for the redevelopment of the Downsview Lands, the Canada Lands Company has selected three proponents to submit detailed design and business proposals by the end of January 1997. Of the 46 proposals submitted, these three were considered capable of integrating their business proposals within the parkland concept consistent with the Government's framework and planning principles. Further consideration of incorporating a number of other submissions (among the 46) for various special uses into the overall plan will be a prerequisite for the three proposals. The final comprehensive offers for the redevelopment of the Downsview lands, their financial viability, as well as the final land use framework and corporate "trust" structure to manage the property will be submitted for Treasury Board and Governor-in-Council approval prior to implementation. The government will ensure that the Downsview lands are redeveloped in accordance with their original commitment, ensuring their long term protection for future generations.

• (2030)

DIVORCE
FAMILY ORDERS AND AGREEMENTS ENFORCEMENT ASSISTANCE ACT
GARNISHMENT, ATTACHMENT AND PENSION DIVERSION ACT
CANADA SHIPPING ACT.

BILL TO AMEND—MESSAGE FROM COMMONS

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons returning Bill C-41, to amend the Divorce Act, the Family Orders and Agreements Enforcement Assistance Act, the Garnishment, Attachment and Pension Diversion Act and the Canada Shipping Act, and to acquaint the Senate that the Commons has agreed to the amendments made by the Senate to this bill, without amendment.

ORDERS OF THE DAY

PRISONS AND REFORMATORIES ACT

BILL TO AMEND—THIRD READING

Hon. Lorna Milne moved third reading of Bill C-53, to amend the Prisons and Reformatories Act.

She said: I will say only a few words today on third reading of Bill C-53. Honourable senators will remember that, last week, I gave an overview of the legislation in my speech on second reading. Rather than repeating myself, today I will give only a brief summary of the bill and reply to some of the concerns raised by Senator Kelly last week.

The bill would change the law regarding custodial sentences which are handled by provincial and territorial administrations; that is, sentences of less than two years. After broad consultation, every provincial and territorial justice minister endorsed this proposal in 1996.

The effect of the bill would be to give a more consistent national set of criteria for granting temporary absences to persons serving in prisons and reformatories. It would also address certain procedural problems that currently exist in the granting of extensions to periods of absence.

Finally, there will now be statements of purpose and principle in the statute to guide the application of the program and to make it more consistent from province to province.

In his reply to my speech last week, Senator Kelly expressed concern about the perception that bureaucrats are interfering with the sentences imposed by the courts. Currently, in a case where the provincial authority wanted to grant a 60-day absence, they would simply grant one 15-day absence and extend it three times. This has created the false impression that the granting of renewals is automatic.

This will be resolved in two ways: First, the bill clearly requires that any application for an extension to a temporary absence must be thoroughly reviewed before the extension may be granted. Second, the maximum period for a temporary absence is being changed from 15 to 60 days. This will allow flexibility and reduce the need for extensions. I believe that this new framework will be a vast improvement over the current situation.

To the criticism that absences themselves interfere with sentencing, I can only reply by comparing temporary absences to parole. Both are important and accepted tools for rehabilitation. However, parole boards are not required to hear applications from inmates serving six months or less. Temporary absences, then, are the only alternative in these cases. Even for persons sentenced to more than six months, parole may not be a viable option since it takes a long time to develop a case to put before a parole board and the case may not even be heard until the inmate's sentence is practically over. Again, the temporary absence program bridges this gap.

I hope that my explanation of these issues will put Senator Kelly at ease. I was tempted to agree with him last week when he suggested giving the bill third reading at that time. However, for the sake of form, we sent the bill to committee. It turned out to be a very short study because the bill is sound policy, developed with the cooperation and approval of every territorial and provincial jurisdiction in Canada.

Department officials testified before us. I believe there was very little discomfort on either side of the table during the discussion of the bill. In fact, I believe that the only criticism of the government in the committee meeting was when Senator Doyle noted that the Senate is treating the government's bill much more expeditiously than did the House of Commons.

Finally, I will reply to another remark made by Senator Kelly last week. He said that he was most impressed by my non-partisan, detailed remarks. He added that he did not think I had been here long enough to become partisan. I want to assure all of you that, at the proper time and in the proper place, I can be highly partisan.

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

Hon. Senators: Agreed.

Motion agreed to and bill read third time and passed.

EXCISE TAX ACT
FEDERAL-PROVINCIAL FISCAL ARRANGEMENTS ACT
INCOME TAX ACT
DEBT SERVICING AND REDUCTION ACCOUNT ACT

BILL TO AMEND—SECOND READING—DEBATE ADJOURNED

Hon. Michael Kirby moved second reading of Bill C-70, to amend the Excise Tax Act, the Federal-Provincial Fiscal Arrangements Act, the Income Tax Act, the Debt Servicing and Reduction Account Act and related Acts.

He said: Honourable senators we all know the controversial history of the forerunner to this bill, the original GST bill. I was here. I know very well the personal history many of us have with this issue. Indeed, honourable senators, I think it is fair to say that few bills carry as much baggage in this chamber as this one. However, I hope we can look beyond that history and consider this bill on its own merits.

I believe honourable senators will agree that the merits of this bill are substantial. This bill does two things: First, it introduces a new federal-provincial harmonized sales tax — HST — throughout most of Atlantic Canada. This bill will enable the federal government and the provinces of New Brunswick, Nova Scotia, and Newfoundland and Labrador to introduce a new joint harmonized tax effective April 1, 1997. Second, the bill contains a package of over 100 measures to streamline and improve the federal sales tax system.

Before I deal with the substance of the bill, I would speak briefly about the process leading up to the bill that is before us today. As I will outline in greater detail in a moment, the principles of the bill had their genesis in a 1994 study of alternatives to the GST by the Finance Committee in the other place, to which there was very substantial input from the public.

Bill C-70 was studied in detail by the same committee which heard over 65 witnesses. When witnesses appeared before the committee and expressed concern with several aspects of the bill, the government paid attention. Over 100 amendments were moved by the government in committee. Many were of a technical nature, but others were specifically designed to address concerns that had been raised by the 65 witnesses who appeared before that Finance Committee.

Therefore, the bill before us today has had the benefit of close, detailed scrutiny and extensive input from the public.

When this government came to power in 1993 it said:

> A Liberal Government will replace the GST with a system that generates equivalent revenues, is fairer to consumers and to small business, minimizes disruption to small business, and promotes federal-provincial co-operation and harmonization.

Immediately after the 1993 election, the Standing Committee on Finance in the other place was asked to look into alternatives to replace the GST and to consult Canadians on the various options. That committee heard close to 500 witnesses, including tax experts, business people and consumers from across the country. That committee also received over 700 briefs.

After reviewing 20 different options, the committee came to the conclusion that a large majority favoured tax harmonization. Specifically, a large majority favoured replacing the current mosaic of federal and provincial sales taxes with a single, harmonized tax. Through these hearings, Canadians made clear that they believed that the GST was poorly conceived and that it was introduced at a bad time, with critical flaws in both the tax and how it was implemented.

• (2040)

Canadians said that the GST was an outrageous example of bureaucratic overlap and duplication. It is cumbersome and costs small business, in particular, too much time, energy and money.

Canadians also told the Finance Committee to do what is sensible in the circumstances. The GST is in place now and we need $18 billion to address the serious financial situation faced by this country. Canadians told the committee not to run off and create a whole new scheme to do the same job as the GST. That would require too much adjustment on the part of the business community.

Canadians told the committee to fix the problems associated with overlapping federal and provincial sales taxes: Fix the duplication; harmonize the taxes with the provinces; make the rules clearer, simpler and fairer. That is what Canadians want.

The House Finance Committee, in its report on options to the GST, made four central recommendations: First, the committee came down in favour of a value-added tax. Second, it recommended harmonizing the federal GST and provincial retail sales taxes. Third, the committee recommended streamlining the tax. Fourth, the committee recognized the importance of including the tax in the price of the item, the so-called ticket price, so that the price consumers see on the shelf is what they have to pay at the cash register. Each of these recommendations, each of these four principles, is reflected in Bill C-70 which is now before us.

The bill also meets the tests set out in the Red Book for replacing the GST — the tests of fairness, equivalent revenues, federal-provincial cooperation and harmonization, and tax simplification.

The harmonized sales tax will be the first single federal-provincial sales tax in this country. Quebec, because it is using a gradual phasing-in approach, has not yet had its sales tax fully harmonized with the sales tax of the federal government.

Businesses in three of the four Atlantic provinces will no longer have to contend with two taxes, two tax administrations, two tax bases, and two different reporting systems. Under the HST, there will be one sales tax, not two; one tax base, not two; one sales tax administration, not two; and with tax-inclusive pricing, consumers will see one price, not two.

Let me illustrate a little more clearly what happens now and show you how the system will change once the HST is in effect. Today, a retailer has to deal with two completely different sales tax systems. The retailer has to keep track of two separate taxing regimes. Certain purchases, for example, are exempt under some provincial sales tax regimes. Some goods and services are exempt from one tax but subject to being taxed under the other tax.

All of these differences must be carefully tracked and recorded separately by a retailer. Under the current system, at the end of each month, the retailer has to calculate the amount of provincial sales tax collected and remit it to the provincial government. At the end of each quarter, the retailer has to calculate the amount of federal sales tax collected. That calculation is different from the provincial one because, in the federal case, the retailer first deducts the amount of GST the retailer paid on purchases coming into the company and then remits only the difference to the federal government.

Throughout the year, under the current system, the retailer has to deal with two separate bureaucracies to answer any questions the retailer may have, and to face the possibility, at any time, of having to deal with two separate tax auditors.

The tax rates under the current system are different. The goods and services to which each tax applies are different. The tax credits that may be claimed under provincial tax rules and the GST are different. The reporting requirements of the two tax regimes are different. All this has meant that Canadian businesses have spent an inordinate amount of time working on paying taxes and calculating taxes instead of working to earn money, build their businesses and create jobs.

Small business has been particularly hard hit by this complex web of federal and provincial sales taxes. Their costs to comply with the requirements of these two tax systems, to deal with two separate sales tax systems on a daily basis, have been disproportionately high.

We all know the importance of small business to our economy and to creating and keeping jobs for Canadians. Yet, we have weighted down the small business sector with heavy reporting and sales tax tracking obligations that take valuable time, energy and money. That is simply wrong-headed public policy.

All of the problems I have just described will change and disappear under Bill C-70. In the harmonizing provinces, there will be one set of tax forms, one set of operating rules and one tax administration.

The Canadian Institute of Chartered Accountants has estimated that if all non-harmonized provinces were to join a national tax system, Canadian businesses would save between $400 million and $700 million in administrative costs alone. Throughout the participating provinces, there would be one single sales tax rate of 15 per cent. That is almost 4 per cent less than the combined sales tax rate now in effect in Nova Scotia and New Brunswick, and almost 5 per cent less than the combined sales tax rate currently in effect in the Province of Newfoundland and Labrador.

This alone will result in a very substantial saving for consumers in those provinces. In fact, the real savings to consumers will be even greater. Presently, businesses can claim input tax credits on the GST paid on purchases of goods or services used in their businesses, but they cannot make a similar claim on their provincial sales taxes which have been incurred on elements that are inputs to their current product.

Thus, these provincial sales taxes become imbedded in the price at each subsequent stage of production and cascade — in effect, multiplying — down through each level of business involved in producing the particular good, into a higher price at the end of the line to the consumer.

Under the harmonized sales tax, for the first time, businesses will be able to reclaim the provincial sales tax paid as well as the federal one. The full amount of the HST will be claimed, avoiding this compounding effect on inputs, ensuring that the input tax credit truly reflects all the credits which have been paid on inputs. Harmonization will eliminate over $700 million in hidden sales taxes on such business inputs — $700 million that is now paid by consumers in higher prices.

Consumers are not the only ones who will benefit from the changes proposed in Bill C-70. These embedded sales taxes have resulted in higher prices for Canadian exports which have been less competitive abroad than they would otherwise be. They have reduced the competitiveness of our products here at home as well, particularly when compared to imports. They have also distorted prices between those stores that use a high percentage of taxable inputs and those that do not.

I believe that when other provinces see in a very concrete way the economic benefits to the harmonizing provinces from the HST initiative, they too will join this national harmonized sales tax.

The benefits to consumers are clear both in the lowered sales tax rate of 15 per cent and the indirect savings from the lower costs incurred by businesses, and the removal of the embedded taxes which I just described.

In addition, businesses will immediately see their complex costs severely reduced. Indeed, because there will now be only one tax collector, there will be an immediate cost saving at the governmental level by reducing government duplication and administrative costs. Some analysts have estimated that, on a national basis, this would save governments, collectively, about $100 million a year.

Moreover, Atlantic Canadian products will now be able to compete better here at home, and exports will leave the country free of the embedded tax. The embedded taxes hidden in the prices of goods and services under provincial retail sales taxes will be eliminated. The results will be higher sales and more jobs for Atlantic Canadian workers.

• (2050)

I am sure many honourable senators read, as I did, an article in *The Globe and Mail* on a report issued last week by the Atlantic Provinces Economic Council which predicted that the harmonized sales tax:

> ...will put more than $580 million a year into the pockets of business people in the Maritime Provinces and push consumer spending up by as much as $120 million annually.

That is a very significant benefit to the economy of the Atlantic region. As if to emphasize that point, the report of the Atlantic Provinces Economic Council goes on to say that even a small shift in the investment climate is likely to produce dividends in the form of jobs and increased productivity.

Given these economic benefits which have been established and verified by third parties such as the Atlantic Provinces Economic Council, one might then ask why the federal government is providing adjustment assistance to the participating provinces. This money is being provided to help the provinces deal with revenue shortfalls and other adjustment needs which they will incur in implementing the new tax system. Under the adjustment formula, all provinces with losses in excess of 5 per cent of current provincial retail sales tax revenues will be eligible for assistance. Under the assistance formula, the federal government pays 100 per cent of the revenue losses over 5 per cent in years one and two, 50 per cent in year three, and 25 per cent in year four. In this way, over four years the federal and provincial governments will be sharing roughly equally in the transition costs associated with moving from the current system with two sales taxes to the single, harmonized sales tax.

The sharing of the costs of this transition period is fair. The HST is, in large measure, about federal-provincial cooperation. It would be wrong for the government to fail to make important structural changes because of the short-term effects which the changes would have on provincial revenues. It would be equally wrong for the government to push all the costs of incurring these changes on to the shoulders of the provinces that have decided to participate in the harmonized sales tax program.

I wish to say a few words about the issue of tax-inclusive pricing, because I know this will be of considerable concern not only to senators and members of this chamber but indeed to some of the witnesses who will come before the committee.

I emphasize that tax-inclusive pricing is not a means of hiding the HST. To the contrary, the bill is extremely clear that cash register receipts must disclose the amount of HST paid. Consumers will know very clearly how much tax they have paid on their purchases. This will be a transparent tax, in that consumers will be able to understand precisely how much tax they have paid when they purchase an item.

Tax-inclusive pricing ensures that consumers know up-front the total cost they will have to pay for any good or service they purchase. There will no longer be, as there is today, cash register shock when people go to pay for something and find that it is considerably more expensive than they had anticipated. Consumers will no longer have to do rapid-fire calculations in shopping aisles, trying to keep track of every purchase and then adding on first the provincial sales tax and then the GST, all the while bearing in mind that some goods would be subject to one tax and not the other, and others will be subject to both or neither.

As a mathematician, I am always happy when Canadians are encouraged to keep their mathematical skills sharp, but even I have difficulty following the mathematical gymnastics which are required by the two systems of federal and provincial sales taxes. Under Bill C-70 and the harmonized sales tax, the price you see will be what you owe; however, in addition, you will know exactly how much tax you are paying because it will be right there on the receipt you receive when you buy the goods or service.

Tax-inclusive pricing was a key recommendation of the Standing Committee on Finance in the other place in its 1994 report. The plain fact is that this is something that consumers want. We know that. They have told us that repeatedly, and in very clear terms. In fact, in a survey conducted at the end of January, 1997, in the three participating provinces — Nova Scotia, New Brunswick, and Newfoundland and Labrador — 80 per cent of respondents agreed that taxes should be included in the price, so that the total price of a product is known before the consumer goes to the cash register. In fact, 76 per cent of those surveyed said that including the sales tax in the price displayed on the product is a more honest way of showing prices to consumers than the current system where they learn the amount of tax that must be added only when they arrive at the cash register. In addition, 71 per cent of respondents agreed that having a separate line on the receipt showing the sales tax is enough to ensure that people know how much tax they are paying.

In short, honourable senators, public opinion polls taken as recently as a month ago show that the people who will be directly affected, the consumers and residents of the three Atlantic provinces which are participating in the HST, have shown very clearly that they strongly support this initiative.

Will there be any disruption for business? Yes, there will be some disruption for business. However, let us keep in mind that most cash registers are already able to show the sales tax rate on the receipt, so the changes necessary, from a retailing standpoint, will be in the ticketing of goods for sale, and in advertising. The government believes that these are bearable costs, outweighed by the benefits to consumers in finally achieving their desired objective of fair pricing.

I am certain that when the Standing Senate Committee on Banking, Trade and Commerce hears from witnesses on Bill C-70, one of the issues raised will be that of the cost incurred by business. This disruption will be temporary, and I believe that this is a situation where the ultimate objective is worth that temporary disruption. Indeed, the government has shown itself willing to be flexible in a variety of ways in attempting to deal with this problem. For example, the government has said that there will be flexible ways of handling national advertising programs, shelf or bin price problems, pricing by signage, and so on. In other words, the government has already indicated that there will be some considerable flexibility in the way the pricing system is enforced. Consumers should know that the price they see on an item is, in fact, the price that they will pay, and that is the fundamental thrust of this bill.

I now wish to outline for you briefly some of the approximately 130 measures in the bill which will simplify and clarify the GST for all Canadians, not just for those living in the three provinces participating in the HST. These measures, therefore, will apply throughout the country. One of the concerns expressed in this chamber in 1990 about the GST was that it was all happening too fast. There was a system in place, the manufacturers' sales tax that, yes, everyone agreed at that time had problems. However, those problems could have been fixed, and the existing system improved without the huge upheaval to businesses and consumers caused by the completely new GST. Indeed, Canadians told the committee in the other place of problems they have experienced with the GST. The 130 technical changes in this bill go a long way to addressing and resolving those problems. Let me illustrate with a few examples.

In developing the changes to the GST which are contained in Bill C-70, the government worked with many of the groups, organizations, business leaders, and professional associations affected by the tax. In those areas where advance consultation was not possible, there was extensive consultation after the initial announcement of the measures in Bill C-70, and, in fact, changes were introduced while the bill was still in the drafting stage. Again, when the bill was before the Finance Committee in the other place, further changes were made in response to comments from witnesses.

• (2100)

Well over one-third of the proposed changes contained in this bill are specifically aimed at simplifying the existing GST system. For example, the calculation of employee and shareholder benefits for Canadian businesses will be simplified. The rules for transactions relating to used or second-hand goods will also be substantially simplified.

The bill also simplifies and streamlines the tax treatment of charities and non-profit organizations. These organizations, as we all know, are terribly important to this country. They are engaged in very important work in the fields of education, religion and poverty relief, to name just a few. The way the GST will now be applied to these charities will substantially simplify the rules under which they must deal with this tax. The rules will be much easier with which to comply.

For example, under the new rules, fewer charities will be required to register for the GST. It is estimated that 10,000 charities will no longer have to register. For those which do remain registered, the rules will be significantly simplified. especially for fund-raising activities, filing charitable returns and claiming rebates.

The bill and this set of 130 amendments to which I referred a moment ago also clarify a number of provisions relating to the sales tax treatment for the education sector which would simplify the operation of the GST for all educational institutions.

The administration of tourist rebates would also be streamlined. Non-resident businesses would be entitled to accommodation rebates, a change that has been welcomed publicly on several occasions by our tourism industry.

The bill would provide much needed clarification in areas relating to financial services, to trusts and estates, and to partnership rules.

Finally, Bill C-70 introduces provisions aimed at making the GST fairer for all Canadians. For example, there are technical changes to enhance the international competitiveness of Canadian service providers.

Honourable senators, these are just a few examples of the ways in which this bill would make the existing GST system simpler, clearer and fairer to all Canadians. I believe this is a good bill. It is a significant step forward in the way in which sales taxes are administered and calculated in Canada.

Do I like the GST? No, I do not. However, as Canadians have told us repeatedly, it is better to work with the system that we have and to fix the duplication and overlap problems, and to harmonize the sales tax with the provinces than it is to try, at this point, to start from scratch all over again.

I believe that Bill C-70 effectively responds to concerns that Canadians have expressed about the GST. With the new harmonized provincial and federal sales tax, it provides an even better system for those participating provinces, one that will lower the total sales tax paid by consumers, help businesses to reduce their operating costs and, in general, help those provinces to be more competitive, to build their businesses and to create jobs.

Honourable senators, I believe that my colleagues opposite will join me in supporting this bill, primarily because Conservative senators have claimed repeatedly that their party was the author of the idea behind the HST. For example, on April 24 last year, following the initial announcement of the agreement between the three Atlantic provinces and the federal government on the HST, Senator St. Germain, a member of the Standing Senate Committee on Banking Trade and Commerce, said the following, as reported at page 209 of the *Debates of the Senate* for that day:

> The government is expanding the tax base by proceeding with harmonization. I hope that the Leader of the Government will agree that this was a Conservative initiative...

On April 30, 1996, Senator Nolin asked whether this process of harmonization could be extended to other provinces. Again, as reported at page 235 of the *Debates of the Senate* of that day, Senator Nolin, who happens to be one of the co-chairmen of the upcoming election campaign, stated the following:

> Honourable senators, now that the government has understood that the policy introduced by the Mulroney government was the best and the only solution, and now that the government has recognized that harmonizing federal and provincial sales taxes was the only option, can you tell us how negotiations are going with the other six provinces?
>
> We now know that Quebec was right. Three provinces of Atlantic Canada recently recognized that fact. How is the harmonization process going with the other six provinces?

On April 24, 1996, Senator Comeau, who is from Nova Scotia, said the following in this chamber:

> Honourable senators, I have been listening to the defence on harmonization by the Honourable Leader of the Government in the Senate. I think it would be helpful if I gave her a quotation from the Progressive Conservative Party of Canada Policy Manual of 1993.
>
> The PC Party of Canada said:
>
> > Improved policy harmonization with the provinces to ensure greater consistency in the national tax system, including, as a goal, sales tax harmonization;

Finally, honourable senators, I will not bore you by continuing to run through the clear support of senators opposite for the concept of a harmonized sales tax. However, in deference to the Leader of the Opposition in the Senate, I must at least do him the honour of quoting remarks made by him on May 9, 1996, when, in reference to the HST, he said:

> Honourable senators, once again the Liberal government has not only adopted a conservative policy...

Honourable senators, having claimed in this chamber that their party originated the idea of a harmonized sales tax, I am sure that the Leader of the Opposition in the Senate, the Conservative co-chair for the upcoming election campaign and a former president of the Conservative Party, who is now a member of the Standing Senate Committee on Banking, Trade and Commerce will not now abandon that principle for some misguided and ill-perceived short-term political gain. Therefore, I have every confidence that members opposite will stand in support of a concept which they have argued is their party's original concept.

Honourable senators, with that kind of support, as exhibited by honourable senators opposite repeatedly when this HST announcement was made, we can look forward to positive support for this proposal, not only from this side of the chamber, but also from the other side of the chamber.

Hon. Finlay MacDonald: Honourable senators, will Senator Kirby permit a question?

Senator Kirby: Of course, honourable senators.

Senator MacDonald: Honourable senators, I like to be on the side of the majority of my fellow Nova Scotians. I do not enjoy being in the minority. I have been there and it is not the place to be.

In order to assist us, would the honourable senator be kind enough to table the poll to which he has referred, a poll which was taken just recently? Who conducted the poll? What sample was used? What questions were asked to obtain the results to which the honourable senator has referred?

Senator Kirby: Honourable senators, I do not have that information with me now. I will attempt to get it for the honourable senator as soon as possible.

Senator MacDonald: When will "as soon as possible" be?

Senator Kirby: "As soon as possible" means "as soon as possible." Clearly, it will not be tonight. I hope that I can obtain it for the honourable senator shortly.

• (2110)

Hon. Gerry St. Germain: Honourable senators, I should also like to pose a question. I was wondering why Senator Kirby's researchers looked so tired this morning. I suppose they were researching all these great statements made by Conservative senators in the past.

Senator Kirby: I think, in fairness, Senator St. Germain, it was not tired they looked, it was bored.

Senator St. Germain: That is possible. I have no problem with harmonization, but what I have a problem with is the government's taking $700 million to institute a program in Eastern Canada. I do not want to be unfair to the people on the Atlantic coast and in our maritime provinces, but could it be a coincidence that this arrangement was concluded with three Liberal premiers? One has to wonder why the other premiers are not grabbing on to this positive initiative.

Tell me, sir, if we were to implement this HST across the country, how much would it cost us? On a per capita basis, knowing that it is costing $700 million for those three provinces, it would have to be an astronomical amount. In all fairness, I do not know whether the honourable senator can give me that information tonight.

I should also like to know why Alberta would want to join this program.

Senator Kirby: The honourable senator has asked several questions in one, but first, I am delighted that the honourable senator has put on the record that he thinks this is a very positive measure. I am happy that that is his attitude toward the bill. I think it shows that he is clearly from the "Progressive" rather than the "Conservative" part of his party.

With respect to the question asked, I will get the exact number, but let me be clear that the assistance was provided to provinces where the change in the system would cost them more than 5 per cent of their sales tax revenue, and the assistance covers essentially the gap from a 5-per-cent loss to whatever the total loss is. Since the total level was to be 15 per cent, the provinces with the highest sales tax, which happen to be in the east, would obviously suffer the biggest loss as a result of the change and, therefore, clearly, a significantly disproportionate amount of the federal assistance would have to go to those provinces. In fact, the $700 million is, as I recall, well over half of the national total. I will get the honourable senator the national total, and, rather than saying "soon" or "as soon as possible," as I did in answer to Senator MacDonald, I will, in fact, bring in that number tomorrow.

Senator St. Germain: Honourable senators, I suppose this means we can now presume that what the Prime Minister said in the 1993 election — that he was going to abolish, get rid of, eliminate the GST — was a false statement and that there is no way that there is going to be a removal of the GST, as was promised by him on radio in Toronto in the 1993 election campaign.

Senator Kirby: Honourable senators, to repeat, page 22 of the Red Book said the following:

> A Liberal Government will replace the GST with a system that generates equivalent revenues, is fairer to consumers and to small businesses, minimizes disruption to small business, and promotes federal-provincial co-operation and harmonization.

Senator St. Germain: That was not my question.

Senator Kirby: Honourable senators, I simply point out, as I illustrated in my speech, that in fact Bill C-70 does absolutely and precisely what the Liberal Party said it would do in its election platform in 1993, which was the Red Book.

Again, Senator St. Germain, if it would help you, I am more than happy to provide you with a copy of the Red Book.

Hon. Mira Spivak: Honourable senators, there are two possibilities: Either the information about the polls which the Honourable Senator Kirby has said could be available shortly was before him when he made his address, or it was not. If it was before him, then, of course, it is instantly available. If it was not before him, then, of course, he is using material that he has not even seen.

Could the honourable senator tell us which of those cases is fact?

Senator Kirby: I am not sure I understand the honourable senator's question. Let me be clear: In writing the speech for today, I obviously did a substantial amount of research based on a substantial amount of material. I did not bring all the background documents into the chamber. I brought the speech in, which is exactly what any other senator would do. The data I quoted in the speech were directly obtained from background material which I had when I was preparing my speech.

Senator Spivak: Which means that the honourable senator has that material, and it could be available tomorrow.

Senator Kirby: Honourable senators, what I said to Senator MacDonald, so we are clear, was that I would get it for him as soon as possible. The background material is available. I just have to find it. I said I would get it for him as soon as possible.

Senator Spivak: Honourable senators, I merely wanted to quantify "as soon as possible." I think you have indicated that you do indeed have the material. You would not have made the speech without seeing that material. Therefore it is available as soon as tomorrow.

Senator Kirby: What I indicated very clearly was that, in the course of preparing the speech — which, by the way, I did not do just yesterday — I had developed a substantial amount of background material. I am happy to find the document, the background material, on which that was based, and as soon as I have found it — I do not know what other way to say this — I will give it to the honourable senator.

Hon. Lowell Murray: What is the position of the government with respect to the contention of the Government of Quebec that it is being treated unfairly by not being given the same subsidy that the three provinces in Atlantic Canada are receiving for having harmonized?

Senator Kirby: If the honourable senator is asking for the official position of the government, he ought to direct that question to the Leader of the Government in the Senate.

I will make one comment. The policy, as I outlined in my speech, is that for provinces for which the sales tax revenue loss as a result of harmonization is greater than 5 per cent, it is the difference between the 5 per cent and the actual loss figure, 6 or 7 or 8 per cent, that would be made up.

It is my understanding that the process of harmonization, in fact, would not cost the Government of Quebec an amount that goes beyond that 5-per-cent limit. That is my understanding of the data. I do not have that specific number; that is only my recollection. If the government leader wishes to correct that answer, I am happy to stand corrected, but that is my understanding of the mathematics of the situation.

Senator St. Germain: Who set the benchmark as to what percentage would trigger the payments?

Senator Kirby: Honourable senators, asking who made a specific government decision is a very difficult thing to answer. My guess is that that benchmark decision was set during the course of negotiations between the federal government and all of the provinces involved, but again I cannot say precisely who made it or how it was arrived at — although I must say, having spent several years of my life responsible for federal-provincial negotiations on a variety of issues, trying to figure out exactly who made what decision at what time is one of the more opaque areas of public policy, as I am sure Senator Murray would agree on the basis of his experience in that portfolio.

Hon. John Lynch-Staunton (Leader of the Opposition): Honourable senators, before adjourning the debate in Senator Buchanan's name, I should like to ask Senator Kirby, since he enjoys quoting us, if I could quote a letter his leader wrote in August 1992 to the Don't Tax Reading Coalition. Mr. Chrétien was then Leader of the Opposition, and the letter is a matter of public record:

> We believed — and still believe — that the Mulroney GST is the wrong tax at the wrong time. It is an unfair and regressive tax. It has resulted in unacceptable administrative costs, and its complexities are placing an intolerable burden on small businesses and many families.

The tenor of the rest of the letter is along the same lines. I wonder how the honourable senator can reconcile that with his repeated assertion that the promise on page 22 of the Red Book regarding the GST has been implemented? I do not recall that page 22 of the Red Book only applies to three Atlantic provinces. I thought it applied to the entire country.

What we have before us now is a letter reconfirming the Liberal Party's distaste for the GST, and yet a continuation of the GST in seven out of the ten provinces. I do not see how you can assert that the Red Book commitment has been upheld. I know you quote it over and over again, but I think you should read it and understand what it says before quoting it again.

• (2120)

Senator Kirby: Honourable senators, we seem to have difficulty understanding what a series of words mean. Just so we are clear, a proposal has been accepted by three of the provinces in the country; it has not been accepted by the others. The fact is that there is a proposal on the table that other provinces have indicated repeatedly they are more than willing to accept.

As my honourable friend knows, it is very difficult to obtain federal-provincial agreements if the provinces will not agree. Unfortunately, that is the nature of governing a federal country. I would argue that the government has done all it can by putting forward a reasonable proposal — and three provinces have accepted it. However, the proposal is on the table for everyone else to accept at some point in the future, if they so desire.

Senator Lynch-Staunton: Honourable senators, could my honourable friend tell us why British Columbia, Alberta and Ontario do not accept this form of harmonization?

Senator Kirby: Honourable senators, my honourable friend has chosen Alberta, British Columbia and Ontario. Clearly, I cannot answer why a provincial government would decide to accept or not accept a specific policy. As much as I might like to speculate on that, I do not think this is the place to do so. The reality is that I do not know why they turned down this proposal. However, the governments of two of those provinces are associated with my honourable friend's party. Perhaps he could find out easier than I could.

Senator Lynch-Staunton: My honourable friend has answered my question. The only three provinces to accept have governments that are associated with his party.

On motion of Senator Lynch Staunton, for Senator Buchanan, debate adjourned.

CANADIAN FOOD INSPECTION AGENCY BILL

SECOND READING—DEBATE ADJOURNED

Hon. Nicholas W. Taylor moved second reading of Bill C-60, to establish the Canadian Food Inspection Agency and to repeal and amend other Acts as a consequence.

He said: Honourable senators, I am very pleased to have this opportunity to speak on Bill C-60, the Canadian Food Inspection Agency Act.

In recent years, Canada's food inspection and quarantine services have been facing mounting pressures. New trading agreements, changing consumer demands and continuing fiscal restraints are changing the ways in which both government and the private sector do business. At the same time, exports and imports have been increasing and diversifying at a phenomenal pace, demanding that the food inspection and quarantine services be more efficient, more scientific and more internationally compatible.

Honourable senators, Canada has an international reputation for excellence in producing some of the safest and highest quality food, plant and animal products in the world; a reputation that is a major asset in the international marketplace. Our stringent inspection systems are critical to the well-being of all Canadian citizens. Clearly, we must take action to ensure that these systems are fully prepared to meet the challenges of the 21st century.

Over the past 25 years, the legislative and operational framework of federal involvement in the area of inspection and quarantine has been studied extensively. Each time, a recommendation was made to consolidate activities, and each time, for a variety of reasons, that did not happen. In the meantime, food inspection and quarantine in Canada have evolved into an increasingly complex network of responsibilities involving industry and all levels of government. Federally, three different departments have roles to play: number one, Agriculture and Agri-Food Canada; number two, Health Canada; and, number three, Fisheries and Oceans Canada.

Honourable senators, under Bill C-60, the government is creating a food inspection agency to be responsible for delivering and enforcing all federally mandated inspection and quarantine services. The new agency will be a new organization rolling together the previous three, and reporting to the Minister of Agriculture and Agri-Food Canada.

Honourable senators, there are five broad areas where the government believes this reorganization will bring significant benefits to industry, consumers and government alike. The first relates to the critically important area of food safety and animal and plant health. While the new agency will be responsible for setting animal health, plant health and food quality regulations, responsibility for setting food safety standards and auditing the enforcement of food safety regulations will be consolidated and enhanced within Health Canada. This, along with the consolidation of all regulatory enforcement with the Canadian Food Inspection Agency, means that Canadians will be assured of continuing high standards of food safety. In fact, the fundamental principle of this reorganization is that food safety will not, and cannot, be compromised.

The second benefit from this new agency, honourable senators, is the benefit that will come from reducing federal overlap and duplication. Consolidating the services of three departments in a single agency is expected to lead to savings of $44 million a year starting in 1998-99. This will be done by eliminating interdepartmental overlap and duplication in areas such as enforcement, risk management and administration, and by adopting business principles within the new agency that will lead to new opportunities for cost avoidance and cost reduction. With regard to cost recovery, the government has assured the private sector that there are no plans to introduce any new user fees before the year 2000, other than those that have already been announced.

The third area of benefit relates to improved service delivery. Here, at long last, industry and consumers will have a single window for dealing with the federal government on inspection and quarantine matters. Financial and human resource flexibilities will permit the agency to be responsive to the changing needs of its clients and to the public.

A fourth benefit of the new agency, honourable senators, is in the area of international trade. With more liberal trading arrangements, such as the North American Free Trade Agreement and the World Trade Organization, along with rapidly growing demand in developing regions such as the Asia Pacific region, Canada's trade in agri-food products has been increasing at a record pace. Our excellent reputation for plant and animal health and for food safety and quality is an important part of that success story.

The creation of the Canadian Food Inspection Agency will help maintain and enhance that reputation in the years ahead, for all of the reasons that I have discussed. In addition, the agency will continue the Canadian tradition of encouraging harmonization of international standards in order to minimize red tape for importers and exporters, encourage increased trade liberalization and reduce the possibilities of artificial trade barriers for Canadian exporters.

The last and fifth major area where there are significant benefits of the new agency relates to federal-provincial harmonization and cooperation. All provinces have supported the creation of a Canadian Food Inspection Agency as an important way of facilitating federal-provincial collaboration and

promoting a more integrated approach to the whole issue of food inspection in Canada.

Honourable senators, we have some excellent work to build on. For example, in 1995, the Provinces of Nova Scotia, New Brunswick and Ontario each signed a memorandum of understanding on fish inspection with the federal government, joining Quebec and British Columbia which already had MOUs. These agreements clarify the federal and provincial roles of fish inspection to avoid duplication and ensure comprehensive coverage of commercially harvested and cultured fish.

• (2130)

In conclusion, the Canadian Food Inspection Agency will help speed up and simplify initiatives that are now underway in the area of national standards throughout the food sector. They will also offer some new possibilities for entering into partnerships with interested provinces.

One example of this is the ongoing initiative to develop a Canadian food inspection system involving the federal government, the provinces and, in some cases, even individual municipalities. The development of the CFIS, as it will be known, was highlighted by the first ministers at their meeting last summer as a leading example of how we are renewing and strengthening the federation and improving the way in which the provinces and the federal government work together. The agency will encourage greater collaboration between federal and provincial governments. This consolidation will speed up and simplify work already under way on harmonizing standards among federal, provincial and municipal governments.

As the next step in that process, federal and provincial agricultural ministers have endorsed an approach to move forward on the development of a common legislative base and regulatory templates upon which all federal, provincial and territorial food inspection legislation could be based.

Honourable senators, work to establish the Canadian Food Inspection Agency is already underway. In July, Agriculture and Agri-Food Canada and Health Canada completed a major reorganization to realign resources between the two departments and bring 4,500 inspectors together in a single organization. They will be joined by 400 inspectors from Fisheries and Oceans Canada when the agency is established next year.

Clearly, honourable senators, this more streamlined, efficient and responsive approach to food inspection and a quarantine, as set out under Bill C-60, is an important avenue for ensuring continued confidence in the safety and quality, both here and abroad, of our food supply and a growing and prosperous food industry in the years ahead.

I call on all senators to lend their support for this long awaited legislation.

On motion of Senator Rossiter, debate adjourned.

CRIMINAL CODE
DEPARTMENT OF HEALTH ACT

BILL TO AMEND—SECOND READING—DEBATE CONTINUED

On the Order:

> Resuming debate on the motion of the Honourable Senator Carstairs, seconded by the Honourable Senator Cohen, for the second reading of Bill S-14, to amend the Criminal Code and the Department of Health Act (security of the child).—(*Honourable Senator Spivak*).

Hon. Mira Spivak: Honourable senators, Senator Sharon Carstairs has rendered a great service to our country by introducing Bill S-14 which, if approved by Parliament, will have a lasting impact.

Senator Cohen, in an eloquent address this week, presented additional evidence to support the solid, rational basis for the introduction of this proposed legislation. I strongly believe that we are long overdue in removing section 43 from the Criminal Code. We must not continue to deliver the message to teachers, parents and others that corporal punishment, the deliberate use of force with the intent to cause pain, is a legally acceptable way to try to change the behaviour of children.

As chair of Winnipeg School Division No. 1 in the 1980s, I was instrumental in changing the by-laws of the school division to prohibit the use of corporal punishment. Since then, many countries have gone further than the steps proposed in this bill by specifically legislating against corporal punishment. Their experience and the very large body of research on the question affirms the conclusion I reached years ago.

Like Senator Cohen, I commend to you the excellent research review and policy recommendations in a report for the Family Violence Division of Health Canada and the Department of Justice by Joan Durrant of the University of Manitoba and Linda Rose-Krasnor of Brock University. That report tells us that the legislated approval of the use of corporal punishment by teachers is by no means universal. In fact, Canada stands as only one of three countries among 27 listed in UNICEF's "The Progress of Nations" report whose laws still permit corporal punishment in schools. Many nations had abolished it by the turn of the century. It has now been abolished in state-supported schools of every Western European country, including Britain.

In many countries, the legal approval or parental use of corporal punishment also no longer exists. Sweden was the first country to explicitly ban the use of corporal punishment by parents in 1979 and, since then, five other countries have passed legislation; Finland, Denmark, Norway, Austria and Cyprus.

Senator Carstairs told us last June, in her address to this chamber, of the strong, positive benefits reported in Sweden in the last several decades as a result of that move, among them the dramatic rejection in Swedish culture of physical punishment as a child-rearing option. I will not repeat what she said. I will only add that researchers have also seen dramatic declines in the rates of child abuse referrals to hospitals and in youth involvement in crime.

At the other end of the spectrum are cultures where the infliction of pain is thought to be a necessary, justifiable and even constructive method of socializing children. Virtually all of these countries were once colonies of Britain where birching of children began as early as the mid-1400s. All of these countries — Barbados, St. Kitts and Canada — still codify that generations-old belief in law.

This attitude is reflected in a recent *Winnipeg Free Press* editorial which stated:

> It is unlikely that a law that effectively bans spanking will garner much support among a majority of senators and members of Parliament, nor should it.

That is a mad burst of enlightened thinking by the *Winnipeg Free Press*.

Further, the bad suggestion in this law, the *Winnipeg Free Press* goes on to say:

> — is that parents should be charged, prosecuted and presumably fined or jailed for spanking children who misbehave.

This supposition is not at all accurate; again, not an unusual occurrence in *Winnipeg Free Press* editorials.

Dr. Charles Ferguson, head of the Child Protection Centre at the Children's Hospital in Winnipeg, presents some telling evidence in another article printed in that paper on the same day. He says that it is unlikely that parents would be dragged into court if this bill succeeded since, under the current law, he sees countless cases where parents thrash their children to within an inch of their lives and there are very few prosecutions. He asks why one would assume that the law would go after simple spankers. The real issue, however, is why anyone has the right to use force on a child, even for discipline, when they do not have that right in respect of an adult.

Simply put, section 43 of our Criminal Code is a hangover of our cultural inheritance, an inheritance that has already been rejected with respect to the use of corporal punishment by teachers in Britain. Ireland and New Zealand are among the many countries now moving toward legal reform to prohibit parents' use of corporal punishment.

Cultural attitudes in this country are also changing. A recent survey suggests that the attitudes of Canadian parents may be well ahead of the views held by many law makers and judges, but not, I hope, of this chamber.

Research shows that 85 per cent of parents believe that spanking is ineffective; 62 per cent believe it is unnecessary; 58 per cent believe that is harms the child; and more than half say that it is not a parent's right to hit a child.

As parliamentarians, we must listen to what the majority of parents are saying. We know that there are many who hold other views. However, we should remember that Sweden has already demonstrated that the combination of legal reform and parental education, another key feature of this bill, is highly effective in changing the cultural norm. We should aim for the standards of a country like Sweden, where only 11 per cent of citizens now approve of corporal punishment.

We have other good reasons to support this bill. In 1989, Canada signed the United Nations Convention on the Rights of the Child. In ratifying the convention, the government effectively committed Canada to prohibiting corporal punishment. In retaining section 43 of the Criminal Code, we are viewed as being in contravention of that convention. Section 7 of the Canadian Charter of Rights and Freedoms guarantees the right to security of the person, and section 15 assures equal protection of the law without discrimination on the basis of age. Those rights can only be limited if limitations are demonstrably justified in a free and democratic society.

• (2140)

The weight of research evidence shows that corporal punishment does not benefit children, that it burdens parents with guilt, and that, in the long run, it can be very destructive of the parent/child relationship. How can we demonstrably justify denying those rights to children?

The chief reason to support this bill, though, is to promote the health of our children, our families, and our society. There is ample research evidence that corporal punishment and child abuse are not, as many would like to believe, distinct, unrelated behaviours. They exist in a continuum of violence. Of course, it is nonsense to suggest that all parents who spank their children will become child abusers. However, researchers know that because of the ineffectiveness of physical punishment in changing the behaviour of a defiant, aggressive or difficult child, there is a built-in tendency for the violence to escalate unless parents have other means of discipline at their disposal.

Parents want to have those tools. If we need proof of that, we only need look at the experience of Ms Durant, the Manitoba researcher and psychologist who published 5,000 copies of brochures giving parents advice on alternative methods of teaching children how to behave. Those 5,000 copies were gone in six weeks. She has received 70,000 requests for more copies of the brochure. Bill S-14 would allow Health Canada to bring that kind of information to parents, teachers, nannies, baby-sitters, and anyone else anywhere in Canada who faces the very real and demanding, and often trying, responsibility of caring for children.

Would it make criminals out of those who, in a lapse of judgment, slap a child to prevent him from running into traffic instead of restraining him? I think not. Under common law and under the Criminal Code, the use of force to prevent harm to people or property is justified in emergency situations. Moreover, this bill would allow Health Canada to work with provincial authorities to create guidelines for law enforcement and child protection authorities. Police and prosecutorial discretion could be based on those guidelines.

This bill would not protect children by making criminals of their parents. This is the myth that is posed. Rather, it would give some parents the help that they need to prevent corporal punishment from escalating into an assault. It aims to help both parents and children. Long ago in North America, we abandoned the notion that public flogging was an acceptable treatment of adults in our society, and, as Senator Carstairs pointed out, we no longer accept corporal punishment in our prisons. We have changed our attitudes and our administration of the law respecting spousal assault. If you remember, spousal assault was acceptable as long as the stick was no bigger than a thumb. We must extend the same respect, dignity and rights to our children that we give to everyone else in society. Corporal punishment, even when it stems from the misguided notion that it is good for a child, should no longer be condoned or sanctioned by our Criminal Code. Humanity and logic leads to the conclusion that the use of physical force on children, as on adults, constitutes assault.

In 1995, the UN Committee on the Rights of the Child recommended that corporal punishment in the home and elsewhere be prohibited, and recommended that Canada reconsider section 43 in the light of this recommendation. Surely this should be the highest priority among human rights objectives in Canada. I would hope that the Senate would show leadership on this most important issue by approving Bill S-14.

On motion of Senator Pearson, debate adjourned.

CRIMINAL CODE

BILL TO AMEND—SECOND READING—DEBATE CONTINUED

On the Order:

> Resuming debate on the motion of the Honourable Senator Carstairs, seconded by the Honourable Senator Milne, for the second reading of Bill S-13, to amend the Criminal Code (protection of health care providers).—(*Honourable Senator Lavoie-Roux*).

Hon. Landon Pearson: Honourable senators, I know that this debate is adjourned in the name of Senator Lavoie-Roux. However, I understand she is quite happy to have someone else speak, as she is away. She will be back to make her speech following next week.

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

Hon. Senators: Agreed.

Senator Pearson: I rise this evening to speak briefly in support of Bill S-13. I firmly believe this bill must be enacted in order to clarify the confusion which appears to exist among health-care providers as well as among the general public with respect to the circumstances wherein the withholding and withdrawal of life-sustaining treatment is legally acceptable.

Both Senator Carstairs, who is sponsoring this bill, and Senator Keon, who supports it, have already explained its context in well-argued speeches. They were both members of the Senate Special Committee on Euthanasia and Assisted Suicide which heard a number of witnesses attest to this confusion. The committee's report, "Of Life and Death" contains a recommendation to amend the Criminal Code in order to clarify the situation for all concerned. This recommendation was approved by all committee members.

The practical consequence of Bill S-13, if enacted, will be to protect health-care providers from criminal charges if they withhold or withdraw life-sustaining medical treatment at the request of a competent patient. This will be done by the addition of a new section, section 45.1, to the Criminal Code which details the processes by which such a request can be transmitted either before the patient becomes ill or during a patient's illness.

As Senator Carstairs forcefully reminded us in her speech, this is not a bill about either euthanasia or assisted suicide. These practices are dealt with elsewhere in the Criminal Code. This bill is about human dignity and the restoration of "nature" to the natural processes of life and death.

Honourable senators, look around us. There is no one among us who is not closer to the end of his or her natural lifespan than to its beginning. I would like to think that most of us have accepted the inevitability of our own demise, although, being human, we would like to delay it a little longer. Of one thing, though, I am quite sure: Every one of us would like to die with our dignity intact. A good death is the last, best gift we can offer to those we leave behind. None of us would like the Criminal Code to prevent us from obtaining the medical treatment or the medical support we may need to manage our final illness without unbearable pain and distress so that we can retain our humanity to the end.

Before I joined the Senate, I was a community member of the Ottawa-Carleton Palliative Care Council. From my professional colleagues on the council, I learned that the means are now available to control all but the most intractable pain. I also learned that, in most cases, we know how to create conditions of relative comfort that can ease our inevitable passing. Many people now can and do choose to die at home with the resources of a palliative care team. Others find peace and solace, both physical and spiritual, in palliative units like Élizabeth-Bruyère here in Ottawa. If the palliative care movement has not spread as far as we would like, it is partly because of the confusion surrounding the legalities of withdrawing life-sustaining treatment. I believe this bill provides the necessary safeguards, and I sincerely hope we will pass it as soon as possible.

On motion of Senator Lynch-Staunton, for Senator Lavoie-Roux, debate adjourned.

FINANCIAL ADMINISTRATION ACT

BILL TO AMEND—THIRD READING

Hon. B. Alasdair Graham (Deputy Leader of the Government) moved third reading of Bill C-270, to amend the Financial Administration Act (session of Parliament).

Motion agreed to and bill read third time and passed.

• (2150)

PRIVATE BILL

AN ACT TO INCORPORATE THE BISHOP OF THE ARCTIC OF THE CHURCH OF ENGLAND IN CANADA—BILL TO AMEND—SECOND READING—DEBATE ADJOURNED

Leave having been given to proceed to Private Bills, Order No. 1 (For Tuesday, February 18, 1997):

Hon. Michael A. Meighen moved second reading of Bill S-15, to amend an Act to incorporate the Bishop of the Arctic of the Church of England in Canada.

He said: Honourable senators, the Mission of the Church of England, now the Anglican Church of Canada, to the Inuit of the High Arctic of Canada began a century ago on Blackhead Island near Pangnirtung on the east coast of Baffin Island.

The Reverend E.J. Peck was the first of many dedicated missionaries who came from England and who were followed by others from both England and southern Canada to do the work of the church, in both converting northern peoples to Christianity and ministering to them. It was the Reverend Mr. Peck who gave the Inuit of the Eastern Arctic the syllabic writing system which they use as their orthography today.

These men and their families were pioneers. They immersed themselves in the languages and cultures, learning from the people to whom they ministered while they in turn taught the Christian doctrine. The Anglican missionaries supported themselves, building their churches and mission houses with their own hands, travelling by boat and by dog team to visit the nomadic people whom they had dedicated themselves to serve. By overland routes and waterways through the northwest of Canada, the Anglican Church was also well established in the Western Arctic early this century. There, it carried out its missionary work among the Cree, the Chipewyan, Slavey, Gwich'in people of the Mackenzie River Basin and the coastal Inuit of the Beaufort Sea who today call themselves Inuvialuit.

Today, the Diocese of the Arctic spans the breadth of the Northwest Territories and the northern third of Quebec referred to as Nunavik. There are 51 active parishes, 20 of which have resident Anglican ministers.

The face of the Anglican Church has changed over the years. Now, both men and women make up the ranks of the clergy. There are 15 ordained Inuit clergy, all of whom were trained at the Arthur Turner Training Centre. That centre, in the Arctic, has been training Anglicans for ordination since 1970.

Anglican clergy in the Diocese of the Arctic, with the assistance of the parishioners, have translated the gospel into Inuktitut, Inuvialuktun and several of the Dene languages. The translation of hymns, prayers and revisions to the translations of the Bible, continues to this day.

Last year, the Ninth Synod of the Anglican Diocese of the Arctic elected its first Inuk Bishop, Paul Idlout. He was consecrated in Iqaluit in June. Bishop Idlout was ordained an Anglican priest in 1989. Prior to his ordination, he served for 15 years as a constable with the RCMP. Senators who recall the $2 bill with the Arctic hunting scene on the back of it will, without being aware of it, have seen Bishop Idlout's picture.

The Canons and Constitution of the Diocese of the Arctic provide that all Diocesan authority rests in the hands of the Bishops. The Bishops are assisted in this by an executive committee made up of clergy and lay members. In order that the business and property of the diocese can continue and be held on an uninterrupted basis through a succession of Bishops, the Bishop of the Arctic was incorporated by act of Parliament in 1934. At that time, Archibald Fleming became the first Bishop of the Arctic. Some senators may be familiar with his autobiography, *Archibald in the Arctic.*

Since 1934, the passage of the Bishop of the Arctic Act in the Anglican Diocese of the Arctic continues to serve the social as well as the spiritual needs of Canada's northern peoples. Its presence in the Arctic for over a century has contributed a visible and important presence in the Canadian north which has significantly served Canada's Arctic sovereignty.

When the act of Parliament which is now before honourable senators for amendment was first passed, section 3 of the act prevented the investment of the Episcopal Funds in government securities in the United Kingdom and Canada and in first mortgages in Canada. These very limited investment options were, no doubt, at the time sensible and appropriate. The mission of the Anglican Diocese of the Arctic was, at the time, largely supported by the generosity of British benefactors. That generosity continues to this day, but it is much diminished. The Diocese of the Arctic has never been self-supporting. Due to the costs of travel and the high costs of everything in the Arctic, its expenses are great indeed. It serves congregations whose members are mostly of modest circumstances. Over the years, the Endowment Fund of the Bishop of the Arctic has accumulated savings, the capital of which is earning interest at very modest rates, particularly at this point in time. That interest is being used to support day-to-day expenses and to help maintain the activities of the Diocese and church property.

As rich as it is in traditions and in spirit, today, the Anglican Diocese of the Arctic is poorer financially than it has ever been. Some of its property has been sold and some parishes are without Anglican ministers due to shortages of money.

The Anglican Church of Canada, which has generously supported the Diocese of the Arctic for decades, has had to reduce its financial support because its own revenues have declined.

It is important to the continuing work of the Bishop of the Arctic and to the financial well-being of the Diocese that the corporation have some additional flexibility in its investment options so that, conservative though these investments should remain, the Bishop of the Arctic can earn additional income on its Endowment Fund and carry out its stewardship responsibilities as it ought to.

The proposed amendment to section 3 seeks to bring those investment powers into line with the modern limits and to free the Bishop of the Arctic to responsibly invest its Endowment Fund in a wider variety of property and security.

The other two amendments being proposed are technical. Changes are proposed to the French text to name the corporation "Évêque de l'Arctique." The Bishop's Chancellor has confirmed with Canada Corporation officials that the name change would not conflict with the name of any other corporation there registered, or any name presently reserved.

The other technical change is to substitute for the term "corporation" in French the term "personne morale." This brings the act into line with current French drafting terminology. Both these technical amendments are important because a large part of the work of the Bishop of the Arctic is carried on in the province of Quebec.

I thank honourable senators for allowing me to bring this item forward this evening.

On motion of Senator Adams, for Senator Watt, debate adjourned.

The Senate adjourned until tomorrow at 2 p.m.

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