



CANADA

Debates of the Senate

2nd SESSION

•

35th PARLIAMENT

•

VOLUME 136

•

NUMBER 74

OFFICIAL REPORT
(HANSARD)

Wednesday, February 19, 1997

—

THE HONOURABLE GILDAS L. MOLGAT
SPEAKER

CONTENTS

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

Debates: Victoria Building, Room 407, Tel. 996-0397

Published by the Senate

Available from Canada Communication Group — Publishing, Public Works and
Government Services Canada, Ottawa K1A 0S9, at \$1.75 per copy or \$158 per year.

Also available on the Internet: <http://www.parl.gc.ca>

THE SENATE

Wednesday, February 19, 1997

The Senate met at 1:30 p.m., The Speaker in the Chair.

Prayers.

[*Translation*]

PAGES EXCHANGE PROGRAM WITH HOUSE OF COMMONS

The Hon. the Speaker: Honourable senators, I would like to introduce the two House of Commons pages who are with us this week.

[*English*]

Unfortunately, because of the budget presentation yesterday, the pages could not be with us, so their stay with us will be somewhat shortened.

I would like to introduce Lawrence Moquette.

[*Translation*]

Lawrence Moquette is studying literature at Carleton University. Lawrence comes from Montreal. Welcome to the Senate, Lawrence.

[*English*]

Sarah Milne is from Belleville, Ontario, and she is enrolled in the Faculty of Health Sciences at the University of Ottawa. Her major is human kinetics.

Welcome to the Senate.

Hon. Senators: Hear, hear!

[*Translation*]

ROYAL ASSENT

NOTICE

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

RIDEAU HALL

February 19, 1997

Mr. Speaker,

I have the honour to inform you that the Right Honourable Antonio Lamer, Chief Justice of the Supreme Court of Canada, in his capacity as Deputy Governor General, will proceed to the Senate Chamber today, the

19th day of February, 1997, at 5:00 p.m., for the purpose of giving Royal Assent to certain bills.

Yours sincerely,

Judith A. LaRocque
Secretary to the Governor General

The Honourable
The Speaker of the Senate
Ottawa

[*English*]

ROUTINE PROCEEDINGS

NUCLEAR SAFETY AND CONTROL BILL

FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-23, to establish the Canadian Nuclear Safety Commission and to make consequential amendments to other Acts.

Bill read first time.

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

On motion of Senator Graham, bill placed on the Orders of the Day for second reading on Tuesday, March 4, 1997.

CANADA-JAPAN INTER-PARLIAMENTARY GROUP

REPORT OF CANADIAN DELEGATION TO FIFTH ANNUAL MEETING
OF ASIA-PACIFIC PARLIAMENTARY FORUM TABLED

Hon. Dan Hays: Honourable senators, I have the honour to table, in both official languages, the report of the Canadian delegation to the fifth annual meeting of the Asia-Pacific Parliamentary Forum held in Vancouver, British Columbia, from January 7 to 10, 1997.

With your permission, honourable senators, I should like to make a few comments.

• (1340)

This meeting was hosted by the Parliament of Canada, and I can proudly report that it was a highly successful and productive meeting. Parliamentarians from 21 Asia-Pacific nations met to discuss important regional and global issues. Twenty-one separate resolutions were adopted dealing with such matters as terrorism, drug trafficking, land mines and the environment.

The Canadian delegation was chiefly instrumental in proposing and having adopted important resolutions on education, literacy, and human rights, including the exploitation of children and women.

I want to draw to the attention of honourable senators the fact that the Right Honourable the Prime Minister addressed the delegates at the opening plenary session. He spoke of the importance —

Hon. Noël A. Kinsella: Honourable senators, this is Tabling of Reports, not comment on reports.

The Hon. the Speaker: I did not like to interrupt you, Honourable Senator Hays, but on Tabling of Reports from Inter-Parliamentary Delegations, such reports should simply be tabled, with no speech made at that time. Such reports can be discussed later by way of an inquiry or a motion, and the senator can be heard at that time. Again, I am sorry to interrupt you.

MANGANESE-BASED FUEL ADDITIVES

NOTICE OF MOTION TO REQUEST THE ATTENDANCE OF MINISTER OF INTERNATIONAL TRADE BEFORE ENERGY, THE ENVIRONMENT AND NATURAL RESOURCES COMMITTEE

Hon. John Buchanan: Honourable senators, I give notice that on Thursday next, February 20, 1997, I will move:

That the Senate request that the Minister of International Trade accept the invitation of the Standing Senate Committee on Energy, the Environment and Natural Resources to appear and give evidence relating to Canada's international trade obligations and their effects on Bill C-29, *An Act to regulate interprovincial trade in and the importation for commercial purposes of certain manganese-based substances*, with particular reference to the Minister's letter of February 23, 1996 to the Minister of the Environment in which he said: "An import prohibition on MMT would be inconsistent with Canada's obligations under WTO and the NAFTA: (1) it would constitute an impermissible prohibition on imports, particularly if domestic production, sale or use is not similarly prohibited; and (2) it could not be justified on health or environmental grounds, given current scientific evidence."

THE BUDGET 1997

STATEMENT OF MINISTER OF FINANCE—NOTICE OF INQUIRY

Hon. John Lynch-Staunton (Leader of the Opposition): Honourable senators, I give notice that on Tuesday, March 4, 1997, I will call the attention of the Senate to the budget presented by the Minister of Finance yesterday, February 18, 1997.

QUESTION PERIOD

HEALTH

RECOMMENDATION OF LEGAL AND CONSTITUTIONAL AFFAIRS COMMITTEE FOR JOINT REVIEW OF DRUG POLICIES—GOVERNMENT POSITION

Hon. Duncan J. Jessiman: Honourable senators, my question is addressed to the Leader of the Government in the Senate.

On June 19, 1996, the Standing Senate Committee on Legal and Constitutional Affairs unanimously recommended the following:

Whereas the House of Commons Standing Committee on Health has undertaken to review Canada's drug laws and policies this fall;

And whereas this review is in response to calls for an independent, open, objective, non-partisan reassessment of Canada's drug laws and policies;

And whereas the Senate may consider conducting a parallel, independent review of Canada's drug laws and policies;

The Standing Senate Committee on Legal and Constitutional Affairs strongly urges that a Joint Senate and House of Commons Committee be struck to review all of Canada's existing drug laws, and policies and programs.

In October of 1996, the Committee on Health in the House of Commons commenced its review of policies on the misuse and abuse of substances. I am made to understand that that committee has had seven or eight meetings to date.

On November 6, Senator Carstairs, as Chair of the Senate committee, wrote to the Leader of the Government asking for the disposition of the committee's recommendation, and said that the committee "would like such a review to commence as soon as possible, and respectfully request that you place our desire before the government."

My question is two-fold: First, did the Leader of the Government place the committee's request before the government? Second, what was the government's decision?

[Translation]

Hon. Marcel Prud'homme: Honourable senators, there is no translation.

[English]

The Hon. the Speaker: Honourable senators, we will interrupt the proceedings for a moment. It seems that there is a translation problem.

Honourable senators, there is a technical problem with the sound system and we have technicians coming over. It may take a few minutes. Perhaps we can adjourn during pleasure for, say, 10 minutes, and then return.

Hon. Senators: Agreed.

The Hon. the Speaker: We shall adjourn, then, for approximately 10 minutes.

The Senate adjourned during pleasure.

• (1430)

The sitting of the Senate was resumed.

Senator Jessiman: Honourable senators, having given the Leader of the Government enough time to speak with Senator Carstairs, perhaps we can now have an answer, please.

Hon. Joyce Fairbairn (Leader of the Government): Honourable senators, I assure my honourable friend that I pressed the proposition of a joint committee to study those issues as strongly as I could. However, discussions had already begun on the other side within the Standing Committee on Health, and the government decided that the consideration should continue there.

I assure my honourable friend that I did press the views of the committee and my colleague Senator Carstairs as vigorously as I could.

Senator Jessiman: Honourable senators, the committee also said:

And whereas the Senate may consider conducting a parallel, independent review of Canada's drug laws and policies;

Was that proposition considered by the government?

Senator Fairbairn: Honourable senators, as my honourable friend knows, the committees of the Senate have the responsibility for setting their own agenda. That proposition certainly was considered. It was the view of the government at that time — obviously not the view of the committee — that the subject-matter should be reviewed by the Health Committee of the other place.

AGRICULTURE

INCREASE IN FOOD INSPECTION USER FEES— REQUEST FOR DETAILS

Hon. Leonard J. Gustafson: Honourable senators, it was reported recently that Canadians will pay millions of dollars more this year in new and higher federal government user fees. For example, it was reported that Agriculture Canada is expected to pull in an extra \$56 million in 1997-98 in food inspection fees alone.

Can the Leader of the Government provide us with the details of how much federal government user fees will increase by this year? I am certain that Canadians will be interested.

Hon. Joyce Fairbairn (Leader of the Government): Honourable senators, my honourable friend will know that user fees have increased in that particular area, as in others. As I have said on other occasions, I will try to get that information, particularly the information on the food inspection area in which my honourable friend appears to be interested.

Senator Gustafson: Honourable senators, the Liberal government has increased federal government user fees by approximately \$1 billion since coming into power. Does the government agree that these fees are a form of taxation? We heard yesterday that there were no new taxes. Here is \$1-billion worth.

Senator Fairbairn: Honourable senators, the fees about which my honourable friend speaks would not be considered as new taxes by the government. They would be considered as part of the very difficult program that the government has been undergoing over the last three years to cut expenditures and to systematically bring the deficit under control which, as was indicated last night in the budget, is continuing. The Minister of Finance is meeting his goals. He has set them prudently for the next short period of time and is hopeful that we will soon have a zero deficit. My honourable friend will know that reducing expenditures while at the same time maintaining services for Canadians has involved extra costs. One such area is food inspection services.

Senator Gustafson: Honourable senators, will the Leader of the Government in the Senate not agree that such a fee is really a hidden tax, a form of indirect taxation? The tax is hidden in that it is not called a tax.

Senator Fairbairn: My honourable friend and I agree on most things, but on this issue I respectfully disagree with him.

FINANCE

THE BUDGET—USE OF COMMUNICATIONS FIRM FOR PUBLICITY— GOVERNMENT POSITION

Hon. Orville H. Phillips: Honourable senators, my question is directed to the Leader of the Government in the Senate. In the past couple of days I have spoken to the fact that the Minister of Justice uses Earncliffe communications consultants as his spin doctors for his legislative and public apology needs. I want honourable senators to know that the Minister of Finance also uses Earncliffe as his spin doctors.

The budget that the Minister of Finance tabled last evening in the other place contained a number of inaccurate, inconsistent and downright insensitive statements, much like the announcements of his colleague Allan Rock.

Honourable senators, since yesterday's budget was just a media package for the next election, was that, too, prepared by the spin doctors at Earncliffe communications?

Hon. Joyce Fairbairn (Leader of the Government): Honourable senators, the honourable senator uses the term “spin doctors” freely. That would not be my description of people who assist the government and ministers in explaining government policies to the public in Canada.

With regard to the budget, the Minister of Finance has complete control of his budget and the messages which go out. I do not believe that all honourable senators in this house, and certainly not the people of Canada who were listening to the messages that came out of the budget last night, would agree with my honourable friend. I think they would agree that a Minister of Finance who puts together a balance of fiscal responsibility, sensitivity to social investment, and short- and long-term programs for jobs and growth in this country is operating very much in the interests of Canadians and needs no one to help him tell his story.

Senator Phillips: Honourable senators, I suggest that the Minister of Finance needs much help in the field of job development, among others.

• (1440)

Has the Minister of Finance retained the services of Earncliffe communications consultants to have yesterday's budget nominated for the Governor General's award in fiction?

Senator Fairbairn: I cannot answer that question, honourable senators. Indeed, it is an imaginative one. I would think that the Minister of Finance, on his own merit, would get the award of the year for a very sensitive, helpful, responsible document. The Canadian people might want to give him a gold star for the kind of care he is taking in presenting a budget that is not just for next year but for the future, and for the benefit of those who live and work and raise their families in this country.

Senator Phillips: May I suggest a golden boot instead of a golden star?

MANGANESE-BASED FUEL ADDITIVES

QUESTIONS POSED TO ENERGY, THE ENVIRONMENT AND
NATURAL RESOURCES COMMITTEE—
REQUEST FOR INTERIM REPORT

Hon. Noël A. Kinsella: Honourable senators, I have a question for the Chairman of the Standing Senate Committee on Energy, The Environment and Natural Resources. Given that that committee has an instruction from this chamber to provide an interim report addressing three very specific questions, could the chairman advise us, first, of the methodology which his committee is following in preparing that interim report, and, second, the format that he is envisaging in preparing that report?

Hon. Ron Gitter: Honourable senators, the three questions that were asked by the Senate on February 4, 1997, have been considered by the committee. We have heard now from some

35 witnesses on that subject. I am sure that if one were attempting to analyse what they were saying, it would be on the one hand this and on the other hand that, because of the scientific complexity of what is being proposed.

With respect to the methodology employed in the preparation of the report, this report is being prepared internally with the oversight of Senator Kenny and myself, with the idea that it would then be presented to the committee.

I have just read the draft of responses to the questions, but probably many members of the committee have not, as yet, had an opportunity to read this. It amounts to some 20 pages. There is a lot of material here, some of which I am not happy about. I do not know how other members of the committee feel about it. Nevertheless, a great deal of work needs to be done, in my view at least, with respect to the draft that has been prepared, and which we will be discussing in committee tomorrow.

The process about which the honourable senator has enquired is as follows, as I understand it: It would be our intention, as requested by the Senate, to regard this as an interim report and, once it has been agreed upon by the committee, to deposit it with the Senate and then let the Senate deal with it. After that, I would assume that the matter would be referred back to the committee, considering the debate on the subject-matter that had taken place in the Senate, and the progress of the actual bill towards consideration by the Senate.

That is my view. I am not sure if that view is shared by my friends on the other side.

Senator Kinsella: Honourable senators, my question to the Chairman of the Standing Senate Committee on Energy, the Environment and Natural Resources is: Would the committee consider a proposal that the Royal Society of Canada be asked to prepare a draft response to question number one currently before the committee, namely, does MMT gum up the OBD devices?

As honourable senators know, the Royal Society of Canada has a great reputation for their independence and their scientific shrewdness. They were also the agency utilized by the Prime Minister in his dealings with the Government of France concerning the matter of asbestos.

Senator Gitter: Honourable senators, there have been many suggestions made to the committee from various individuals and organizations relative to resolving the question of whether or not MMT does cause damage or malfunctioning to the OBD systems. On the refineries side, they have told us that they would very much wish to participate in an ongoing study to determine whether or not there is damage as alleged by the automobile industry, which blames such damage on the gas.

The Environmental Protection Agency, or EPA, in the United States has made an investigation in this regard, and has determined that MMT does not damage the on-board diagnostic systems and, as a result, they allowed MMT to be utilized.

On that basis, the suggestion made by the honourable senator is one that has not been discussed by the committee. I take it we may do that tomorrow, if that suggestion does come forward.

Clearly, the suggestion has been made that an independent third party should examine this question because there is science on both sides of the issue. In addition, the Canadian Department of the Environment has not conducted this examination and cannot help the committee in that regard.

If that suggestion is referred to the committee, I am sure we will deliberate and advise accordingly.

ORDERS OF THE DAY

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

BILL TO AMEND—SECOND READING—DEBATE CONTINUED

On the Order:

Resuming debate on the motion of the Honourable Senator Kirby, seconded by the Honourable Senator Moore, for the 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.

Hon. Brenda M. Robertson: Honourable senators, on October 23, 1996, the Minister of Finance announced that the federal government had reached detailed agreements with Nova Scotia, New Brunswick, and Newfoundland and Labrador to implement a new harmonized sales tax effective April 1, 1997. In a statement at that time to the House of Commons, the minister stated:

What helped all of us to conclude these negotiations successfully was that we shared a common objective — to give consumers and businesses a sales tax system that is simpler, more efficient and more equitable. It is a practical example of how the federal and provincial governments can collaborate to make our federal system work better.

Honourable senators, I do not know any person living in Atlantic Canada who would quarrel with taxation reform that would result in a system that is simpler, more efficient and more equitable. However, unfortunately, that is not what I am hearing about the new harmonized sales tax. I am hearing just the opposite, honourable senators.

I am being told by ordinary consumers and by retailers that, far from making things easier, this new tax will cause them significant hardship. I am hearing that the harmonized sales tax will result in increased costs to consumers, particularly consumers with lower and lower-middle incomes; that it will result in increased costs to retailers; that this tax may well be a job killer; that the harmonized sales tax could be bad for the region's economy; and that it will limit the taxing powers of individual provinces.

Much confusion surrounds this major tax change. One recent example involved the travel industry. The act provides for the harmonized sales tax to come into effect for the purchase of any service after April 1, but paid for after January 31. Unfortunately, the travellers and the travel industry did not hear about it, so this provision caught many of New Brunswick's travelling public and agents off guard two weeks ago, and there was a bit of mad confusion in the travel industry.

• (1450)

This illustrates a fundamental flaw in the whole process of developing the legislation and arriving at the agreements. By refusing to hold public hearings in the three provinces, the federal government has failed to take into account the views of Atlantic Canadians on this major tax change and has failed to properly inform the people of the far-reaching consequences of the changes.

I find this to be very curious, honourable senators, and I have to ask these questions: Why did the federal government not hold public hearings? Why are Atlantic Canadians being kept in the dark about the details of the comprehensive, integrated, tax coordination agreements? Any poor consumer down home reading that title would be doubly confused. Why was the travel industry caught off guard? Is it up to the general public to read the fine print of the agreements between Ottawa and the three provinces? It is really quite suspicious.

I have to agree with the theory proposed by the Leader of the Opposition in Nova Scotia that the federal government and the three provincial governments are not really sure of the implications of the new tax. This is illustrated by comparing New Brunswick's and Nova Scotia's forecasts on GDP and jobs. For example, New Brunswick's Minister of Finance estimated that the HST would result in 0.5 per cent increased growth in the New Brunswick economy, and that the additional growth would create at least 6,000 jobs over the four-year agreement. Nova Scotia, on the other hand, forecast 0.8 per cent additional growth, and that the increased growth would create 3,000 jobs over the same four-year period.

Honourable senators, given that the provinces have similar economies and that forecasters are working with the same assumptions, how can this difference be explained? Could it be that New Brunswick and Nova Scotia are not exactly sure how this new tax will impact GDP and how many new jobs, if any, it will create? Honourable senators, people are clearly expressing their doubts about any new jobs being created.

The federal government and the provinces have not produced substantial evidence, if in fact they have any, describing in rigorous detail the impact that the new harmonized tax will have on jobs or on the Atlantic economy. It is not at all surprising that the federal government has refused to hold public hearings in the region which would increase public awareness and stimulate debate about these fundamental changes in provincial taxation. It is one thing to have a few witnesses come up to Ottawa; it is certainly another matter when the committee will not go to Atlantic Canada and listen to the people.

Honourable senators, in my province, I hear that this new tax is about politics and about enabling Liberal candidates to claim that it represents progress on their promise to eliminate the GST.

In the last election campaign, the Liberals led Canadians to believe that they would scrap the GST, not hide it in the prices in our provinces of New Brunswick, Nova Scotia, Newfoundland and Labrador. Any way you cut it, the HST does not even come close to keeping the Liberal promise. The GST is still here.

Atlantic Canadians have also asked these questions: Why is there only limited harmonization? Why does it not apply to Ontario and to the western provinces? Perhaps the answer is that because the three Atlantic provinces — which have the only three Liberal premiers in Canada, by the way — are less well off, it was easier to persuade the three Liberal premiers to help Ottawa save face on their broken GST promise through a cash offer of almost \$1 billion.

Honourable senators, the HST could only be sold in Atlantic Canada because of our high provincial sales taxes and the promise of savings to consumers and businesses, when in fact no one knows for sure what the outcome will be.

A report from the Dominion Bond Rating Service says that Ontario and the western provinces will resist harmonization because, in those jurisdictions, it will shift the tax burden from corporations to individuals. Honourable senators, that is exactly what will happen in the Atlantic provinces.

I received a fax last week from a leading Atlantic Canadian business person who described the new tax as:

...the most profound transfer of sales taxes from business to individuals in the history of New Brunswick, Nova Scotia, Newfoundland and Labrador.

He illustrates the case with three examples. I should like senators from the Atlantic region to particularly note some of these examples.

For instance, if a multinational firm under this new tax buys a \$30,000 car for its manager, the company will pay absolutely zero HST. However, if an ordinary citizen buys the same \$30,000 car, he or she will pay \$4,500 HST. In another instance, if a firm purchases a \$3,500 computer, it will pay zero HST. However, if a student buys the same computer, the student has to

pay \$525 in HST. In the third example, if an oil company spends \$300 for boots and coveralls for a worker, it will pay zero HST, while the same worker buying the same work clothes would pay \$45 HST.

Honourable senators, this is disgraceful. Prior to the HST, these transactions would be subject to the provincial sales tax regardless of whether the purchase was made by a business or an individual consumer.

The HST is far more than a simple harmonization of sales taxes. The fact is that under the HST, the tax burden is shifted to individual consumers because business stops paying GST, PST and HST. It is all being dumped on the consumer.

Honourable senators, this is a substantial change which has been arrived at without either consulting or informing Atlantic Canadians.

I want to be clear: The Progressive Conservative Party has always supported harmonization and was able to achieve this with Quebec however, unlike the present government, the PC government was prepared to let each province set its own rate. The problem is not harmonization; rather, it is the way in which Ottawa and the provinces have chosen to harmonize. Tax-included pricing, in particular, is a most serious problem.

In the House of Commons, the Minister of Finance stated:

...we shared a common objective — to give consumers and businesses a sales tax system that is simpler...

Honourable senators, evidence is mounting that tax-included pricing has caused nothing but headaches. These provisions in the bill require retailers to hide the blended tax in the sticker price. This has resulted in an outcry from business that complying with the requirement will result in higher prices, store closures and lost jobs. That is a very high cost indeed. It does not make good business sense to require national retailers to accommodate tax-included pricing and the two resulting tax systems, one for three very small Atlantic provinces and one for the rest of Canada. National retailers have made no bones about it: It will increase the cost of doing business, which will be passed on to the consumer, and this, of course, will rob consumers of any potential savings that a blended tax could have yielded.

In New Brunswick, tax-in price headaches have turned into complete confusion. It is important for those of us in this chamber from Atlantic Canada to understand what is happening. The provincial finance minister, in trying to respond to retailers' hostility to tax-in pricing and the federal government's absolute insistence upon it, has come up with a great many rules that confuse everyone.

• (1500)

I would ask honourable senators from the Atlantic provinces to think about the following scenario:

Our finance minister is saying that retailers will have four options: The price can include the 15-per-cent tax, that is straightforward; or the sticker does not include the tax, but another sticker on the other side of the package does; or the sticker does not include the tax, but the price on the shelf above does; or the real price is displayed on a sign next to the rack of goods. Pity the poor residents and tourists.

One New Brunswick newspaper has described this multiple choice exercise as:

Making a mockery out of store pricing policies and turning comparison shopping into a nightmare. Anyone who liked tax-in pricing has now been given numerous reasons to hate it.

Honourable senators, this new Liberal tax will harm low-income New Brunswickers. Simply stated, harmonization means that the following items previously taxed at 7 per cent will be taxed at 15 per cent on April 1, 1997: personal services — for instance, having a shampoo or getting your hair cut — clothing and footwear under \$100, fuel and electricity, new housing and land transactions, purchased transportation — for instance, bus rides — gasoline and diesel fuel, used cars sold privately, and legal and accounting fees.

There is no disputing the fact that the Liberal government's new tax will more than double the tax on the basic necessities of life — home heating fuel, electricity, gasoline and clothing under \$100. There is no disputing the fact that this new tax will cause significant harm to the thousands of New Brunswickers who are already struggling to make ends meet, particularly people with disabilities, seniors and others on fixed incomes — students, single mothers, low-income workers.

New Brunswick's Minister of Finance is on record in a letter to the leader the opposition that his department did not study the impact of the HST on consumers, so there can be no dispute with the Atlantic Provinces Economic Council's detailed analysis of the effect of the HST on consumers. The report was particularly scathing of the impact of the HST on low-income families. The report said:

Breaking down the HST's impact clearly shows a new tax's "gouging" effect on low-income consumers, with many of the expected price hikes affecting basic necessities.

I would suggest to the senators from Atlantic Canada — for I am sure they are as concerned as I am about what happens to the residents of our area — that they should look carefully at this report.

Honourable senators, let us look at some items in a typical shopping basket of goods that an average New Brunswick consumer would purchase, and compare the total tax paid before the harmonization with the tax paid after April 1, when harmonization comes into effect. The shopping basket contains the following products: smoke detector, diapers, a girl's fleece outfit, infant's snowsuit, boy's winter boots, child's car safety seat, a lady's coat and man's work boots. Prior to the new tax, a

New Brunswick shopper would pay \$29.05 in tax, but after April 1 the typical shopper will pay \$62.24 in tax. This represents a whopping 114-per-cent tax increase for this shopping basket of goods.

The fact is that the HST will broaden the tax base so that provincial sales taxes will apply to far more goods and services than in the past. The crime is that those New Brunswickers who can least afford an increase in the cost of living will be hit the hardest by this new tax.

The New Brunswick Department of Finance claims to have introduced a number of programs that will benefit poor families that may be hurt by the HST. However, officials admit that many poor families and individuals will certainly lose out under harmonization. When you have officials admitting that there are losers, goodness knows how many will be lumped in that category. Again, the fact is that in the absence of a close analysis of the effects of the HST on specific income groups, low-income New Brunswickers must accept, on faith, government assurances that they will not lose out when, in reality, no one knows for sure the outcome. Faith in this government is fading fast.

Again, to return to the federal Minister of Finance's statement in the House of Commons announcing the new harmonized sales tax, he said:

...the objective was to give consumers and businesses a more equitable tax system...

The New Brunswick government's own documents reveal that upper-income households in the province could expect to save as much as 25 times more than low-income New Brunswickers in many categories of expenditures. The items that will become more expensive essentially include the necessities of life, especially electricity and heating fuel, as well as clothing and footwear under \$100, bus rides and used cars sold privately. As we all know, those are the items that lower-income people are most likely to buy. The real savings from harmonization come from the purchase of new cars, luxury goods or expensive appliances, trailers and boats, goods that low-income consumers are less likely to purchase.

Honourable senators, what is more equitable about a tax that makes it cheaper to buy a fur coat and more expensive to buy a jacket for a child, or more expensive to pay for electricity and less expensive to purchase a new car?

Another disturbing aspect of the HST agreement is that it requires the three provinces to yield or surrender individual jurisdictional authority over taxing power. New Brunswick's Leader of the Opposition argues that should the province decide to lower the tax, it will need the unanimous consent of Ottawa, Halifax and St. John's to proceed. On the other hand, should New Brunswick object to an increase in the tax, the governments of the other two provinces are entitled under the agreement to force New Brunswickers to increase the tax. As the Leader of the Opposition in Nova Scotia pointed out, in this sense the agreement means simply, "taxation without representation."

To entice the three Liberal premiers to participate in this agreement and to bail the Prime Minister out of his promise to scrap the GST, Ottawa will pay compensation of \$961 million to those three provinces. It is a temporary solution, and when the money runs out and the provinces face a larger shortfall, what will happen? What kind of tax increases will the provinces face? It is a most disturbing piece of legislation.

Atlantic Canadians have not been involved in the development of the HST and have not been informed of its consequences. Evidence is available that government officials really do not know or do not agree about the outcome of the harmonized tax. That is particularly unsettling in view of the evidence that those who can least afford an increase in the cost of living will be the hardest hit by this deal. It is unsettling when representatives of national firms predict that the province will experience job losses, as marginally profitable locations become unprofitable due to the increased costs resulting from this new tax. It is unsettling that the increased prices resulting from the HST will reduce the disposable income of New Brunswickers, thus hurting an already fragile economy. It is unsettling because this is a radical encroachment on provincial taxing authority.

Honourable senators, I am looking forward to the Senate committee hearings in Ottawa, New Brunswick, Nova Scotia and Newfoundland and Labrador. I certainly hope that the committee does not just pop into the capitals and walk away. There are people in those provinces who want to be heard. I hope after those hearings are completed that my suspicions about this bill will be addressed and that I might be in a position to speak more hopefully at third reading. Right now, I cannot.

Some Hon. Senators: Hear, hear!

On motion of Senator Kinsella, debate adjourned.

•(1510)

EXCISE TAX ACT

BILL TO AMEND—SECOND READING

On the Order:

Resuming debate on the motion of the Honourable Senator Di Nino, seconded by the Honourable Senator Beaudoin, for the second reading of Bill S-11, to amend the Excise Tax Act.—(*Honourable Senator Berntson*).

Hon. Consiglio Di Nino: Honourable senators, you will notice that this item has now been on the Order Paper for 14 days. Obviously, if we allow it to remain, it will have been on the Order Paper for 15 days, after which it will fall off the Order Paper. That is certainly something none of us would like to see.

Unless some other senator wishes to speak on the issue and assurances are given —

The Hon. the Speaker: Honourable senators, I must warn the Senate that if Senator Di Nino speaks now, his speech will have the effect of closing the debate on this motion.

Senator Di Nino: I believe that the proper procedure, then, is to move second reading.

The Hon. the Speaker: It has already been moved. Therefore, I shall put the motion.

It was moved by the Honourable Senator Di Nino, seconded by the Honourable Senator Beaudoin, that this bill be read the second time. Is it your pleasure, honourable senators, to adopt the motion?

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?

Hon. Consiglio Di Nino: Honourable senators, I ask that this bill be referred to the Standing Senate Committee on Social Affairs, Science and Technology.

Hon. Peter Bosa: I should like to ask the honourable senator why he would refer this bill to the Standing Senate Committee on Social Affairs, Science and Technology when it is a matter of taxation that would be dealt with more properly by the Standing Senate Committee on Banking, Trade and Commerce.

Senator Di Nino: Honourable senators, this bill deals with an issue which is very important to many Canadians: literacy. Therefore there is more emphasis on the issue of social affairs rather than on taxation.

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

ABORIGINAL PEOPLES

RECOMMENDATION OF ROYAL COMMISSION ON CONSTITUTION
OF FORUM—MOTION TO PROCEED WITH INITIATIVE—
DEBATE ADJOURNED

Hon. Mira Spivak, pursuant to notice of February 13, 1997, moved the following resolution:

Whereas, the *Royal Proclamation of 1763* portrays the nations of Aboriginal Peoples as autonomous political units living under the Crown's protection while retaining their internal political authority and their territories:

And whereas, the Government of Canada in 1995, recognized the inherency of the right of Aboriginal Peoples to be self-governing as an existing right under subsection (35)(1) of the *Constitution Act, 1982*;

And whereas, the Royal Commission on Aboriginal Peoples has documented the need to fundamentally restructure the relationship between Aboriginal nations and governments of Canada for the long-term benefit of Aboriginal and non-Aboriginal Peoples of Canada;

And whereas, the Royal Commission on Aboriginal Peoples has further identified the need for a Canada-wide framework agreement to guide development of self-government agreements and treaties between recognized Aboriginal nations and the federal and provincial governments;

And whereas, the Royal Commission on Aboriginal Peoples has recommended that the Government of Canada convene a meeting of First Ministers, territorial leaders and national Aboriginal leaders to create a forum charged with drawing up a Canada-wide framework agreement;

Therefore, the Senate of Canada appeal to the Prime Minister to convene the said meeting at the earliest possible date to create the necessary forum and to give Aboriginal and non-Aboriginal Peoples of Canada a clear sign of the government's intent to address the serious and pressing matters raised by the Royal Commission on Aboriginal Peoples.

She said: Honourable senators, the initial impetus to table the resolution before you on the Royal Commission on Aboriginal Peoples came in response to a request. Thereafter, I began to consider the response in the other place to the commission report — a five-year, massive study focusing many of our best minds on a single task, which one political scientist called a “world-setting precedent” and which Ovide Mercredi, National Chief of the Assembly of First Nations, called the “last, best chance that we have in this century to establish a new relationship with aboriginal peoples.” It is certainly the most comprehensive review of issues affecting aboriginal peoples ever undertaken in Canada.

Indian Affairs Minister Ron Irwin opposed the spending increase in the report and said he did not favour a restructuring of relations with aboriginal people. The Reform Party's response was that more than enough money is being spent on natives. Bloc Québécois Leader Michel Gauthier said that spending more money is not the way to solve problems raised in the report. These are rather quick, superficial responses addressing only the costs and not the substance of the report — the roots of injustice in our history and the denial of this injustice; the question of sharing resource revenues and resolving land claims; the need to deal with the Department of Indian Affairs, the problem of growing social expenditures, lost productivity and dysfunctional poverty. I asked myself, “What were they thinking?” I believe the answer is that they were not thinking.

It is for this reason that I believe that the modern Senate, now priding itself on upholding minority rights, could play a role in

initiating and furthering the debate on this most central issue in our country, at the very least, by supporting the commission's call for a meeting to begin such a discussion.

In their report, the commissioners twice recommend the convening of a first ministers' meeting. In volume 1, the commission urges the Government of Canada to convene a meeting of provincial premiers, territorial leaders, and national aboriginal leaders. The chief purpose of this meeting would be to take a small step towards restructuring their relationship. The commission asks the first ministers to create a forum which could draw up a Canada-wide framework agreement for future treaty negotiations. This would be part of the process of renewal. It would set out common principles and directions to guide the negotiations of treaties with recognized aboriginal nations. It would be a step towards fulfilling the treaty obligations to aboriginal peoples that have been put on the shelf for centuries.

Those of you who are members of the Standing Senate Committee on Aboriginal Peoples heard directly from the commission's co-chairs, the Honourable René Dussault of the Quebec Court of Appeal and George Erasmus, former National Chief of the Assembly of First Nations, just why the first ministers meeting is an essential first step. I will not reiterate their remarks, but I do commend to you their cogent, and often eloquent, presentation to the committee. It is better than a Coles Notes summary of the report. You may find yourself, as some committee members did, disagreeing with certain points, but you will have the benefit of their logic.

In early December, members of the committee were reminded that the root of the current problem lies in what took place in the 19th century when aboriginal people were made wards of the state. The state used its power to overturn aboriginal peoples' institutions, to try to eliminate their culture, and to singularly curtail their access to land and resources. This was not the vision of sharing the land base of Canada, sharing its abundant resources, or the expectation of coexistence with European settlers that aboriginal peoples had in mind when they welcomed and assisted our cultural ancestors. It was not the vision of the Royal Proclamation of 1763 which portrayed the nations of aboriginal peoples as autonomous political units living under the Crown's protection, retaining their internal political authority and their territories.

• (1520)

By the time of Confederation, however, a great deal had changed. The general assumption among Canadians and their political leaders was that aboriginal people would disappear as distinctive peoples. Aboriginal people were made subjects of the federal power under the British North America Act. The Indian Act gave the federal government extraordinary powers over their individual lives and their communities. Policies of relocation, the tragedy of residential schools, government failures to honour or conclude treaties were accelerated. To be blunt, a system of welfare replaced any effort on the part of governments to allow aboriginal people to be part of their own self-reliant, self-governing and economically sustainable communities.

What has been the result of these misguided policies, to describe them in the most generous of terms? The first obvious fact is that the general assumption of the late 19th century was false. Aboriginal people have remained distinctive. They have not vanished or, in the main, been assimilated into the North American culture as it has evolved. They have also increased in number. There are now eight times as many aboriginal people living in Canada, including Métis and Inuit, than there were in 1867. There are now more aboriginal people living in Manitoba alone than lived in all of Canada at the time of Confederation. The most widely accepted estimate of indigenous populations at the time of first contact with Europeans holds that there were approximately 500,000 people. Now there are more than 800,000, and the population is expected to exceed one million within 15 years.

How are these people living in Canada? They are living in poverty, in poor health, in unemployment, in dependency, in lack of educational attainment and, too often, in jail. I see it daily in my home city of Winnipeg where almost 46,000 people of aboriginal origin or Indian registration — the highest urban population in Canada — have come in the hope of finding the health care, the housing, the jobs and perhaps the hope that they failed to find in their own communities.

The commission report gives us much more than the grim statistics: 46 per cent of the people on reserves living on welfare, an unemployment rate of 24.6 per cent in 1991, an average earned income of \$14,500 — almost \$10,000 less than the average for all Canadians — and astounding rates of incarceration. Some 49 per cent of inmates of provincial prisons in Manitoba are of aboriginal origin. In Saskatchewan, the percentage is a staggering 72 per cent.

The commission does more than paint a picture of conditions that are completely unacceptable. It reminds us that all Canadians pay the price, through government spending on remedial measures, through social assistance, and through forgone income that could contribute to the GDP if aboriginal people were productively employed at rates equal to their neighbours in non-aboriginal communities. The price tag to taxpayers is \$7.5 billion annually.

I do not want to dwell on the economics presented by the commission. Of all aspects of their report, the economic costs and benefits have received the most media attention, the most political focus, and have been at the root of some of the reasons for quickly dismissing the commission's recommendations. Suffice it to say that the report clearly points out that on economics alone Canada would benefit by adopting a new strategy. We can choose to maintain the status quo and see these costs escalate to \$11 billion a year within two decades, or we can choose to alter our course, to invest more now in the future of one million Canadians and see our overall costs decline.

I return to what the co-chairs told the Senate committee. The clock is ticking. Every year that passes without effective change means that more young aboriginal people slide into despondency

and alienation. Renewal is not just a question of getting better programs in place in the Department of Indian Affairs. What is required is a fundamental chance to free aboriginal people from control by external agencies and to enable them to liberate themselves from the dependency that comes from being clients of government.

Just two years ago, in its policy document on aboriginal self-government the government explicitly recognized the inherent right of aboriginal peoples to be self-governing as an existing right under section 35(1) of the Constitution Act, 1982. In Manitoba, there has been some progress in that direction. The Minister of Indian Affairs and Northern Development on his own, however, cannot cede real authority over the broad areas of jurisdiction across Canada. He cannot alone show willingness to reallocate lands and resources and financial resources to give aboriginal people a basis for self-reliance and self-government. That is the commissioners' challenge to this country's first ministers. That is why the commission has called for a first ministers conference.

Near the conclusion of their report, the commissioners repeated their call for a first ministers conference. They proposed that the first ministers should meet within six months to begin discussion on a new Royal Proclamation that would redefine the relationship between aboriginal nations and Canadian governments and to establish the forum to create the Canada-wide framework agreement.

To date, there has been a resounding silence from the Prime Minister and from provincial premiers. Earlier this month, a press report told us, in a paragraph buried deep in a story, that the Prime Minister has so far refused to convene the high-level meeting with the premiers and aboriginal leaders. I hope that that is not the Prime Minister's official response to this landmark report.

Honourable senators, no one in this chamber naively suffers from the delusion that the Prime Minister has no other pressing matters to consider; matters that might make it awkward to meet the commission's six-month deadline, such as the timing of an election or national unity questions. Nor do members in the House of Commons, where the government has also been urged to promptly take up the commission's challenge, suffer from any misconceptions about the current political agenda. We all know that within months the government will want to ask Canadians to return it to power. The government, after all, has to be concerned, very practically, with its own survival. However, these matters of which we speak must be regarded as the highest priority, not only for moral reasons but also for reasons of enlightened self-interest.

Let me share with you the comments of two very distinguished Canadians. The Right Honourable Brian Dickson, former Chief Justice of Canada — who is from Winnipeg, I might add — who was special representative to the former Prime Minister prior to the commission's appointment, was charged with the task of recommending the commission's mandate and its membership. In his 1991 report he wrote, modestly:

As an ordinary Canadian I feel very deeply that this wonderful country is at a crucial, and very fragile, juncture in its history. One of the major reasons for this fragility is the deep sense of alienation and frustration, felt by, I believe, the vast majority of Canadian Indians, Inuit and Métis. Accordingly, any process of change or reform in Canada — whether constitutional, economic or social — should not proceed, and cannot succeed, without aboriginal issues being an important part of the agenda.

The former chief justice urged the government, in crafting the commission's mandate, to address the process and mechanisms for considering, adopting and implementing the commission's recommendations. The government accepted his advice, the commission has fulfilled its mandate, and I am sure that the former chief justice, like many Canadians, hopes and expects the government to do its part to respond and to show sincere willingness to consider those recommendations. The first step, the minimal step, is the convening of a first ministers conference.

The other "ordinary Canadian" is former Prime Minister Joe Clark, a man who has gained the respect of Canadians for his fairness, his sense of justice and his plain, common sense in dealing with complex national issues. Mr. Clark spoke earlier this month at a conference organized by McGill University's Institute for the Study of Canada. That conference dealt very specifically, and very contentiously, with the royal commission's recommendations. The former Prime Minister spoke of Oka and the urgent need to assure aboriginal people that we will not ignore this opportunity for fundamental reform.

He reminded us that there is a danger in letting months slip by during which attention is diverted elsewhere, perhaps to an election. The danger is that the momentum will be lost. He also spoke to the spirit of Canadians. He said:

We very much need to recapture a sense of what the country is, some sense of the spirit and the traditions and respect we hold for one another in the country. We can't do that if we continue our present practice with respect to aboriginal people. It's not possible to have respect for ourselves if we continue to show disrespect for such a signal part of our population. And yet, if we are able to take the opportunity that this royal commission has provided us, if we are able to respond with generosity and with respect to the aboriginal citizens of Canada, that in itself could create a stronger sense of our whole country. And that in itself could do more than any number of constitutional changes to renew the country that many of us fear we are at risk of losing.

I, too, believe that dealing with the long outstanding issues given new voice by the commissioners in their report are part and parcel of the national unity debate. We cannot pretend they do not exist. We cannot ignore them. We cannot shelve them. We can no longer postpone them and hope that we can move forward. The convening of a first ministers meeting would be the

first step to acknowledging that reality. It would be the first sign to a generation of young Canadians, aboriginal and non-aboriginal alike, that we are willing to look back and to reconsider, and that we are willing to look forward and offer new hope.

I hope this resolution will be debated. I hope the Senate will live up to its promise and its potential to influence and draw attention to this very important matter dealing with the rights of a minority. Decades ago, the Royal Commission on Bilingualism and Biculturalism set a new course for governments. The Royal Commission on the Status of Women also changed the policy of governments, and many of those recommendations are now law. Shall we abandon that tradition in Canada now, at great cost to all of us? I sincerely hope not.

On motion of Senator Hébert, debate adjourned.

The Senate adjourned during pleasure.

[*Translation*]

ROYAL ASSENT

The Right Honourable Antonio Lamer, Chief Justice of the Supreme Court of Canada, in his capacity as Deputy Governor General, having come and being seated at the foot of the Throne, and the House of Commons having been summoned, and being come with their Deputy Speaker, the Right Honourable the Deputy Governor General was pleased to give the Royal Assent to the following bills:

An Act 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 (*Bill C-41, Chapter 1, 1997*)

An Act to amend the Prisons and Reformatories Act (*Bill C-53, Chapter 2, 1997*)

An Act to amend the Bell Canada Act (*Bill C-57, Chapter 3, 1997*)

An Act respecting a National Organ Donor Week in Canada (*Bill C-202, Chapter 4, 1997*)

An Act to amend the Financial Administration Act (session of Parliament) (*Bill C-270, Chapter 5, 1997*)

The House of Commons withdrew.

The Right Honourable the Deputy Governor General was pleased to retire.

The sitting of the Senate was resumed.

The Senate adjourned until tomorrow at 2 p.m.

CONTENTS

Wednesday, February 19, 1997

	PAGE		PAGE
Pages Exchange Program with House of Commons		Senator Gustafson	1597
The Hon. the Speaker	1595	Senator Fairbairn	1597
Royal Assent		Finance	
Notice.	1595	The Budget—Use of Communications Firm for Publicity— Government Position. Senator Phillips	1597
<hr/>		Senator Fairbairn	1598
ROUTINE PROCEEDINGS		Manganese-Based Fuel Additives	
Nuclear Safety and Control Bill (Bill C-23)		Questions Posed to Energy, the Environment and Natural Resources Committee—Request for Interim Report.	
First Reading.	1595	Senator Kinsella	1598
Asia Pacific Parliamentary Forum		Senator Ghitter	1598
Report of Canadian Delegation to Fifth Annual Meeting Tabled.		<hr/>	
Senator Hays	1595	ORDERS OF THE DAY	
Senator Kinsella	1596	Excise Tax Act	
Manganese-Based Fuel Additives		Federal-Provincial Fiscal	
Notice of Motion to Request the Attendance of Minister of International Trade Before Energy, the Environment and Natural Resources Committee. Senator Buchanan	1596	Arrangements Act	
The Budget 1997		Income Tax Act	
Statement of Minister of Finance—Notice of Inquiry.		Debt Servicing and Reduction Account Act (Bill C-70)	
Senator Lynch-Staunton	1596	Bill to Amend—Second Reading—Debate Continued.	
<hr/>		Senator Robertson	1599
QUESTION PERIOD		Excise Tax Act (Bill S-11)	
Health		Bill to Amend—Second Reading	1602
Recommendation of Legal and Constitutional Affairs Committee for Joint Review of Drug Policies—Government Position.		Senator Di Nino	1602
Senator Jessiman	1596	Referred to Committee	1602
Senator Prud'homme	1596	Senator Di Nino	1602
Senator Fairbairn	1597	Senator Bosa	1602
Agriculture		Aboriginal Peoples	
Increase in Food Inspection User Fees—Request for Details.		Recommendation of Royal Commission on Constitution of Forum— Motion to Proceed with Initiative—Debate Adjourned.	
		Senator Spivak	1602
		Royal Assent	1605



If undelivered, return COVER ONLY to:
Canada Communication Group — Publishing
Ottawa, Canada K1A 0S9